Global and Local Dynamics in African Business and Development
International Academy of African Business and Development (IAABD)

Peer-Reviewed Proceedings of the

9th Annual International Conference Held at:
The University of Florida
Gainesville, Florida
May 20-24, 2008

Edited By: Simon Sigué
Athabasca University, Canada

Hosted By:
University of Florida, Gainesville, Florida, USA
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreword   xii</td>
</tr>
<tr>
<td>International Academy of African Business and Development xiii</td>
</tr>
<tr>
<td>Local Organizing Committee xiv</td>
</tr>
<tr>
<td>Track Chairs xvi</td>
</tr>
<tr>
<td>List of Ad hoc Reviewers xviii</td>
</tr>
</tbody>
</table>

**Track 1: Accounting, Banking, Finance and Investment**

**The Impact of Monetary Policy on Banks’ Credit in Ghana**
Mohammed Amidu, University of Southampton, UK
Simon Wolfe, University of Southampton, UK

**Ownership Concentration and Corporate Performance on the Ghana Stock Exchange: A Panel Data Analysis**
Godfred A. Bokpin, University of Ghana Business School, Ghana

**Financial Policy and Corporate Performance: Evidence from Emerging Market Economies**
Godfred A. Bokpin, University of Ghana Business School, Ghana
Joshua Abor, University of Ghana Business School, Ghana

**Market Returns and Weak-Form Efficiency: The Case of the Ghana Stock Exchange**
Joseph Magnus Frimpong, Kwame Nkrumah University of Science & Technology, Ghana
Eric Fosu Öteng-Abayie, Garden City University College, Ghana

**How Efficient is Ghana’s Banking Sector?**
King A. Salami, GIMPA Business School, Ghana

**Constructs and Attitudes to Professionalism in Ugandan Firms**
Samuel Sejjaaka, Makerere University Business School, Uganda

**Investment Opportunities, Corporate Finance and Dividend Payout Policy: Evidence from Emerging Markets**
Joshua Abor, University of Ghana Business School, Ghana
Godfred A. Bokpin, University of Ghana Business School, Ghana

**Track 2: Africa and International Partners / Multilateral Organizations**

**China in Africa: African Views of Chinese Entrepreneurship**
Anita Spring, University of Florida, USA
Yang Jiao, University of Florida, USA
Aid for Trade: Do we Share a Common Understanding?
Lettice Kinunda-Rutashobya, University of Dar es Salaam, Tanzania

A Commentary of the Role of Multinationals in the Economic Development of Nigeria
Joseph F Aiyeku, Salem State College, USA
Massoud Farahbakhsh, Salem State College, USA
Bolajoko N Dixon-Ogbechi, University of Lagos, Nigeria

Track 3: Clusters, Relationships, Networks and Inter-firm Linkages

Prospects for Ethnic African Products in the European Union
Tidings P. Ndhlovu, Manchester Metropolitan University, UK
Leopold Lessassy, Université Pierre Mendes, France

Track 4: Ecology, Environment and Agribusiness

Environmental Education as a Tool for Poverty Alleviation in Africa
Umoh T. Umoh, University of Botswana, Botswana

Smallholder Tea Marketing Near Kibale National Park in Western Uganda
Kate Mullan, University of Florida, USA
Abe Goldman, University of Florida, USA
James A. Sterns, University of Florida, USA

Nigerian Cashew Economy: a Review of the Nut Production
Olawale Mashood Aliyu, Cocoa Research Institute of Nigeria, Nigeria
A. Hammed, Cocoa Research Institute of Nigeria, Nigeria

African Coastal Environment Development Potentials and Management Implications
Etop Usoro, University of Uyo, Nigeria
Ekan Etim, University of Uyo, Nigeria
Tom Umoh, University of Botswana, Botswana

Africa, Jatropha Seeds, and Biofuel
Baruti I. Katembo, Edward Waters College, USA
Pearl S. Gray, Edward Waters College, USA

Development, Pan-Africanism, and the EAC Model
Baruti Katembo, Edward Waters College, USA

Track 5: Economic Development Policies and Strategies

Innovation Systems, Research into Use and Development
Emmanuel Cleeve, Manchester Metropolitan University, UK

Local Economic Growth in Tanzania: Is It Wrong to Rely on Service Sector-led Growth?
Imani Silver Kyaruzi, University of Birmingham, UK
The Effect of a Liberalized Trade Regime on Agricultural Productivity, Exports, and Imports in Sub-Saharan Africa: A Review of Evidence on Uganda’s Experience
Geoffrey Bakunda, Makerere University Business School, Uganda

Determinants of Inflation in Ghana: A Cointegration Analysis
Adu George, Kwame Nkrumah University of Science and Technology, Ghana
Oteng-Abayie Eric Fosu, Garden City University College, Ghana

The Anatomy of Corruption in Nigeria: The Role of a Tsar Agency in Fighting Corruption
Emmanuel Obuah, Alabama A&M University, USA

Track 6: Educational Strategies and African Business and Development

Why Select and Remain in My University: Re-examining Higher Education in South Africa
Johan de Jager, Tshwane University of Technology, South Africa
Gbolahan Gbadamosi, University of Worcester, UK

Quality Assurance in African Higher Education: Environmental Perspectives
Peter Neema-Abooki, Makerere University, Uganda

Sub-Saharan Africa: The Tale of a Sleep Giant or Undiscovered Jewel
Norma Juma, Washburn University, USA
Eileen Kwesiga, Bryant University, USA

Improving participation of Black Minority Students in Class Discussion
Sola Adesola, Oxford Brookes University, UK

Track 7: Entrepreneurship, Small Business and the Informal Sector

The Process of Incubating Nascent Entrepreneurs for Economic Growth
Imani Silver Kyaruzi, University of Birmingham, UK
Lawrence Ogechukwu Obokoh, University of Wales, UK

Trade Liberalisation and Government Development Programme for Small and Medium Sized Enterprises in Nigeria
Lawrence Ogechukwu Obokoh, University of Wales, UK

A Lack of an Entrepreneurial Mindset: The Bane of Entrepreneurship in South Africa
Samson-Akpan Ekaete, University of the Free State, South Africa
Benedict Henrie Olumide, University of Johannesburg, South Africa

Defining Customer Driven Competence Development in the Micro-enterprise Sector: What Are the Customer Perspectives?
Allan Mulengani Katwalo, University of Northampton, UK

Kupapatas: Struggling to Keep Balance: Taxi-bikes in Huambo, Angola
Carlos M. Lopes, African Studies Center, ISCTE, Portugal
<table>
<thead>
<tr>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women Entrepreneurship Development: The Effect of Environmental Factors</td>
<td>253</td>
</tr>
<tr>
<td>Chinonye Okafor, Covenant University, Nigeria</td>
<td></td>
</tr>
<tr>
<td>Marketing Margins for Soybeans in Enugu State, Nigeria</td>
<td>261</td>
</tr>
<tr>
<td>Francis O. Odo, University of Nigeria, Nigeria</td>
<td></td>
</tr>
<tr>
<td>Sand Chidebelu, University of Nigeria, Nigeria</td>
<td></td>
</tr>
<tr>
<td>E. Ugwuonah, University of Nigeria, Nigeria</td>
<td></td>
</tr>
<tr>
<td>Access of Small and Medium Enterprises to Public Procurement Contracts: The Tanzanian Experience</td>
<td>267</td>
</tr>
<tr>
<td>Gladness Salema, University of Dar es Salaam, Tanzania</td>
<td></td>
</tr>
<tr>
<td>Applying a “Lean Enterprise” System to Increase Productivity at an SMEE in South Africa</td>
<td>275</td>
</tr>
<tr>
<td>K. Jacobs, Cape Peninsula University of Technology, South Africa</td>
<td></td>
</tr>
<tr>
<td>W. Yan, Cape Peninsula University of Technology, South Africa</td>
<td></td>
</tr>
<tr>
<td>Factors Affecting the Success of Women Street Food Vendors in Niger</td>
<td>283</td>
</tr>
<tr>
<td>Miriam Otoo, Purdue University, USA</td>
<td></td>
</tr>
<tr>
<td>Germaine Ibro, Institut National de Recherche Agronomique du Niger, Niger</td>
<td></td>
</tr>
<tr>
<td>Joan Fulton, Purdue University, USA</td>
<td></td>
</tr>
<tr>
<td>James Lowenberg-DeBoer, Purdue University, USA</td>
<td></td>
</tr>
<tr>
<td>The Impact of Social Networking Relationships and Firm-Specific Managerial Experience on Performance: A Comparative Analysis of Family and Non-Family Firms from Ghana</td>
<td>293</td>
</tr>
<tr>
<td>Moses Acquaah, University of North Carolina at Greensboro, USA</td>
<td></td>
</tr>
<tr>
<td>Can the Poor Be Regulated? Insights from Selected Experiences in East Africa</td>
<td>302</td>
</tr>
<tr>
<td>Robert Rugimbana, Tshwane University of Technology, South Africa</td>
<td></td>
</tr>
<tr>
<td>Entrepreneur Options in Hostile Environments: A Study of Women Entrepreneurs in Zimbabwe</td>
<td>307</td>
</tr>
<tr>
<td>Swithina Mboko, St Cloud State University, USA</td>
<td></td>
</tr>
<tr>
<td>An Exploratory Study into Factors Influencing the Willingness of Informal Businesses to become Formalised – A Case Study of Informal Businesses in a few Selected Townships of Port Elizabeth</td>
<td>315</td>
</tr>
<tr>
<td>Ronney Ncwadi, Nelson Mandela Metropolitan University, South Africa</td>
<td></td>
</tr>
<tr>
<td>Jacques Pietersen, Nelson Mandela Metropolitan University, South Africa</td>
<td></td>
</tr>
<tr>
<td>An Exploratory Study into the Impact of LBSCs in the Development of SMMEs in Nelson Mandela Metropole, South Africa: A Regression Analysis</td>
<td>323</td>
</tr>
<tr>
<td>Ronney Ncwadi, Nelson Mandela Metropolitan University, South Africa</td>
<td></td>
</tr>
<tr>
<td>Pierre Le Roux, Nelson Mandela Metropolitan University, South Africa</td>
<td></td>
</tr>
<tr>
<td>A Framework of Micro, Small and Medium Retail Enterprises Development in a Developing Country: The Case of Dar es Salaam</td>
<td>329</td>
</tr>
<tr>
<td>Lucy M. Mboma, University of Dar es Salaam, Tanzania</td>
<td></td>
</tr>
</tbody>
</table>
Business Development Services to SMEs: Experiences from an Online Business Plan
Competition in Tanzania
Donath Olomi, University of Dar es Salaam, Tanzania
Tobias Swai, University of Dar es Salaam, Tanzania

Track 8: Exporting, Internationalization and Foreign Direct Investment

Internationalisation Expectations of Entry-level and Senior University Students - A Malaysian Perspective
Johan de Jager, Tshwane University of Technology, South Africa
Werner Soontiens, Curtin University of Technology, Australia

Globalization: Africa’s Role in Early Global Trading Connectedness
Chris Ehiobuche, Berkeley College New Jersey, USA
Chizoba “Zee” Madueke, Walden University, USA
Marieta Velikova, Belmont University, USA

Trade, Foreign Direct Investment and Inequality within countries: Evidence from Panel Data on African Countries
Khaled Elmawazini, KIMEP(Kazakhstan) and University of Ottawa, Canada
Pran Manga, University of Ottawa, Canada

Examining Causality between Exports and Economic Growth in Mauritius
Allan C. K. Mukungu, University of Westminster, UK

Liberal/Restrictive External Sector Policy Eras and the Dynamics of Economics of Economic Growth in Nigeria
Esther O. Adegbite, University of Lagos, Nigeria
Babatunde O. Oke, University of Lagos, Nigeria

An Analysis of Terms of Trade and Tariffs of the Countries of Africa in the International Market
Philemon Oyewole, Howard University, USA
Ephraim Okoro, Howard University, USA

The Link between a Country’s Tax Structure and Foreign Direct Investment: Empirical Evidence from Ghana
Simon Kwadzogah Harvey, University of Ghana Business School, Ghana
Mohammed Amidu, University of Ghana Business School, Ghana
Eme Fiawoyife, University of Ghana Business School, Ghana

Domestic environmental policies, International capital flows and investment in Environmentally Sound Technologies
Joshua O. Anyangah, University of Lethbridge, Canada

Determinants of Inward Foreign Direct Investment in the Ghanaian Manufacturing Sector
Simon K. Harvey, University of Ghana Business School, Ghana
Joshua Abor, University of Ghana Business School, Ghana
Track 9: Gender and Economic Development

A Gender Analysis of Bank Loan Negotiations
Grace M Kibanja, Makerere University, Uganda
John C. Munene, Makerere University, Uganda

Analysis of Profit Efficiency in Rice Production in Eastern Uganda: A Gender Perspective
Theodora Shuwu Hyuha, Makerere University, Uganda
Jairus Ounza Muhehe, Network of Ugandan Researchers and Research Users, Uganda

Track 10: Health Care and the Human Condition in Africa

Introducing Total Quality Management in a Rural Health Zone to Reduce HIV Infection due to Unsafe Medical Care
Ngoyi K. Zacharie Bukonda, Wichita State University, USA
T. Disashi, Université de Mbuji Mayi, Democratic Republic of Congo

Mentoring in a Post-Apartheid Era: A Case of South Africa Public Hospitals
Edward Rankhumise, Tshwane University of Technology, South Africa

Track 11: Human Resources, Management and Organization

The Interaction between Perceived Physical Fitness, Mood at work, Job Satisfaction, and Organizational Citizenship Behaviour
Eddy Kurobuza Tukamushaba, Makerere University Business School, Uganda

The Adoption of HRM Practices by Small Firms and its Impact on Firm Performance
Franca Ovadje, Pan African University, Nigeria
Yetunde Anibaba, Pan African University, Nigeria

Organizational Leadership in Mozambican Businesses: Some Considerations based on a Hermeneutical Analysis of Direct Discourse
Ana Célia Calapez Gomes, Instituto Superior de Ciências do Trabalho e do Emprego, Portugal

Dynamic Capabilities: Antecedents and Performance Implications
Felix T. Mavondo, Monash University, Australia

Globalization and the Challenges of Human Resource Management in Africa
Femi Adeyeye, Lagos State University, Nigeria

Articulating Competences of Managers to Address the Changing Work Environment Demands in the District Local Governments
Florence Nansubuga, Makerere University, Uganda

Stress at work: any potential redirection from an African Sample?
Gbolahan Gbadamosi, University of Worcester, Worcester, UK
Desirable Characteristics of a Stakeholder Manager: Perspectives from Employees and Customers of a Developing Country Context
Muhsin Salim Masoud, University of Dar es Salaam, Tanzania

Teacher Operant Competences and Organisational Citizenship Behaviour in the Performance of Ugandan Primary Schools
John C. Munene, Makerere University Business School, Uganda

An analysis of HRM Practices in Polytechnics in Ghana: The Impact of Size
Kojo Saffu, Brock University, Canada
Samuel Obeng Apori, Takoradi Polytechnic, Ghana
Angela Elijah-Mensah, Takoradi Polytechnic, Ghana

Segmented Work and Ethnic Divided Workers in the Nigerian Oil Sector
Chima Mordi, Brunel Business School, UK

Track 12: ICT and E-Business

Information Systems Curriculum: A Recommendation for the 21st Century
Godwin Tetteh, London South Bank University, UK

Track 13: Law, Social Responsibility and Ethics

The Limits of ‘Stakeholder Democracy’ for Kenyan Consumers
Fredah G. Mwiti, Strathmore University, Kenya
Judy N. Muthuri, Nottingham University Business School, UK

In Defense of Whistle-blowing as an Integral Part of Organizational Integrity: A Theoretical Exposition
Abel J. Diale, Tshwane University of Technology, South Africa

Religious Core Values and Ethical Sensitivity: An Empirical Investigation of University Undergraduates
Francis Odianonsen Iyoha, Covenant University, Nigeria

Firm Political Responsibility: A Proposed Definition and a Typology of Firm Political Responsiveness
Mike Valente, University of Victoria, Canada
Andy Crane, York University, Canada

The Role of Corporate Social Responsibility in Tackling Violent Conflicts in the Niger Delta
Rhuk Témitope Ako, University of Kent at Canterbury, UK
Lawrence Ogechukwu Obokoh, University of Wales, UK
Patrick Dumme Okonnah, University of Wales, UK

Corporate Social Responsibility Schemes and Sustainable Development of Developing Economies: The Case of Ghana COCOBOD
Samuel Yaw Akomea, KNUST School of Business, Ghana
Marian Perry Asiedua Ofosu, Ghana Cocoa Board, Ghana
Opportunities and Challenges of WTO in Developing Countries: Implication for the Nigerian Legal Profession
Sola Adesola, Oxford Brookes University, UK

593

Western Legal Systems Co-Existing with African Customary Laws: A Case Study of Cameroon
Edwin Mujih, London Metropolitan University, UK

599

Peter W. Schroth, IRCG, LLC and Lawyers Without Borders, USA

605

Track 14: Logistics, Transportation and Supply Chain Management

Lean Supply Chain Implementation: Transforming Nigerian Military Supply Chain Value Stream into a Lean Sustainment Enterprise for the 21st Century
Chris I. Enyinda, North Dakota State University, USA
Charles Briggs, North Dakota State University, USA
Denver Tolliver, North Dakota State University, USA
Chris Mbah, Mount Olive College, USA

619

Total Cost of Ownership and Supplier Selection: A Case of Makerere University Business School Catering Unit
Eddy Kurobuza Tukamushaba, Makerere University Business School, Uganda

629

The Need for Logistics Infrastructure Improvement in Nigerian Seaport: The Case of Apapa Container Port
Francis I. Ojadi, Pan African University, Nigeria

637

Track 15: Marketing and Consumer Behavior

Marketing Financial Services to Old Age Consumers: “Baby Boomers” in Ghana
Nana Owusu-Frimpong, London Metropolitan Business School, UK
Ogenyi E. Omar, Hertfordshire Business School, UK
Frederick Mmieh, Brunel Business School, UK

647

An Assessment of Market Orientation Practice among Small and Medium Scale (SMEs) Firms: A Comparison of Selected SMEs Firms in Nigeria and UK
Christopher Ayodele Oniku, University of Eastern London, UK
Sonny Nwankwo, University of Eastern London, UK
Nnamdi Madichie, University of Eastern London, UK

655

Customer Retention through Relationship Marketing in the Insurance Industry in Ghana: A Study of the State Insurance Company of Ghana LTD
Kofi Poku, Kwame Nkrumah University of Science and Technology, Ghana

665
Competitiveness of African Businesses in International Markets through Branding Strategies: A Case of Tanzanian Enterprises
Lufumbi J. Mwaipopo, University of Dar es Salaam, Tanzania

Assessing Consumer Preference of Origin-Labelled Drinks and its Implications for Food and Drinks Industry in Ghana
Fred A. Yamoah, Kwame Nkrumah University of Science and Technology, Ghana
Paul N. Buasti, Kwame Nkrumah University of Science and Technology, Ghana

Attitudes of Nigerians Towards Insurance Services
Dallah Hamadu, University of Lagos, Nigeria
Tajudeen Olalekan Yusuf, University of Lagos, Nigeria
Ayantunji Gbadamosi, University of Lagos, Nigeria

A Theoretical Framework for Explaining the Moderating Role of the Institutional Context on Advertising Effects in Emerging Market: The Case of South Africa
Mlenga G. Jere, University of Cape Town, South Africa
Albertina K. Jere, Rhodes University, South Africa

Advertising Creative Strategy Development in Ghana
Ignatius Fosu, University of Arkansas, USA

Sustainable Tourism Marketing as a Tool for Economic Development Strategy in Nigeria
Adegbuyi Omotayo Adeniyi, Covenant University, Nigeria

Track 16: Special Sessions and Practitioner Panels
No accepted paper for the Proceedings.

Track 17: The African Diaspora and African Business and Development

A Spotlight on the Entrepreneurial Genius and Diasporic Chords in Akon’s Music and Lyrics
Nnamdi O. Madichie, University of East London, UK

Track 18: Tourism and Sustainable Development
No accepted paper for the Proceedings.

Track 19: Infrastructure and Business

Healing an Organization: High Performance Lessons from Africa
Sanford V. Berg, University of Florida, USA
William T. Muhairwe, National Water and Sewerage Company, Uganda

Towards Integrated Infrastructure Development in Greater Lagos
Ayodeji Olukoju, University of Lagos, Nigeria

x
Track 20: The Media Business: Visual and Performing Arts

No accepted paper for the proceedings.
Foreword

It is a great honor and pleasure to present the proceedings of the 2008 International Conference of the Academy of African Business and Development (IAABD). The theme of this year’s conference is “Global and Local Dynamics in African Business Development.” This theme invites all of us to look at issues related to African business and development from local as well as global perspectives. The Millennium Development Goal (MDG) to significantly alleviate poverty in Africa by 2015 is conditional on attaining an average gross domestic growth rate of at least 7% per annum. This rather ambitious goal can only be achieved if Africa can effectively address the many challenges that limit business development in and from Africa. Examples of these challenges include: infrastructures, health care, education, endemic corruption, political instability, low productivity, ignorance of foreign markets, and cultural impediments such as the belief in witchcraft. The necessity to tackle these challenges is more pressing now than ever before—as part of the global economy, Africa cannot afford to play an insignificant role in global markets and to passively collapse under the pressure of global competition.

Many of you responded positively to this year’s invitation. The contributions to this conference cover various aspects of business and development in Africa and are divided into 20 tracks. In keeping with tradition, not all papers presented at the conference are published in the proceedings. Some papers are submitted for presentation only; others are accepted for presentation only after a rigorous peer-review process.

These proceedings consist of 93 papers organized into 17 tracks. I hope that within these proceedings you will find papers that pique your interest.

I owe a great deal to several individuals who contributed their ideas, energy, time, and scholarly work to the success of this conference and to the publication of these proceedings. My thanks go the authors who submitted their papers. As well, I am indebted to the track chairs who coordinated the review process in their respective tracks, reviewed and selected the papers published herein. I would also like to express my sincere thanks to all ad hoc reviewers who worked so quickly and carefully to provide thoughtful reviews to their colleagues.

I owe a special thank you to Anita Spring, Conference Chair, and to Yaw Debrah, Program Chair, who were instrumental in the organization and success of both this conference and the production of these proceedings. I thank the staff at Florida University for helping design the cover page and providing editorial and developmental assistance. I also thank Felix Ayadi, a former IAABD Proceedings Editor, for his support.

Finally, my thanks go to the current IAABD Executive Committee for the opportunity to serve as Proceedings Editor.

Simon Pierre Sigué, Ph.D. Proceedings Editor
International Academy of African Business and Development

Founded in 1999, the International Academy of African Business and Development (IAABD) has established itself as one of the world leading organizations committed to fostering functional education, broadening and deepening global understanding of the various challenges facing African development and business, and advancing alternative solutions to Africa’s business and economic challenges. IAABD is open to scholars, professionals, and students of any nationality who are interested or actively engaged in the teaching, research, performance or administration of business and economic development issues as they relate to Africa. Around 200 scholars and professionals from all over the world attend its annual conference.

Executive Committee

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
<th>Affiliation</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>Chris Enyinda</td>
<td>Alabama A and M University, USA</td>
</tr>
<tr>
<td>Vice President</td>
<td>Nana Owusu-Frimpong</td>
<td>London Metropolitan University, UK</td>
</tr>
<tr>
<td>Executive Secretary</td>
<td>Anita Spring</td>
<td>University of Florida, USA</td>
</tr>
<tr>
<td>Vice president Finance and Treasurer</td>
<td>Peter W. Schroth</td>
<td>International Research &amp; Consulting Group LLC, USA</td>
</tr>
<tr>
<td>Vice President Membership</td>
<td>Allan Katwalo</td>
<td>University of Northampton, UK</td>
</tr>
<tr>
<td>Vice President Communications</td>
<td>Tom Umoh,</td>
<td>University of Botswana, Botswana</td>
</tr>
<tr>
<td>Program Chair</td>
<td>Yaw A. Debrah</td>
<td>Swansea University, Wales, UK</td>
</tr>
<tr>
<td>Proceedings Editor</td>
<td>Simon P. Sigué</td>
<td>Athabasca University, Canada</td>
</tr>
<tr>
<td>Conference Chair</td>
<td>Anita Spring</td>
<td>University of Florida, USA</td>
</tr>
<tr>
<td>Editor Journal of African Business</td>
<td>Kofi Q. Dadzie</td>
<td>Georgia State University, USA</td>
</tr>
<tr>
<td>Name</td>
<td>Title</td>
<td>College</td>
</tr>
<tr>
<td>---------------------------</td>
<td>-----------------------------------------------------------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>Asare, Stephen K.</td>
<td>Associate Professor of Accounting &amp; Deloitte Honor Roll Fellow</td>
<td>Business</td>
</tr>
<tr>
<td>Bonzongo, Jean Claude J.</td>
<td>Assistant Professor of Environmental Engineering Sciences</td>
<td>Engineering</td>
</tr>
<tr>
<td>Chalfin, Brenda H.</td>
<td>Assistant Professor of Anthropology</td>
<td>Liberal Arts &amp; Sciences</td>
</tr>
<tr>
<td>Crum. Roy L.</td>
<td>Professor of Finance</td>
<td>Business</td>
</tr>
<tr>
<td>Frosch, Joan</td>
<td>Professor of Dance and Assistant Director of the School of Theatre and Dance</td>
<td>Fine Arts</td>
</tr>
<tr>
<td>Goldman, Abraham</td>
<td>Associate Professor of Geography &amp; Acting Director, Center for African Studies</td>
<td>Liberal Arts &amp; Sciences</td>
</tr>
<tr>
<td>Jamison, Mark</td>
<td>Director, Public Utility Research Center</td>
<td>Business</td>
</tr>
<tr>
<td>Kane, Abdoulaye</td>
<td>Assistant Professor of Anthropology</td>
<td>Liberal Arts &amp; Sciences</td>
</tr>
<tr>
<td>Kernaghan, Nicola J.</td>
<td>Outreach Coordinator, Office of Program Development &amp; Evaluation Coordinator, CIBER</td>
<td>International Center; Business</td>
</tr>
<tr>
<td>Knechel, W. R.</td>
<td>Ernst &amp; Young Professor of Accounting</td>
<td>Business</td>
</tr>
<tr>
<td>Leslie, Agnes N.</td>
<td>Outreach Director, Center for African Studies</td>
<td>Liberal Arts &amp; Sciences</td>
</tr>
<tr>
<td>Name</td>
<td>Position</td>
<td>Department</td>
</tr>
<tr>
<td>--------------------</td>
<td>-----------------------------------------------</td>
<td>------------------------------</td>
</tr>
<tr>
<td>Leslie, Michael</td>
<td>Associate Professor of Telecommunication</td>
<td>Journalism &amp; Communication</td>
</tr>
<tr>
<td>McDade, Barbara</td>
<td>Associate Professor of Geography</td>
<td>Liberal. Arts &amp; Sciences</td>
</tr>
<tr>
<td>Nunn, Kenneth Bruce</td>
<td>Professor of Law</td>
<td>Law</td>
</tr>
<tr>
<td>Sammons, David</td>
<td>Director, International Programs</td>
<td>IFAS (Agriculture)</td>
</tr>
<tr>
<td>Serra, Renata</td>
<td>Lecturer, African Studies Program</td>
<td>Liberal Arts &amp; Sciences</td>
</tr>
<tr>
<td>Spring, Anita</td>
<td>Professor of Anthropology</td>
<td>Liberal Arts &amp; Sciences</td>
</tr>
<tr>
<td>Thapa, Brijesh</td>
<td>Associate Professor of Tourism and Recreation</td>
<td>Health &amp; Human Performance</td>
</tr>
<tr>
<td>Thomas, Robert E.</td>
<td>Associate Professor of Management and Business Law</td>
<td>Business</td>
</tr>
<tr>
<td>West, Carol T.</td>
<td>Professor of Economics and CIBER Director</td>
<td>Business</td>
</tr>
<tr>
<td>Winzeler, Isabelle</td>
<td>CIBER Assistant Director</td>
<td>Business</td>
</tr>
</tbody>
</table>
Track Chairs

Accounting, Banking, Finance and Investment
Bode Akinwande, London Metropolitan University, UK
Samuel Sejjaaka, Makerere University Business School, Uganda

Africa and International Partners / Multilateral Organizations
Nnamdi O. Madichie, University of East London, UK
Agyenim Boateng, Leeds Metropolitan University, UK

Clusters, Relationships, Networks and Inter-firm Linkages
Richard Owusu, Swedish School of Economics, Finland
Foster Ofosu, Turku School of Economics, Finland
Tidings Ndhlovu, Manchester Metropolitan University, UK

Ecology, Environment and Agribusiness
Umoh T. Umoh, University of Botswana, Botswana
Lucy Ojode, Texas Southern University, USA

Economic Development Policies and Strategies
Jacob Musila, Athabasca University, Canada
Zelealem Yiheyis, Clark Atlanta University, USA
Barbara McDade, University of Florida, USA

Educational Strategies and African Business and Development
Gbolahan Gbadamosi, University of Worcester, UK
Bertil Olsson, Dalarna University, Sweden

Entrepreneurship, Small Business and the Informal Sector
Frances Ekwulugo, University of Westminster, UK
Allan Katwalo, University of Northampton, UK

Exporting, Internationalisation and Foreign Direct Investment
Olukunle Iyanda, University of Botswana, Botswana
Emmanuel Cleeve, Manchester Metropolitan University, UK

Gender and Economic Development
Lettice Rutashobya, University of Dar es Salaam, Tanzania
Atsede Woldie, University of Glamorgan, UK

Health Care and the Human Condition in Africa
Johan de Jager, Tshwane University of Technology, South Africa
Femi Ayadi, University of Houston, Clear Lake, USA
Renata Serra, University of Florida, USA
Human Resources, Management and Organization
Evelyn Winston, Clark Atlanta University, USA
Afan Ituma, Brunel University, UK

ICT and E-Business
Abiodun Bada, George Washington University, USA
Robert Hinson, University of Ghana Business School, Ghana

Law, Social Responsibility and Ethics
Paul Arnell, Robert Gordon University, UK
Sola Adesola, Oxford Brooks University, UK
Veronica Broomes, Broomes Consultancy, UK

Logistics, Transportation and Supply Chain Management
Gilbert Aryee, Cardiff University, UK
Abel Diale, Tshwane University of Technology, South Africa
Chris Enyinda, Alabama A & M University, USA

Marketing and Consumer Behavior
Nana Owusu-Frimpong, London Metropolitan University, UK
Binta Abubakar, Morgan State University, USA
Chris Mbah, Mount Olive College, USA

Special Sessions and Practitioner Panels
Franklyn Manu, GIMPA Business School, Ghana
Yaw Debrah, Swansea University, UK
Anita Spring, University of Florida, USA

The African Diaspora and African Business and Development
Vindelyn Smith-Hillman, University College of Northampton, UK
Benjamin Mutagwaba, University of Dar es Salaam, Tanzania

Tourism and Sustainable Development
Peter Dieke, George Mason University, USA
Robert Rugimbana, Griffiths Business School, Australia

Infrastructure and Business
Mark Jamison, University of Florida, USA
Sanford Berg, University of Florida, USA

The Media Business: Visual and Performing Arts
Joan Frosch, University of Florida, USA
Carol West, University of Florida, USA
<table>
<thead>
<tr>
<th>Names</th>
<th>Affiliation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sola Adesola</td>
<td>Oxford Brooks University, UK</td>
</tr>
<tr>
<td>O. O. Areola</td>
<td>University of Botswana, Botswana</td>
</tr>
<tr>
<td>Richard Beilock</td>
<td>University of Florida</td>
</tr>
<tr>
<td>Mesfin Bezuneh</td>
<td>Clark Atlanta University, USA</td>
</tr>
<tr>
<td>Sanford V. Berg</td>
<td>University of Florida, USA</td>
</tr>
<tr>
<td>R. Chanda</td>
<td>University of Botswana, Botswana</td>
</tr>
<tr>
<td>M. B. K. Darkoh</td>
<td>University of Botswana, Botswana</td>
</tr>
<tr>
<td>Yaw Debrah</td>
<td>University of Wales, UK</td>
</tr>
<tr>
<td>Gbolahan Gbadamosi</td>
<td>University of Worcester, UK</td>
</tr>
<tr>
<td>Lettice Kinunda-Rutashobya</td>
<td>University of Dar es Salaam, Tanzania</td>
</tr>
<tr>
<td>Richard O. B. Makopondo</td>
<td>California State University East Bay, USA</td>
</tr>
<tr>
<td>Chris Mbah</td>
<td>Mount Olive College, USA</td>
</tr>
<tr>
<td>Lemayon Melyoki</td>
<td>University of Dar es Salaam, Tanzania</td>
</tr>
<tr>
<td>Frederick Mmich</td>
<td>Brunel University, UK</td>
</tr>
<tr>
<td>Jacob Musila</td>
<td>Athabasca University, Canada</td>
</tr>
<tr>
<td>Names</td>
<td>Affiliation</td>
</tr>
<tr>
<td>--------------------</td>
<td>-------------------------------------------------</td>
</tr>
<tr>
<td>William O. Ogara</td>
<td>University of Nairobi, Kenya</td>
</tr>
<tr>
<td>Kamil Omoteso</td>
<td>De Montfont University, Leicester, UK</td>
</tr>
<tr>
<td>Linus Osuagwu</td>
<td>Covenant University, Canaanland, Ota, Nigeria</td>
</tr>
<tr>
<td>Nana Owusu-Frimpong</td>
<td>London Metropolitan University, UK</td>
</tr>
<tr>
<td>B. P. Parida</td>
<td>University of Botswana, Botswana</td>
</tr>
<tr>
<td>Simon Sigué</td>
<td>Athabasca University, Canada</td>
</tr>
<tr>
<td>Atsede Woldie</td>
<td>Glamorgan University, Wales, UK</td>
</tr>
<tr>
<td>Bingwen Yan</td>
<td>Cape Peninsula University of Technology, South Africa</td>
</tr>
</tbody>
</table>
The Impact of Monetary Policy on Banks’ Credit in Ghana

Mohammed Amidu, University of Southampton, UK
Simon Wolfe, University of Southampton, UK

This paper examines whether bank lending is constrained by monetary policy in Ghana. We use panel data covering the period, 1998 to 2004 from the database of Bank of Ghana and International Financial Statistics of IMF. The study reveals that Ghanaian banks lending behaviours are affected significantly by the country’s economic activities and changes in money supply. The results of this study also support the findings of previous studies that the central bank’s prime rate and inflation rate negatively affect bank lending. While the result on the prime rate is statistically significant, that of the inflation is insignificant. With the firm level characteristics, the study reveals that bank size and liquidity significantly influence banks’ ability to extend credit when demanded. The main value of this study is the identification of the monetary policy tools that influence bank lending behaviour in Ghana.

INTRODUCTION
There is a general agreement that banks contribute in the transmission of monetary policy actions to the economy. However, there is considerable controversy over the precise role that banks play. The focus of this debate is two fold: whether bank lending plays a significant role in the monetary transmission mechanism; and whether government monetary policy affects bank lending. Our work provide empirical evidence on the effect of monetary policy changes on bank lending using bank level characteristics in Ghana during the period of 1998-2004 after controlling for time effects. There is general consensus among economists and policymakers that monetary policy works mainly through interest rates. This is because when the central bank’s monetary policy is tightened through a decrease in reserve provision, for instance, interest rates rise. The rise in interest rates lead to a reduction in spending by interest sensitive sectors of the economy, such as housing and consumer purchases of durable goods. Banks play a part in this interest rate mechanism since a reduction in the money supply, which may consist of deposit liabilities of banks, is one of the principal factors that drive up interest rates. This transmission process has been termed as ‘money view’. The proponents of ‘money view’ argue that banks do not play any significant role in this monetary transmission. According to Bernanke and Blinder (1988) the interest rate mechanism does not necessarily depend on the assets banks hold; the same response would occur regardless of the proportions of a bank’s assets that are held as loans or securities. In contrast to this description of the transmission mechanism, some economists and policymakers have argued that an additional policy channel works through bank credit (see Bernanke and Gertler, 1995; and Kashyap and Stein 1995). In this view, monetary policy directly constrains the ability of banks to make new loans, making credit less available to borrowers who depend on bank financing. Thus, in the credit channel, restrictive monetary policy works not only by raising interest rates, but also by directly restricting bank credit

Studies on a bank credit channel have focused on two issues. The first issue centres on whether there are categories of borrowers who depend on bank lending in that any change in the willingness of banks to lend immediately affects their investment and spending decisions. The other issue is whether monetary policy changes directly constrain bank lending to borrowers. Both conditions are necessary for bank lending to play a special role in the monetary transmission mechanism. Thus far, research on a credit
channel has yielded mixed results. Some recent research provides support for the view that certain borrowers, especially small businesses, are very dependent on banks for financing (Abor 2004). This finding suggests that disruptions in bank credit could affect economic activity. At the same time, there is also conflicting evidence that bank lending is directly constrained by monetary policy actions. The present study provides additional insight into the second issue, whether bank lending is constrained by monetary policy.

LITERATURE REVIEW

Borrower Dependence on Banks
The view that some borrowers are dependent on banks for financing stems from economic models of asymmetric information that help explain credit market imperfections. The central idea is that the costs of obtaining information about a firm’s condition, as well as bankruptcy costs, are differentially greater for smaller firms (Fama, 1985). Thus, small firms find it more difficult and more costly to obtain credit. In addition, a special feature of banks is that they may have a comparative advantage over other intermediaries in information processing and monitoring that enables banks to lend to smaller firms at lower cost (Neuberger 1998). These theories provide a rationale for observed differences in large and small firm financing. Generally speaking, larger firms have a greater array of financing options, including equity, long-term debt, and short-term debt, in addition to bank loans and internal cash flow. In contrast, smaller firms appear to have much less access to capital markets and depend more on bank loans, trade credit, and internal funds for financing (Marsh, 1982). This means that the greater dependence of smaller firms on bank financing, in turn, suggests they may be more vulnerable than larger firms to disruptions in credit availability. A number of studies have provided evidence that these credit market imperfections may explain differences in behaviour of small and large firms during periods of tight credit. For example, small firms appear to account for a larger share of the decline in manufacturing activity and reduced inventory demand that follow a monetary tightening (Gertler and Gilchrist 1994). Similarly, small firms appear to have less access to bank and non-bank external finance in periods of monetary tightening (Oliner and Rudebusch 1994). This behaviour is consistent with the view that restrictions in the availability of bank credit could have macroeconomic consequences by affecting the investment and spending decisions of bank-dependent borrowers.

Monetary Policy and Bank Lending
For monetary policy to operate through a credit channel, not only must there be bank dependent borrowers, but monetary policy must also directly affect banks’ willingness to lend. To determine whether monetary policy affects bank lending, some studies have examined how banks adjust their portfolios in periods of monetary tightening, while other studies have looked at changes in the price and non-price terms of lending (Bernanke and Blinder 1992; Gertler and Gilchrist 1993). Taken as a whole, these results do not resolve the debate over the existence of a credit channel. While there is some evidence that bank lending declines when policy is tightened, the time lags appear quite long. Moreover, the contemporaneous decline in loans and output is consistent with a reduction in lending as it causes output to fall. According to Morris and Sellon (1995) this is equally consistent with a decline in output causing a fall in loan demand. An additional problem with many of these studies is that they use total bank loans, which include consumer and real estate lending, rather than business loans. Based on the discussion of credit market imperfections, business lending would appear to be the more appropriate measure in testing for a credit channel. Indeed, given the large number of non bank credit sources for consumer and real estate lending and the extensive securitization of these loans, it is difficult to believe the informational problems that make small businesses dependent on bank credit apply to other types of lending. Focusing on business lending still does not necessarily resolve the debate. Gertler and Gilchrist (1993) conducted a
study that specifically looked at how bank business lending responds to policy tightening. Their study reveals that business lending does not decline when policy is tightened. They concluded that the entire decline in total lending comes from a reduction in consumer and real estate loans.

In contrast to Gertler and Gilchrist (1993) study, Kashyap and Stein (1995) find evidence that business lending may respond to a tightening of monetary policy. They examine the lending behaviour of small and large banks, rather than loans received by small and large firms. They find that when policy is tightened, both total loans and business loans at small banks fall, while loans at large banks are unaffected. The differential response of small banks may indicate they have less access to alternative funding sources than large banks and so are less able to avoid the loss of core deposits when policy is tightened. Since small banks lend primarily to smaller firms, their finding is consistent with the view that monetary policy may work, in part, through a credit channel.

METHODOLOGY AND MODEL DEVELOPMENT

Most of the empirical research on the bank lending made use of aggregate time-series data. (see Bernanke and Blinder, 1992; Gertler and Gilchrist 1993; and Kashyap et.al, 1993). The use of aggregate data is far from ideal as a result of the difficulty of disentangling demand and supply effects. However, since the seminal work of Kashyap and Stein (2000), the use of bank level data has been preferred in the literature to better deal with the identification problem (see Brissimis et al, 2003; and Ehrmann et al, 2003). The sample selected includes all banks supervised by the country’s Central Bank (Bank of Ghana). In all, eighteen banks qualified for this study. The study uses panel data covering the period of 1998 to 2004 from the database of Bank of Ghana while the monetary policy data were obtain from International Financial Statistics of IMF.

The dependent variable in this study is represented by freely allocated bank loan (Lend) such loans refer to the portion of total bank loans that are granted at market interest rates and which are, presumably, more sensitive to changes in monetary policy. Freely allocated credit includes loan to the privates sector, Non-financial public enterprise and government institutions. Previous research on the credit channel has used two types of monetary policy measures. Most studies use a short term interest rate, such as Treasury bill rate to measure policy action. The explanatory variables include interest rate (Irate), changes in money supply (Msup), economic growth (Gdpg), inflation rate (infl), bank size (Size) and bank liquidity (liqq). Interest rate is the central bank prime rate. Money supply is the change in money supply. Economic growth is change in real GDP. Inflation rate is measured by the monthly variation of the consumer price index calculated by the Statistical Service, Ghana, which is also the official inflation targeting indicator. The bank size is measured by the logarithm of total bank assets, where the total bank assets are the sum of current assets and non-current bank assets. The liquidity is defined as the ratio of liquid assets to total bank assets. The liquid assets is the sum total of bank cash and cash equivalent. For this study, the empirical test of the lending channel in Ghana follows that of Ehrmann et al.(2003)’s model. Their model is adapted to the case where there is more than one policy instrument. The market for bank deposits is described by an equilibrium relationship, where deposits (D) are taken to be equal to money supply (M), with both being functions of the interest rate i set by the monetary authority, as follows:

\[ L^d_i = L^s_i \]  

Bank i faces a loan demand \( L^d_i \) that depends on economic activity \( Gdpg_i \), on the inflation rate \( \text{infl}_i \), and on the loan nominal interest rate \( Irate_i \):
\[(L^d_i) = \beta_1 Gdpg + \beta_2 \inf l + \beta_3 \text{Irate}\]  \hspace{1cm} (2)

Loan demand is supposed to be positively related to economic activity, and negatively related to the loan nominal interest rate. There is no a priori sign for the coefficient on inflation. Theoretical models suggest that any sign is possible. Cukierman and Hercowitz (1989) present a model where loan demand is positively related to inflation. In their model, firms make use of both money and bank loans to pay for working capital. High inflation penalizes money holdings by firms and makes bank loans more attractive. By contrast, De Gregorio and Sturzenegger (1997) develop a model where the demand for bank credit by firms reduces with inflation because, in their model, higher inflation is related to lower productivity levels, which, in turn, reduces the demand for labour. Huybens and Smith (1999) show that both outcomes are actually possible depending on the nature of the steady-state equilibrium in the economy.

The loan supply by bank \(i (L^s_i)\) is a function of the available amount of money or deposits \((M^{\sup} p)\) and of the loan nominal interest rate \((\text{Irate})\), and of the monetary policy instrument \((Z)\), where the instrument can either be the interest rate set by the Central Bank or the reserve requirements rate on deposits or both. The direct impact of the policy interest rate represents the opportunity costs for banks when banks make use of the interbank market as a liquidity source. Thus, loan supply is given by:

\[L^s_i = \beta_4 M^{\sup} p + \beta_5 \text{Irate} + \beta_6 Z\]  \hspace{1cm} (3)

The study also assumed that not all banks are equally dependent on deposits. In particular, the model considers that the impact of a change in deposits is smaller the lower the bank characteristic related to size \((\text{Size})\) or liquidity \((\text{Liqq})\). The equilibrium condition in the lending market plus equations (1) to (3) result in the following reduced form for the model:

\[L_i = \beta_0 + \beta_1 Gdpg + \beta_2 \inf l + \beta_3 \text{Irate} + \beta_4 M^{\sup} + \beta_5 Z + \beta_6 \text{liqq}\]  \hspace{1cm} (4)

The coefficient \(\beta_5\) relates the reaction of bank \(i\)'s loans to the monetary policy interacting with its characteristic. Under the model assumptions, a significant \(\beta_5\) coefficient implies that the monetary policy affects the supply of loans. An implicit identifying assumption is that the interest rate loan demand elasticity does not depend on the bank characteristic \((x_i)\). The assumption of a homogeneous reaction of the loan demand is crucial for the identification of the monetary policy effects on loan supply. This assumption rules out the cases where, for example, small or large bank customers are more sensitive to interest rate changes. From the above discussion, the regression model is specified as:

\[\text{Lend}_{it} = \beta_0 + \beta_1 Gdpg_{it} + \beta_2 \inf l_{it} + \beta_3 M^{\sup}_{it} + \beta_4 \text{Size}_{it} + \beta_5 \text{Liqq}_{it} + \epsilon_{it}\]  \hspace{1cm} (5)

\[\text{Lend}_{it} = \beta_0 + \beta_1 Gdpg_{it} + \beta_2 \inf l_{it} + \beta_3 \text{Irate}_{it} + \beta_4 \text{Size}_{it} + \beta_5 \text{Liqq}_{it} + \epsilon_{it}\]  \hspace{1cm} (6)

We measure \(\text{Lend}_{it}\) as loan and advances to total assets for bank \(i\) in period \(t\). \(Gdpg_{it}\) is the growth of GDP in period \(t\) while \(\text{Inlf}_{it}\) is the inflation rate in period \(t\). The \(\text{Irate}_{it}\) is the central bank prime rate in period \(t\). \(M^{\sup}_{it}\) is measured as the change in money supply in period \(t\). \(\text{Size}_{it}\) is log of total assets for bank \(i\) in period \(t\). \(\text{Liqq}_{it}\) is cash and cash equivalent to asset for bank \(i\) in period \(t\). \(\epsilon_{it}\) is the error term for firm \(i\) in period \(t\).
EMPIRICAL RESULT

Table 1: Descriptive statistics of Banks in Ghana

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Minimum</th>
<th>Median</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>LEND</td>
<td>0.2864</td>
<td>0.1156</td>
<td>0.0036</td>
<td>0.3030</td>
<td>0.5290</td>
</tr>
<tr>
<td>GDPG</td>
<td>0.0466</td>
<td>0.0063</td>
<td>0.0370</td>
<td>0.0450</td>
<td>0.0580</td>
</tr>
<tr>
<td>INFL</td>
<td>0.2193</td>
<td>0.0738</td>
<td>0.1240</td>
<td>0.2520</td>
<td>0.3290</td>
</tr>
<tr>
<td>IRATE</td>
<td>0.2665</td>
<td>0.0473</td>
<td>0.1850</td>
<td>0.2700</td>
<td>0.3700</td>
</tr>
<tr>
<td>MSUP</td>
<td>0.3768</td>
<td>0.1536</td>
<td>0.1612</td>
<td>0.4102</td>
<td>0.5946</td>
</tr>
<tr>
<td>LIQQ</td>
<td>0.1607</td>
<td>0.1056</td>
<td>0.0008</td>
<td>0.1380</td>
<td>0.5901</td>
</tr>
<tr>
<td>SIZE</td>
<td>797,000</td>
<td>1,020,000</td>
<td>14,4000</td>
<td>403,000</td>
<td>5,090,000</td>
</tr>
</tbody>
</table>

Descriptive Statistics
Table 1 provides a summary of the descriptive statistics of the dependent and explanatory variables. The mean (median) bank credit (measured by bank total loans and advances divided by bank total assets) of sampled banks was 0.2864 (0.3030). This highlights that more than 72 percent of total assets are invested outside extending loans and advances. Thus Ghanaian banks prefer to invest in Government treasury bills and bonds. The mean (median) GDP growth for Ghanaian economy is 0.0466 (0.0450). The mean (median) inflation during the period under review was 0.2193 (0.2520). Thus, the real interest rate (measured as nominal interest rate minus inflation rate) during the period is less than 4 percent. The mean (median) central bank prime rate is 0.2665 (0.2700). This means that the central bank (Bank of Ghana) charges more than 26 percent on average for loans and advances extended to the commercial banks. The mean (median) change in broad money supply was 0.3768 (0.4102). Liquidity is measured as the ratio of bank cash and cash equivalent (liquid assets) to total bank assets and this shows on average of 0.1607 (0.1380). Size, determined as the natural logarithm of total assets had an average (median) of 797,000 (403,000).

Table 2: Regression Model Results (Dependent Variable: LEND)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-0.069798</td>
<td>0.127882</td>
<td>-0.545804</td>
<td>0.5865</td>
</tr>
<tr>
<td>GDPG</td>
<td>5.210575</td>
<td>1.879835</td>
<td>2.771825</td>
<td>0.0067</td>
</tr>
<tr>
<td>ILFL</td>
<td>-0.039252</td>
<td>0.087699</td>
<td>-0.447578</td>
<td>0.6555</td>
</tr>
<tr>
<td>MSUP</td>
<td>0.156425</td>
<td>0.068992</td>
<td>2.267287</td>
<td>0.0257</td>
</tr>
<tr>
<td>LIQQ</td>
<td>0.216323</td>
<td>0.079044</td>
<td>2.736737</td>
<td>0.0074</td>
</tr>
<tr>
<td>SIZE</td>
<td>3.88E-14</td>
<td>6.95E-15</td>
<td>5.578774</td>
<td>0.0000</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.922168</td>
<td>Mean dependent var</td>
<td>0.475052</td>
<td></td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.917937</td>
<td>S.D. dependent var</td>
<td>0.369659</td>
<td></td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>0.105895</td>
<td>Sum squared resid</td>
<td>1.031657</td>
<td></td>
</tr>
<tr>
<td>F-statistic</td>
<td>218.0051</td>
<td>Prob(F-statistic)</td>
<td>0.000000</td>
<td></td>
</tr>
</tbody>
</table>

Regression Results
The $R^2$ indicates that 92 percent of the banks’ lending behaviour are explained by the variables in the model. The results show a positive and significant relationship between bank’s credit and GDP growth. The significant and the positive coefficient of the regressor real GDP growth indicate that Ghanaian banks
are prepared to extend credit during economic growth. This finding is consistent with empirical evidence (see Bernanke and Blinder 1992; Romer and Romer 1990). The results also show a negative relationship between inflation and banks loan. Despite the fact that the coefficient of the inflation is statistically insignificant, it explains that demand for bank credit by firms reduces with inflation as higher inflation is related to lower productivity levels, which, in turn, reduces the demand for labour. The findings, which is also consistent with the previous studies (De Gregorio and Sturzenegger, 1997; Huybens and Smith 1999) shows inflation reduces firms ability to demand bank loan. The results also indicate a statistically significant positive relationship between broad money supply on one hand and bank credit on the other. The broad money supply ($M2^+$) which is the change in money supply show that bank lending may respond to a tightening of monetary policy. Thus, when central bank expands or increases money supply, it induces banks to increase their credit portfolio. Table 2 also shows how some of the firm level characteristics affect banks lending behaviour. The study selected liquidity and the bank size. The results show that the coefficient of liquid asset is positive and statistically significant for the panel data estimations. The results seem to suggest that, for Ghanaian banks, liquidity influences their credit behaviour. Banks with Liquid assets are in position to give credit to borrowers especially firms who depend on banks for their financing and investment decisions. This result confirmed the previous studies. (see Takeda et al, 2005; Amidu and Hinson, 2006). The results also indicate a positive relationship between size and bank credit. The results suggest that the bigger the bank, the more they are in position to extend credit. This finding goes to support the earlier study (Amidu and Hinson, 2006) that the large Ghanaian banks are in position to mobilise funds, employ competent management and attract huge investment which enable them to increase their supply of credit.

To check the robustness of the result and to avoid the problem of multicollinearity (the correlation between interest rate and money supply) in our model, equation 6 was constructed. The results (see table 3) indicate that prime rate is negative, and statistically significantly related to loans and advances. Thus the advancement of loan and credit of Ghanaian banks to large extend depend on the level of central bank prime rate.

### Table 3: Regression Model Results (Dependent Variable: LEND)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>0.291688</td>
<td>0.075664</td>
<td>3.855031</td>
<td>0.0002</td>
</tr>
<tr>
<td>GDPG</td>
<td>1.097588</td>
<td>1.062098</td>
<td>1.033416</td>
<td>0.3041</td>
</tr>
<tr>
<td>ILFL</td>
<td>-0.119923</td>
<td>0.087517</td>
<td>-1.370275</td>
<td>0.1739</td>
</tr>
<tr>
<td>RATE</td>
<td>-0.351657</td>
<td>0.141674</td>
<td>-2.482151</td>
<td>0.0149</td>
</tr>
<tr>
<td>LIQQ</td>
<td>0.231764</td>
<td>0.079509</td>
<td>2.914920</td>
<td>0.0045</td>
</tr>
<tr>
<td>SIZE</td>
<td>3.81E-14</td>
<td>7.21E-15</td>
<td>5.280076</td>
<td>0.0000</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.913376</td>
<td>Mean dependent var</td>
<td>0.467973</td>
<td></td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.908668</td>
<td>S.D. dependent var</td>
<td>0.347852</td>
<td></td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>0.105125</td>
<td>Sum squared resid</td>
<td>1.016716</td>
<td></td>
</tr>
<tr>
<td>F-statistic</td>
<td>194.0118</td>
<td>Prob(F-statistic)</td>
<td>0.000000</td>
<td></td>
</tr>
</tbody>
</table>

**CONCLUSION**

The monetary policy transmission mechanism through bank loan decisions has recently received attention in banking literature. Kashyap and Stein (2000) study provides empirical evidence that seeks to corroborate the existence of this channel for the US and they concluded that the impact is mostly driven...
through small banks with less liquid balance sheet. Ehrmann et al (2003) confirm this when they report that loan supply of less liquid banks are more severely affected by monetary policy changes in several European countries. The present study examines whether bank lending in Ghana is affected by interest rate and money supply. The analyses are performed using data derived from the database of Bank of Ghana and International Financial Statistics. The Ordinary Least Square model is used to estimate the regression equation. The results indicate that there is evidence to support the validity of the bank lending channel for Ghana. The study reveals that Ghanaian banks lending behaviour are affected significantly by the country’s economic activities and money supply. The results also support the previous studies that the central bank’s prime rate and inflation rate are negatively affected by bank lending and that coefficient of the prime rate is statistically significant. However, the inflation coefficient is not significant. With the firm level characteristics, the study reveals that bank size and liquidity influence banks’ ability to extend credit when demanded. Bigger banks are in better position to attract more deposits and this enhances their ability to extend credit. With regard to the liquidity, studies have shown that banks with more liquid assets extend credit to borrowers. Interestingly, the study reveals that more than 72 percent of total assets of banks are invested outside extending credit and loans. The real interest rate during the period is less than 4 percent.

REFERENCES
Ownership Concentration and Corporate Performance on the Ghana Stock Exchange: A Panel Data Analysis

Godfred Alufar Bokpin, University of Ghana Business School, Ghana

Corporate governance is linked to corporate performance. The study examines the effect of ownership concentration on corporate performance on the Ghana Stock Exchange. Panel data covering a period from 2001 to 2006 for 28 firms were analyzed within the framework of both the fixed and random effects techniques. The results indicate that the effect of ownership concentration on corporate performance varies with the performance measurement variable. The results indicate a significant positive relationship between ownership concentration and return on assets and Tobin’s Q, whilst there is negative insignificant relationship with return on equity. We also document that insider system of corporate governance is practiced on the Ghana stock exchange as shareholding is highly concentrated in the hands of a few individuals or institutional investors. Other governance features such as board size, board composition and CEO duality are all essential in predicting corporate performance. The results of the study generally support existing literature on the impact of ownership concentration on corporate performance.

INTRODUCTION

The importance of corporate governance cannot be overemphasized given the fact that shareholders typically face the problem of adverse selection and moral hazard in the face of separation of ownership and control ((Berle and Means, 1932). Another important dimension to corporate governance worth noting is its characteristic- whether it is characterized by insider system (concentrated ownership) or outsider system (widely dispersed ownership structure). According to Consolandi et al. (2006), a system of corporate governance can be defined as a more or less country-specific framework of legal, institutional and cultural factors shaping the patterns of influence that stakeholders exert on managerial decision-making. The possible impact of ownership concentration on corporate performance has been a central question in research on corporate governance, but evidence on the nature of the relationship has been decidedly mixed (Earle et al. 2005). Neither theory nor empirical studies seem to agree to what effect is more likely to emerge or under what conditions large shareholders are beneficial or not to the firm’s other stakeholders concludes Consolandi et al. (2006).

Most empirical studies of corporate governance practices and value creation pertain to the industrial countries, and empirical evidence for emerging markets appears to be undeveloped (Kyereboah-Coleman et al. 2005). A review of the following articles: Kyereboah-Coleman et al. 2005; Kyereboah-Coleman and Biekpe, 2006 and 2007 and Kyereboah-Coleman and Amidu, 2007, indicates that in the context of Ghana, the issue of ownership concentration and the additional risk it presents investors has received very limited empirical evidence. This article is unique in the sense that it provides a scientific insight into how concentrated shareholding structure is in Ghana and how it impacts on the performance of firms given the fact that the country is positioning itself as the next investment frontier. The paper is organized into five sections.

LITERATURE REVIEW

According to Lskavyan and Spatareanu (2006), there is a significant empirical literature investigating the relationship between ownership concentration and firm performance (see also Jensen and Warner, 1998 and Jiang, 2004) but in the view of Earle et al. (2005), these empirical studies of the firm performance-ownership concentration relationship have produced mixed results. According to Estrin and Rosevear
(1999), insider-dominated firms in Ukraine actually perform better than outsider-dominated firms. As early as 1932 Berle and Means predicted that firm performance should deteriorate (improve) as ownership become more diffused (concentrated). Later studies by Claessens and Djankov et al. (1999) and Mitton (2002) found a positive relationship between ownership concentration and firm performance. This could be coming from the fact that when cash flow rights and control rights are aligned, majority shareholders now have the incentives and the power to monitor management. But Demsetz and Lehn (1985) argue that if dispersed ownership were bad, it wouldn’t exist in a rational world. They reported no relationship between ownership concentrated and performance (accounting profit). McConnell and Servaes (1990) also found no relationship or effect on the ratio of market value to replacement costs of assets (Tobin’s Q). Demsetz and Villalonga (2000) found a negative relationship between ownership concentration and performance using ordinary least squares estimation. Others have argued this negative relationship from the point of view that high concentration of ownership might also have costs. Burkart et al (1997) have postulated that even if tight control by shareholders is ex post efficient, ex ante, it constitutes an expropriation threat which reduces managerial initiative and non-contractible investments.

RESEARCH METHODOLOGY
The empirical model follows that used by Earle et al. (2005) given as:

\[
\text{Performance}_{it} = \alpha + \lambda O_{it} + \delta G_{it} + \chi C_{it} + \varepsilon_{it}
\]

(1)

Where \( \text{Performance}_{it} \) is a measure of performance for firm i in time t. Various measures of performance were used including return on assets defined as earnings before interest and tax divided by total assets of the firm, return on equity and Tobins Q.

\( O_{it} \) Is a vector of ownership concentration for firm i in time t. The first measure of ownership concentration is the percentage of shares held by the largest block holder (\( C_{it} \)), we also sum the second and the largest holding for each firm for the various years (\( C2_{it} \)) and finally we cumulate the three largest block holders (\( C3_{it} \)).

\( G_{it} \) Is a vector of corporate governance variables namely board size (a measure of the numerical strength of the firm), board composition (ratio of non-executive directors to board size) and board duality for firm i in time t.

\( C_{it} \) Represents a vector of control variables for firm i at time t namely; firm size (a natural log asset base, turnover and age of the firm). \( \varepsilon_{it} \) is the error term. With the assumption that \( \mu_{it} \) follow a one-way error component model

\[
\mu_{it} = \mu_{i} + \nu_{it} ;
\]

(2)

where \( \mu_{i} \) is time-invariant that accounts for any unobservable individual-specific effect that is not included in the regression model. The term \( \nu_{it} \) represents the remaining disturbance, and varies with the individual firms and time. The choice of the model estimation whether random effects or fixed effects, will depend on the underlying assumptions. In a random effect model, \( \mu_{i} \) and \( \nu_{it} \) are random with known disturbances. In a fixed effects mi, the country-specific effects, and \( \mu_{i} \), a random term, are fixed parameters and are estimated together with the other parameters. In resolving this dilemma, we use
Hausman (1978) specification test in choosing the appropriate model. The hausman test is a test of orthogonality of the random effects and the regressors and the test will be based on a contrast vector $H$:

$$H = [b^{GLS} - b^w] ' [V(b^w) - V(b^{GLS})]^{-1} [b^{GLS} - b^w]$$

(3)

Where $H$ is approximately chi-squared distributed with $k$ degrees of freedom. Where $k$ is the number of regressors in $X_\mu$ excluding the constant. We test the hypothesis that there is no correlation between individual effects and the explanatory variables using our baseline model. We report the results of the Hausman specification test in Table 1.

REGRESSION RESULTS

Both fixed and random effects specifications of the model were estimated. After which the Hausman test was conducted to determine the appropriate specification. We report the results of the Hausman test in Table 1. The test statistics are all significant at 1%, except for return on assets implying that the fixed effects model is preferred over the random effects results. The Hausman specification test suggests we reject the null hypothesis that the difference in coefficients is not systematic. But for return on assets, we choose the random effects over the fixed effects results implying acceptance of the null hypothesis. Ownership concentration (first blockholder) has a positive and statistically significant relationship with return on assets. There is also a positive relationship between first blockholder and the Tobin’s Q and it is statistically significant as well. It could be inferred that highly concentrated shareholding could overcome the problems with the monitoring of management that are associated with dispersed ownership and this will result in positive gains. But there is a negative and insignificant relationship between ownership concentration (first blockholder) and return on equity. It could be argued therefore that high concentration is associated with increased cost and this will negatively impact on performance. Demsetz and Villalonga (2000) found a negative relationship between ownership concentration and performance (see also Burkart et al 1997).

There is no statistically significant relationship between C2 (first and second largest blockholder) and any of the performance measurement indicators. Whilst there is a positive relationship with return on assets and Tobin’s Q, there is rather a negative relationship with return on equity. Probably the advantages expected of highly concentrated ownership does not translate to the bottom-line. Demsetz and Villalonga (2001) find no statistically significant relationship between managerial shareholding, outside blockholder shareholding, and Tobin’s Q, once controlling for endogeneity of ownership. There is also insignificant relationship between C3 (first, second and third largest blockholders) and return on assets and return on equity. Whilst there is a positive relationship with return on assets, there is still a negative relationship with return on equity. One could argue for return on assets that ownership concentration increases performance at a decreasing rate or probably too many cooks spoils the goulash. But C3 has a positive and statistically significant relationship with Tobin’s Q. It could be said that highly concentrated ownership structure increases managerial initiative and non-contractible investment. Firms with highly concentrated shareholding structure have a lot of growth options to be exploited. Board size has a positive and significant relationship with all the performance measures except for return on equity. Thus the board’s role in exercising good faith and forming sound judgment on decisions relating to the corporation and its business has positive effects on company’s performance. Kyereboah-Coleman et al. (2005) document a positive relationship between board size and performance.
# Table 1: Panel Regression Results: Ownership and Corporate Performance

<table>
<thead>
<tr>
<th></th>
<th>Rerun on Assets (Random Effects)</th>
<th>Return on Equity (Fixed Effects)</th>
<th>Tobin’s Q (Fixed Effects)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Blockholder (C1)</td>
<td>0.0071 (2.96)***</td>
<td>-0.0046 (1.52)</td>
<td>0.0059 (1.68)*</td>
</tr>
<tr>
<td>First and second blockholder (C2)</td>
<td>0.0122 (1.60)</td>
<td>-0.0045 (1.46)</td>
<td>0.0022 (0.65)</td>
</tr>
<tr>
<td>First, Second and Third blockholder (C3)</td>
<td>0.0108 (1.33)</td>
<td>-0.0034 (1.05)</td>
<td>0.0047 (1.75)*</td>
</tr>
<tr>
<td>Board Size</td>
<td>0.3807 (2.46)**</td>
<td>0.5424 (1.59)</td>
<td>0.0737 (2.38)**</td>
</tr>
<tr>
<td>Board Composition</td>
<td>0.5656 (0.62)</td>
<td>0.0502 (0.35)</td>
<td>-0.5775 (2.29)**</td>
</tr>
<tr>
<td>CEO Duality</td>
<td>0.4545 (1.52)</td>
<td>-0.0108 (0.05)</td>
<td>-0.0305 (0.17)</td>
</tr>
<tr>
<td>Age</td>
<td>-0.0456 (0.22)</td>
<td>0.7323 (2.29)**</td>
<td>0.0167 (0.16)</td>
</tr>
<tr>
<td>Turnover</td>
<td>-0.0155 (0.14)</td>
<td>-0.0146 (0.63)</td>
<td>-0.0311 (0.93)</td>
</tr>
<tr>
<td>Total Assets</td>
<td>0.0559 (0.49)</td>
<td>0.0183 (0.74)</td>
<td>-0.0071 (0.18)</td>
</tr>
<tr>
<td>Constant</td>
<td>84.5400 (7.04)***</td>
<td>2.8691 (3.47)***</td>
<td>0.1247 (0.31)</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.1553</td>
<td>0.1803</td>
<td>0.1652</td>
</tr>
<tr>
<td>Prob &gt; F</td>
<td>0.0000</td>
<td>0.0012</td>
<td>0.0002</td>
</tr>
<tr>
<td>Hausman test, chi²(5)</td>
<td>0.9929</td>
<td>0.0209</td>
<td>0.0071</td>
</tr>
</tbody>
</table>

**Notes:** All regressions include a constant. T-statistics are in parentheses. *** ** * means significant at 1, 5 and 10 percent level of significance; Return on assets is the net profit as a percentage of total assets; Return on equity is net profit as a percentage of equity; Tobin’s Q is the ratio of market to book value of assets, board size is the numerical measure of the board strength.

For board composition, there is an insignificant relationship with return on assets and return on equity but there is a negative and statistically significant relationship between board composition and Tobin’s Q. The findings of the research support the evidence of Fama and Jensen (1983), Weisbach (1988), Rosenstein and Wyatt (1990), Byrd and Hickman (1992), Kyereboah-Coleman *et al* (2005) and at

Jensen (1993) recommends that the function of the CEO could be separated from the function of the board chairman. This ensures that there are checks and balances on the powers of the CEO. Organizational theories also suggest that CEO duality (CEO is also the board chairman) diminishes board control and promotes CEO entrenchment (Hambrick and Finkelstein 1987). The results suggest a positive relationship between CEO duality and return on assets but it also exhibit a negative relationship with return on equity and Tobin’s Q. A test of significance however portrays that there is no significant statistical relationship between the variables. There is a negative relationship between age of the firm and return on assets even though it is not statistically significant. But there is a positive and statistically significant relationship between age of the firm and return on equity. For Tobin’s Q, there is an insignificant positive relationship with age of the firm. It could be argued that, industry experience is gained with long establishment which go a long way to add value to shareholders wealth. Turnover, a measure of the size of the firm, is negatively and statistically insignificant with all the performance measures. Thus, turnover is unimportant in explaining firm performance. Total assets also has a positive but insignificant relationship with return on assets and return on equity but has a negative and insignificant relationship with Tobin’s Q.

CONCLUSION
This study presents important and interesting evidence regarding the effects of ownership concentration on corporate performance. The results significantly show that the impact of ownership concentration depends on the performance measurement variable. Whilst ownership concentration significantly predicts performance for return on assets and Tobin’s Q, it is insignificant for return on equity. We posit that ownership increases corporate performance at a decreasing rate. The current study thus suggests that ownership concentration influences corporate performance. The positive relationship indicates that when shareholding is highly concentrated it could overcome the problem with the monitoring of management that is associated with dispersed ownership and this will result in positive gains. As cash flow rights and control rights are aligned, this improves the bottom-line. Corporate governance together with its associated feature is not a matter of choice any more. It is part of the larger economic context in which firms operate. Ownership concentration has a role to play in explaining firm performance and all stakeholders including prospective investors must take corporate governance seriously in their decision making process. As a subsequent paper, we propose a more comprehensive view on the determinants of ownership concentration in Ghana and the impact of foreign ownership on corporate performance in Ghana.

REFERENCES


The purpose of this paper is to analyze the effects of financial policy on corporate performance. Measures of financial policy include capital structure and dividend pay out policy. We test this issue using a sample of 34 emerging market economies covering a seventeen year period, 1990 to 2006. Fixed effects panel model is employed in our estimation. The results indicate that capital structure has significantly negative effects on return on assets and return on equity but is positively related with market to book value ratio. Dividend payout is also significantly and positively related with return on assets and return on equity. We also document that the macro-level factors such as stock market development and GDP per capita are relevant in explaining corporate performance. The results of this study are generally consistent with existing literature on the effect of financial policy on corporate performance.

INTRODUCTION
Shareholder wealth maximization is a long-term decision and its success largely depends on solid value based management practices. Admittedly, shareholder wealth maximization is not a one-time occurrence. It involves making conscious efforts at growing the resources entrusted to the care of corporate management. Shareholder wealth is driven by certain thematic factors that can be said to be the levers that when well managed propel value driven decisions into reality. Some of these factors include capital structure and dividend decisions. Miller and Modigliani’s publication in 1958 pointed out that in a perfect capital market, firms’ financing choices and capital structure decisions are irrelevant in explaining firm value. They also contend that maximizing real investment value is independent of financing decisions. But subsequent studies have shown that, the choice of capital structure is influenced by the need to maximize firm value (see DeAngelo and Masulis, 1980, Grossman and Hart, 1982; Myers and Majluf, 1984,). Prior empirical studies on the effect of both capital structure and dividend policy have tended to concentrate on developed economies (see Krishnan and Moyer, 1997; Majunder and Chhibber, 1999). Limited studies however exist on developing countries (example Abor, 2005; Abor, 2007). Though many studies have been carried out in this area, no clear consensus on the impact of capital structure and dividend policy on corporate performance has been achieved. A better understanding of this issue also from emerging market firms must be considered. We raise the question that do evidence from emerging market firms confirm or contradict existing literature. This current study contributes to the existing literature by investigating the effects of capital structure and dividend payout policy on corporate performance from the perspective of emerging market economies.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT
This section provides a review of the existing literature on financial policy and corporate performance. It begins a discussion on the effect of capital structure on performance followed by a discussion on the relationship between dividend policy and firm performance. Jensen and Meckling (1976) agency theory asserts the use of debt may help mitigate agency costs and affect firm value. Grossman and Hart (1982) argue that a higher financial leverage may affect managers and reduce agency costs through threat of liquidation which causes personal losses to managers of salaries, reputations and perquisites. Studies by
Ross (1977) and Heinkel (1982) have suggested that increasing leverage by acquiring debt should have positive implications for the firm value and performance. Hutchinson (1995) observes that in more general terms, financial leverage has a positive effect on the firm’s return on equity provided the earnings power of the firm’s assets exceeds the average interest costs of debt to the firm. Smith (1986) has argued that all security sales (including debt) indicate decrease in future operating performance and hence impact negatively on firm value. Fama and French (1998) argue that excessive use of debt creates agency problems among shareholders and creditors and that could result in negative relationship between leverage and profitability. Hammes (1998), Majumber and Chhibber (1999) and Gleason et al (2000) all found a negative relationship between leverage or debt and performance. Abor (2005) in a Ghanaian study also confirmed a negative effect of long-term debt on profitability.

The choice of dividend policy has implications for investment and firms financing decisions. Black (1976) argues that paying dividends can mitigate a potential overinvestment problem, because they reduce the amount of free cash flow available to the firm. Easterbrook (1984) supported this position attesting to the fact that dividends reduce overinvestment problem since the payment of dividends increase the frequency with which firms have to go to the equity markets to raise additional capital. The amount of capital firms are able to raise and the cost involved then indicate the market’s perception of the quality of the company’s earnings. Mooradian and Xang (2001) argue that market valuation reflected in the market to book value ratio is clearly negatively related to free cash flow measured at both before and after dividend levels. Miller and Rock (1985) have argued that information asymmetries between firms and outside shareholders may induce a signaling role for dividends suggesting dividend payments communicate private information in a fully revealing manner.

METHODOLOGY

This paper examines the effects of capital structure and dividend payout on corporate performance. The current study uses accounting and market data of publicly traded companies in thirty four emerging market countries during a seventeen year period, 1990-2006. The countries are made up of; Argentina, Brazil, Chile, China, Columbia, Chez, Egypt, Greece, Hong Kong, Hungary, India, Indonesia, Israel, South Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Portugal, Russian Federation, Singapore, Slovakia, Slovenia, South Africa, Spain, Sri Lanka, Taiwan, Thailand, Turkey, Venezuela and Zimbabwe. This information is obtained through the Corporate Vulnerability Utility of the International Monetary Fund. The Corporate Vulnerability Utility provides indicators for surveillance of the corporate sector and it relies on accounting data from Worldscope and the market data are mainly from Datastream.

Following from previous empirical studies, we specify a static panel model of performance as follows:

\[
Perf_{it} = \alpha + \theta Caps_{it} + \psi Div_{it} + \beta X_{it} + \mu_{it}
\]  

(1)

Where \(Perf\) is a measure of financial performance. Three measures of finance performance are used in this analysis. These are return on assets (net profit as a percentage of total assets), return on equity (net profit as a percentage of equity), and stock performance (market-to-book value ratio or the ratio of stock price to book value per share). \(Caps\) is a measure of capital structure defined as debt to assets ratio. \(Div\) measures dividend payout as the ratio of dividend to capital. \(X\) captures the control variables, including size of the market, inflation, and GPD per capita. \(\mu\) is the error term, and \(i\) and \(t\) denote
country and time respectively. Employing this model, we can estimate the effect of financial policy on firm performance.

The general form of the panel regression model is stated as:

$$ Y_{it} = \alpha + X'_{it} \beta + \mu_{it} $$

With the assumption that $\mu_{it}$ follow a one-way error component model and $\mu_{it} = \mu_i + \nu_{it}$; where $\mu_i$ is time-invariant that accounts for any unobservable individual-specific effect that is not included in the regression model. The term $\nu_{it}$ represents the remaining disturbance, and varies with the individual countries and time. The choice of the model estimation whether random effects or fixed effects will depend on the underlying assumptions. In a random effect model, $\mu_i$ and $\nu_{it}$ are random with known disturbances. In a fixed effects model, the country-specific effects, and $\mu_i$, a random term, are fixed parameters and are estimated together with the other parameters. We use Hausman’s specification test in choosing the appropriate model. We report the results of the Hausman specification test in Table 1.

**EMPIRICAL RESULTS**

This section discusses the empirical results of the study.

**Regression Results**

We estimated both fixed and random effects specifications of the model and subsequently conducted the Hausman specification test to determine the appropriate specification. The results of the Hausman test are reported in Table 1. The test statistics are all significant at 1%, suggesting that the fixed effects model is preferred over the random effects. Thus, the null hypothesis was rejected and we accepted the alternative hypothesis.

The results indicate statistically significant negative relationship between return on assets and capital structure. With a marginal contribution of 0.0467, a one percentage increase in firms’ capital structure will lead to 0.0467 decreases in firms’ profitability. Thus, firms that are highly leverage will have high interest payment and this may lead to decline in profitability. Consistent with one strand of literature, Smith (1986) has argued that all security sales (including debt) indicate decrease in future operating performance and hence impact negatively on firm value. In a related research, Fama and French (1998) argued that excessive use of debt creates agency problems among shareholders and creditors and that could result in negative relationship between leverage and profitability. The desire to satisfy creditors (interest payment) is likely to be at the expense of shareholders. Capital structure again portrays a negative and significant relationship with return on equity confirming existing literature on the inverse relationship between leverage and corporate performance.

However, we found a significantly positive relationship between capital structure and market to book value ratio. High market to book value could represent growth options to the firm and may require external financing. As firms grow and diversify, their productive assets ought to be financed and one of the options opened to them is the use of debt, hence this positive relationship.

There is also a positive and statistically significant relationship between dividend policy and the various measures of corporate performance except for market to book value ratio which shows an insignificantly negative relationship. The choice of dividend policy could lead to value maximization. The findings
largely confirm existing literature. Black (1976) and Easterbrook (1984) argue that paying dividends can mitigate a potential overinvestment problem, because they reduce the amount of free cash flow available to the firm. Payment of dividend could be used in aligning the interests of management with those of shareholders and this could result in shareholder value maximization. The payment of dividend may push management to the capital market to raise finance. This will subject the firm to close monitoring by players in the market and such monitoring could lead to enhanced performance.

With the exception of market to book value ratio, the results show insignificant positive relationships between stock market capitalization and the other measures of corporate performance. The positive relationship between stock market capitalization and market to value indicate that as stock market develops, various investment opportunities and financing choices are opened to firms and this will increase their performance. As Braun and Johnson (2005) put it stock markets can influence the level of investment. This when well exploited will increase firm value. Fama (1981) and Barro (1989) have argued that there is a link between stock market activity and investment and as well forms an important component of changes in market value of capital. Consistent with Baker et al (2003) stock market impacts on investment as stock prices play a role in the investment decisions of firms.

Table 1: Panel Regression Results: Corporate Performance

<table>
<thead>
<tr>
<th></th>
<th>Rerun on Assets</th>
<th>Return on Equity</th>
<th>Market to book value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Fixed Effects)</td>
<td>(Fixed Effects)</td>
<td>(Fixed Effects)</td>
</tr>
<tr>
<td>Capital structure</td>
<td>-0.0467</td>
<td>-0.1170</td>
<td>0.0345</td>
</tr>
<tr>
<td></td>
<td>(3.94)***</td>
<td>(4.15)***</td>
<td>(2.75)***</td>
</tr>
<tr>
<td>Dividend Policy</td>
<td>1.1445</td>
<td>2.8944</td>
<td>-0.4481</td>
</tr>
<tr>
<td></td>
<td>(2.87)***</td>
<td>(3.06)***</td>
<td>(1.06)</td>
</tr>
<tr>
<td>Market capitalization</td>
<td>0.0058</td>
<td>0.0155</td>
<td>0.0193</td>
</tr>
<tr>
<td></td>
<td>(1.05)</td>
<td>(1.18)</td>
<td>(3.31)***</td>
</tr>
<tr>
<td>Inflation</td>
<td>0.0019</td>
<td>-0.0004</td>
<td>-0.0013</td>
</tr>
<tr>
<td></td>
<td>(1.62)</td>
<td>(0.15)</td>
<td>(1.02)</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>-9.6141</td>
<td>-11.7014</td>
<td>0.2646</td>
</tr>
<tr>
<td></td>
<td>(6.44)***</td>
<td>(3.30)***</td>
<td>(0.17)</td>
</tr>
<tr>
<td>Constant</td>
<td>84.5400</td>
<td>103.9572</td>
<td>-1.3907</td>
</tr>
<tr>
<td></td>
<td>(7.04)***</td>
<td>(3.64)***</td>
<td>(0.11)</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.1323</td>
<td>0.1474</td>
<td>0.0203</td>
</tr>
<tr>
<td>F-statistic</td>
<td>16.37</td>
<td>8.67</td>
<td>4.97</td>
</tr>
<tr>
<td>Prob &gt; F</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0002</td>
</tr>
<tr>
<td>Hausman test, chi²(5)</td>
<td>9.60</td>
<td>13.28</td>
<td>24.22</td>
</tr>
<tr>
<td></td>
<td>0.0872</td>
<td>0.0209</td>
<td>0.0002</td>
</tr>
</tbody>
</table>

Notes: All regressions include a constant. T-statistics are in parentheses. *** means significant at 1, percent level of significance; Return on assets is the net profit as a percentage of total assets; Return on equity is net profit as a percentage of equity; Market to
book value is the ratio of stock price to book value per share; Capital structure is the ratio of debt to assets; Dividend policy is the ratio of dividend to capital; Market capitalization is stock market capitalization as a percentage of GDP; Inflation is the inflation rate; GDP per capita the log of GDP per capita.

Inflation exhibited insignificant negative relationship with return on equity and market to book value ratio but positive relationship with return on assets. The result suggests, firms experiencing high inflation tend to exhibit high return on assets.

We found significant and negative relationships between GDP per capita and return on assets and return on equity but insignificant positive relationship between GDP per capita and market to book value ratio. The results of this study suggest that firms in countries with low GPD per capita rather show better financial performance in terms of return on assets and return on equity.

CONCLUSIONS AND IMPLICATIONS
The results of this indicate significantly negative effect of capital structure on return on assets and return on equity as measures of corporate performance. The results signal the fact that highly leveraged firms experience high interest payment and this tend to reduce their profitability, supporting findings of prior studies (see Miller and Rock, 1985; Smith, 1986 and Fama and French, 1998). The results also show a positive relationship between capital structure and market to book value ratio, implying that firms’ need for debt financing increases as their investment opportunities increase. The significantly positive relationship between dividend policy and corporate performance implies that dividend policy is taken with the view of increasing firm performance. This confirms the views of Black (1976) and Easterbrook (1984) that dividend policy could help save companies from the problem of overinvestment. The positive relationship between market capitalization and market to book value ratio suggests that as stock market develops, various investment opportunities are opened to firms. GDP per capita shows negative effects on corporate performance.

The current study has shed more light on the significant effects of capital structure and dividend policy on corporate performance. It is clear from the results of this study that, highly leveraged firms tend to have more interest commitment and this reduces cash flow available to shareholders. The payment of dividend could also be used to align the interest of managers and shareholders. This will as well reduce overinvestment problems some firms are saddled with from time to time. The level of stock market development and GDP per capita affect corporate performance. Thus, from emerging market perspective capital structure choice and dividend payout policy are influential elements in understanding corporate financial performance.

REFERENCES
This paper examines the weak-form efficient market hypothesis (EMH) in the case of the Ghana Stock Exchange (GSE) an emerging market. Daily returns from the Databank Stock Index (DSI) over a 5-year period 1999-2004 were used for the exercise. Random walk (RW) and GARCH(1,1) models are used as the basis for our analysis. The GSE DSI returns series exhibit volatility clustering, an indication of inefficiency on the GSE. The weak-form efficient market (random walk) hypothesis was rejected for the GSE, meaning that the market is inefficient. The inefficient market has important implications for investors, both domestic and international. Knowledge of profitable arbitrage opportunities due to market predictability serves to attract investors to diversify from more efficient markets to invest on the GSE bourse to increase their returns.

INTRODUCTION
Since the 1983 to 1988 financial crisis in Ghana, the financial sector has undergone a lot of reforms aimed at liberalising and opening up access to long-term capital for investments. A comprehensive Financial Sector Adjustment Programme (FINSAP) was launched in 1988. Among the major objectives of FINSAP was the restructuring of the financial sector and the creation of new institutions to revitalise the financial sector. Ghana’s capital market, Ghana Stock Exchange, was established in 1989 under the FINSAP. The Ghana Stock Exchange (hereafter, GSE) began full operations in November 1990 with 12 listed companies and one Government bond. Market capitalization within the first two years of operation increased from GH¢3 billion in 1991 to GH¢4.3 billion in 1992 while the listed companies increased to 15. The number of listed companies increased to 19 in 1995 and as at June 2007 stood at 34 (SAS, 2007). The main indices are the GSE All Share Index and the Databank Stock Index (DSI). Strategic African Securities Limited has also published three new indices comprising the SAS Index (SASI), SAS Manufacturing Index (SAS-MI), and the SAS Financial Index (SAS-FI).

In spite of the macroeconomic challenges facing the country, the performance of the GSE has been impressive in recent times. The GSE, with a U.S. dollar return of 144%, outperformed 61 markets around the world surveyed by Databank Financial Services Limited (retrieved from www.ghanaweb.com, Business News, 29 June 2004) to be adjudged the world's best performing stock market in 2003. The GSE has also provided a good platform for corporations to raise long-term capital to the tune of about $125.8 million from 1991 to 1998. For the whole of 2005, the GSE All Share remained disappointingly low. The GSE has however been on the path of recovery slowly since the beginning of 2006, after the bearish market in 2005 (SAS Investment Report, 2007). By mid 2007, the market capitalisation had increased by about 2%.

Due to the GSE’s vibrant role in raising domestic and international capital for economic development recent reforms has focused on enhancing institutional development. These include efficient and wider dissemination of information through the operation of an electronic trading system. The GSE has currently adopted a new electronic trading system, permitting a high degree of price transparency and
real-time price quotations on Reuters. Work on enhancing the automation of the trading platform started January 2008. When completed, brokers will be able trade via computers either on the floor of the Exchange or from their offices. The new Rule Book was adopted and implemented in February 2007, under which commissions have been partially liberalised to encourage investors shop for available best rates. Total commissions and levies now range from 1.5% to 2.5% of the value of a transaction, out of which 0.75% is non-negotiable fees payable to regulators. Also under the new rules, the Third Official List has been abolished and companies planning to list on the GSE will need to have a minimum of GH¢1 million post-offer capitalisation to be admitted to the First Official List and GH¢0.5 million to be on the Second Official List. New listing fees also apply. Also following the redenomination of the cedi, the GSE with market players and other stakeholders have issued new guidelines for trading and settlement of securities. Post-redenomination prices on the Exchange are currently quoted in the new currency up to four decimal places. Moreover, with the passing of the Central Securities Depository (CSD) Bill into law, all equities were expected to migrate to the CSD by the end of 2007. This saw to the gradual phasing out of Share Certificates and enabled settlement of transactions electronically. These institutional developments are expected to have important implications for efficiency of the market.

The young GSE market has not been deeply researched in terms of its degree of efficiency in the academic field. Efficiency has deep implications for asset pricing, risk and returns on the Exchange. Theoretically we expect a young emerging capital market such as the GSE to be weakly efficient at best. However the degree of efficiency of the GSE needs to be investigated using more robust approaches or methods. The objective of this paper is to determine the degree of efficiency of the GSE in the face of ongoing developments.

The rest of this paper is organized as follows. Section 2 provides a brief literature on random walks and efficient market hypothesis. Section 3 deals with the analytical models. Section 4 describes the data and presents the summary statistics. The results and discussions are presented in section 5 and section 6 concludes the paper.

RANDOM WALKS AND EFFICIENT MARKET HYPOTHESIS

A fundamental question concerning capital markets is their efficiency. Allocational, operational, and informational efficiencies are the types of market efficiency described in the financial markets literature. However, it has been noted that capital markets with higher informational efficiency are more likely to retain higher operational and allocational efficiencies (Müslümov et al, 2004). A market is efficient with respect to a set of information if it is impossible to make economic profits by trading on the basis of this information set (Ross, 1987). Consequently no arbitrage opportunities, after costs, and after risk premium can be tapped using ex ante information as all the available information has been discounted in current prices.

According to Samuelson (1965) and Fama (1970), under the ‘efficient market hypothesis’ (EMH), stock market prices must always show a full reflection of all available and relevant information and should follow a random walk process. Successive stock price changes (returns) are therefore independently and identically distributed (iid). Based on the information set, Fama (1970) categorizes the three types of efficient markets as weak-form, semi-strong-form, and strong-form efficient if the set of information includes past prices and returns only, all public information, and any information public as well as private, respectively. The implication here is that all markets can be weak-form but the reverse cannot be the case.
Furthermore, stock market returns unlike other economic time-series, typically exhibit a set of peculiar characteristics such as clusters or pools of volatility and stability (i.e. large changes in these returns series tend to be followed by large changes and small changes by small changes) Mandelbrot (1963) and Fama (1965), and leptokurtosis, (i.e. the distribution of returns tends to be fat-tailed) Fama (1965).

**ANALYTICAL METHODS**

Many statistical tests for random walks (or EMH) have been used in the literature. The earlier tests have included the sequence and reversal test used by Cowles and Jones (1973); the runs test used by David and Barton (1962), Fama (1965), Aldous (1989); and the more popular variance ratio test by Lo and MacKinlay (1988). The serial correlation test of returns has also been used extensively (See Kendell (1953), Moore (1962), Godfrey et al (1964), and Fama (1965). These conventional tests of random walks are based on the test of iid assumptions.

In this study, we use the basic Random Walk (RW) model and a GARCH (1,1) model. The basic RW model is used directly to test for the random walk hypothesis (RWH). The GARCH (1,1) model is also used to capture the main characteristics of financial time series such as stationarity, fat-tails, and volatility clustering. The GARCH model will further be used to find the presence of nonlinear autoregressive conditional heteroscedasticity (ARCH) effects which contradicts the random walk concept.

In addition, we use nonlinear serial independence tests to confirm the random walk hypothesis by employing five sets of nonlinearity tests used by Patterson and Ashley (2000). According to Patterson and Ashley (2000), a standalone statistical test for nonlinearity can only detect or (fail to detect) nonlinearity. Therefore the application of a battery of nonlinearity tests can provide valuable information about any nonlinear structure in the data generating process on a given time series. Identification of any nonlinear structure in the time series is used as a basis to either accept or reject the RWH.

The five tests include the McLeod and Li (1983) for ARCH effects; the Engle (1982) LM test for ARCH effects; the BDS test proposed by Brock, Dechert, and Scheinkman (1996); the Tsay (1986) test for quadratic serial dependence; and the Hinich and Patterson (1995) bicovariance test. All the tests are based on the same hypothesis that once any linear serial dependence is removed from the data through a pre-whitening of the model, any remaining serial dependence must be due to a nonlinear data generating process (Patterson and Ashley, 2000). See Patterson and Ashley (2000) for more details about each test.

**The Basic Random Walk Model**

The logarithmic random walk (RW) with a drift model for testing the EMH is given in equation (1 and 2) as:

\[
\ln p_t = \ln p_{t-1} + \mu + \epsilon_t \tag{1}
\]

or

\[
r_t = \Delta \ln p_t = \mu + \epsilon_t \tag{2}
\]

where \( p_t \) is the logarithm of the price index observed at time \( t \), \( \mu \) is an arbitrary drift parameter, \( r_t \) is the change in the index and \( \epsilon_t \) is a random disturbance term satisfying \( E(\epsilon_t) = 0 \), \( \sigma^2_t \) is constant and \( E(\epsilon_t, \epsilon_{t-1}) = 0 \), where \( s \neq 0 \), for all \( t \). Under the random walk hypothesis, a market is (weak-form) efficient if the most recent price contains all available information and therefore the best predictor of future prices is the most current price. In the strictest version of the efficient market hypothesis, \( \epsilon_t \) is not only random
and stationary, but exhibits no autocorrelation, since the disturbance term cannot possess any systematic forecast errors.

**The GARCH (1,1) Model**

Engle (1982) and Bollerslev (1986) independently introduced the autoregressive conditional heteroscedasticity (ARCH) and the generalized ARCH (GARCH) models, which specifically allows for a time variant conditional variance and nonlinearities in the generating mechanism. The basic GARCH (1,1) derived below is estimated in this study. According to Brook and Burke (2003), the lag order (1,1) model is sufficient to capture all of the volatility clustering that is present from the data. The GARCH (1,1) model by Bollerslev (1986) is based on the assumption that forecasts of time varying variance depend on the lagged variance of the asset. An unexpected increase or decrease in returns at time $t$ will generate an increase in the expected variability in the next period. The basic model GARCH (1,1) can be expressed as:

$$r_t = \mu + \phi r_{t-1} + \varepsilon_t,$$

$$\varepsilon_t / \Phi_{t-1} \sim N \left( 0, h_t \right)$$

$$h_t = \kappa + \alpha \varepsilon_{t-1}^2 + \beta h_{t-1},$$

where $\kappa > 0$, $\alpha > 0$, $\beta > 0$. The GARCH (1,1) is weakly stationary if $\alpha + \beta < 1$, $\mu$ is the mean, $\varepsilon_{t-1}$ is the news about volatility from the previous period (the ARCH term), and $h_{t-1}$ the conditional variance is the last period forecast variance (the GARCH term) and must be nonnegative. If $\phi = 0$ and $\varepsilon_t$ is i.i.d, we accept weak form EMH otherwise we reject the hypothesis. Also if the value of ($\alpha + \beta$) is very close to one, it shows high persistence in volatility clustering and implies inefficiency on the market.

**Nonlinear Serial Independence Tests for Random Walks**

The battery of tests are only implemented in this study to test linearity assumption and not for model selection. To implement these tests we first estimate the data generating processes considered: the RW model (equation 2) and the GARCH (1,1) model (equation 3). The ordinary regression residuals of the RW model and the standardized residuals generated from the GARCH model are then used for nonlinear serial independence tests. Since these tests are only asymptotically justified, we compute the significance levels based on asymptotic theory and then bootstrap the significance levels for each test using 1000 bootstrap replications under the null hypothesis of serial independence. See Patterson and Ashley (2000) for more details. The summary of the test results are presented in table 3.

**DATA DESCRIPTION**

The nonlinear tests described above are applied to the logarithmic returns for the closing prices of the Ghana Stock Exchange Databank Stock Index (DSI) over the sample of 1,508 observations running from 15th June 1994 to 28th April 2004 excluding non-trading days and public holidays. The DSI data were obtained from the Databank Research and Information Limited (DRIL), Ghana. The DSI was the first major share index on the GSE and its computation began in November 1990. The index is composed of all the listed equities on the market.

**RESULTS AND DISCUSSION**

**Descriptive Statistics for the DSI Returns**

Table 1 presents a summary of descriptive statistics of the DSI returns. Sample mean, standard deviation, skewness and kurtosis, and the Jacque-Bera statistic and $p$-value have been reported. The mean continuously compounded daily returns for the DSI range from -0.0921 to 0.1212. As is expected for a
time series of returns, the mean is close to zero. The high standard deviation with respect to the mean is an indication the high volatility in the market returns and the risky nature of the market. A visual analysis of the volatility of returns can be gained from the DSI and returns ($R_t$) plots in Figure 1.

Table 1: Descriptive Statistics of DSI Returns Series

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>0.000663</td>
<td>Skewness</td>
</tr>
<tr>
<td>Maximum</td>
<td>0.121210</td>
<td>Kurtosis</td>
</tr>
<tr>
<td>Minimum</td>
<td>-0.092106</td>
<td>Jarque-Bera</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>0.010434</td>
<td>Probability</td>
</tr>
</tbody>
</table>

Observations: 1,508

The returns also shows evidence of significant positive skewness in its distribution, indicating the greater probability of large increases in market portfolio returns than falls. This means that the DSI returns is asymmetric. DSI’s returns are leptokurtic or fat-tailed. The kurtosis or degree of excess, in the DSI returns is very large greater than the normal value of 3. Lastly, the calculated Jarque-Bera statistic and corresponding $p$-value in Table 1 are used to test the null hypotheses that the DSI returns is normally distributed. The $p$-value is smaller than the 1% level of significance suggesting the null hypothesis can be rejected. The DSI returns are thus not well approximated by the normal distribution. From figure 1, the index looks like a random walk. The density graph and QQ-plot against the normal distribution shows that the returns distribution also exhibits fat tails confirming the statistics in table 1.

Figure 1: DSI Returns and Tail Distribution
Random Walk and GARCH (1,1) Models Estimation

The RW and GARCH(1,1) models were estimated for the DSI returns series using the robust method of Bolleslev-Wooldridge’s quasi-maximum likelihood estimator (QMLE) assuming the Gaussian standard normal distribution. The results including their statistical checks are presented in Table 2.

The conditional mean (μ) parameter is significantly different from zero in both models. The AR1 parameter (φ) in the mean equation for the GARCH model is also significant. These results primarily reject the random walk hypothesis. In the variance equation the value of (α+β) equals 0.92188, which is very close to 1, suggests a high persistence of volatility clusters on the market. This is an indication of inefficiency.

<table>
<thead>
<tr>
<th>Models</th>
<th>RW</th>
<th>GARCH (1,1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean Equation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>μ</td>
<td>0.002 (7.33)***</td>
<td>0.0006 (2.95)***</td>
</tr>
<tr>
<td>φ</td>
<td>-</td>
<td>0.1645 (2.92)***</td>
</tr>
<tr>
<td>Variance equation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>κ</td>
<td>-</td>
<td>1.01E-05 (1.31)</td>
</tr>
<tr>
<td>α</td>
<td>-</td>
<td>0.1421 (3.40)***</td>
</tr>
<tr>
<td>β</td>
<td>-</td>
<td>0.7798 (10.34)***</td>
</tr>
<tr>
<td>γ</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>0.000000</td>
<td></td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>0.010433</td>
<td></td>
</tr>
<tr>
<td>Schwarz criterion</td>
<td>-6.283463</td>
<td>-6.6397</td>
</tr>
</tbody>
</table>

Note: z-statistics (t-stat for RW) in brackets. ***denotes 1% significance.

Results for Test of Nonlinear Serial Independence

The results from the battery of nonlinear serial independence tests are presented in table 3. Both the asymptotic theory and bootstrapped significance levels for all tests are reported. Note that all figures quoted in table 3 are based on 1508 samples. The 1% significance level for each test was obtained using 1000 bootstrap replications. The parameters m, l, p, k, and, m have been defined in section 2.3, where each test was briefly discussed. BDS test results were calculated for each ε equal to 0.5, 1, and 2 standard deviations (fraction of pairs) respectively; for brevity and without much loss of information, results are quoted only for ε = 2. Only bootstrap significance levels are reported.

From table 3, all the tests conducted show that the null hypothesis of serial independence for the RW model is significant at 1% level. This implies that the residuals (ε) of the RW model are not iid and accordingly suggests some hidden nonlinear structure drives the DSI returns series. This is consistent with the results reported in table 2 for the RW model which rejects the random walk hypothesis.
Table 3: Diagnostic Tests for Nonlinear Serial Independence

<table>
<thead>
<tr>
<th>McLeod-Li Test</th>
<th>Bicovariance Test</th>
<th>Engle Test</th>
<th>Tsay Test</th>
<th>BDS Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asymptotic theory (p-values)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>( m=24 )</td>
<td>( \ell=18 )</td>
<td>( p=5 )</td>
<td>( k=5 )</td>
<td>( m=2 )</td>
</tr>
<tr>
<td>RW</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>GARCH(1,1)</td>
<td>0.038</td>
<td>0.695</td>
<td>0.098</td>
<td>0.836</td>
</tr>
<tr>
<td>Bootstrap (p-values)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>( m=24 )</td>
<td>( \ell=18 )</td>
<td>( p=5 )</td>
<td>( k=5 )</td>
<td>( m=2 )</td>
</tr>
<tr>
<td>RW</td>
<td>0.006</td>
<td>0.001</td>
<td>0.001</td>
<td>0.002</td>
</tr>
<tr>
<td>GARCH(1,1)</td>
<td>0.047</td>
<td>0.654</td>
<td>0.108</td>
<td>0.819</td>
</tr>
</tbody>
</table>

The results is however inconclusive in rejecting the null hypothesis of serial independence in the standardized residuals of the GARCH(1,1) model. Only the \( p \)-values for the McLeod-Li and BDS tests are less than the 5% significant level for both asymptotic and bootstrap significance test. Based on the strength of these two tests, we could conclude that there is evidence of significant non-linearity in the DSI returns data and therefore they do not follow a random walk.

CONCLUSION

One of the main research branches in financial economics relates to the area of market efficiency. This paper investigated the issue of weak-form efficiency on the Ghana Stock Exchange. Two main analytical models: the RW and GARCH(1,1) models have been employed to test for significant random walks (\( iid \) residuals) in daily market returns. A battery of five complementary statistical tests was also applied to the residuals of the estimated models to verify for serial independence.

Our findings in this study indicate that the Ghana Stock Exchange is weakly inefficient. The results from the RW and GARCH models unanimously reject the presence of random walks in the DSI daily market returns. Furthermore, the tests for nonlinearity proved on the strength of the McLeod-Li and BDS test that the residuals of the market returns do not follow a random walk generating process. The absence of random walks infers distortions in asset pricing and risk, a mark of market inefficiency.

The implication here is that one should expect a sizeable amount of stock prices on the GSE to be either undervalued or overvalued. It is therefore not a waste of time for interested experts to analyze GSE stocks by looking for those that are undervalued. There is a chance for a hardworking analyst to consistently outperform the market averages. People such as corporate officers who have inside information can do better than the market averages, and individuals and organizations that are especially good at digging out information on small, new companies are likely to consistently do so. The GSE’s bullish runs in recent years could be one of the explanations to this finding. For instance reports registered in the Strategic African Securities Ltd (SAS) Investment Research document (SAS Investment Research, January 2008) indicated that the market capitalization of GSE crossed the GH¢12 billion mark in 2007. Actually in that year the size of the equities component of the Ghana capital market increased by 21.40%, resulting in a total market capitalization of GH¢12,362.11 million. The Ghana Stock Exchange (GSE) All Share Index closed at a record high of 6599.81 points, the highest since November 12, 1990, as a result of the strong Ghanaian economy and a solid performance of the financial firms. Activity in financial equities is dominating market activity in recent times and is dominated by Non-Resident foreigners. Overseas
investors have continued to actively purchase Ghanaian stocks. In 2007 the total value traded by Non Resident Foreigners (NRF) was GH¢422.85 million which represented about 80% of total volume traded. The trend totally confirms our finding of a weakly inefficient market which implies market predictability that provides profitable arbitrage opportunities. Investors (especially foreign ones) are therefore attracted to diversify or totally shift from investing in other financial instruments or markets to invest on the GSE bourse in order to increase their returns.

However, one major concern about the GSE is that even though it has been in existence for nearly two decades the total number of enlisted companies to date suggests a paltry average of two enlistments per year. This means that most firms still prefer to use the traditional financial institutions especially the banks as an alternative for financing rather than the stock market. The implication is that Ghanaian firms are rather interested in higher productivity which is more short term than higher capital accumulation which is otherwise needed for long run economic growth. Left on their own Ghanaians themselves are not making any momentous efforts to exploit the rife opportunities on the young GSE to enrich themselves. A possible reason is that the degree of ignorance, conservatism and/or indifference on corporate financial matters is so high as to defy the usefulness of theoretical postulations such as the implications of the findings of this paper.

REFERENCES
How Efficient is Ghana’s Banking Sector?

King A. Salami, GIMPA Business School, Ghana

With the premise that bank efficiency is critical for achieving an efficient financial system that can contribute to an increase in the performance of Ghana’s economy, against the background of alleged public dissatisfaction with the performance of the banking sector, a survey was undertaken during the last quarter of 2007 to solicit information from relevant banks. Resulting conclusions are that bank efficiency is being accorded greater importance worldwide, and Ghana should be no exception; that the Bank of Ghana’s rules and regulations must continue to be cautiously and effectively applied to enhance bank competition and efficiency. Finally, an improvement in Ghana’s economy by promoting growth-enhancing measures is critical for achieving positive impact on the efficiency of the banking sector.

INTRODUCTION / STUDY BACKGROUND
The financial restructuring that accompanied Ghana’s Structural Adjustment Programme (SAP) of the mid eighties was meant to liberalise Ghana’s financial sector, improve savings mobilization and enhance the efficiency of the financial sector. Hopefully, this would then lead to an increase in the efficiency of credit allocation through effective competition in the financial markets, interest rate liberalization and an enhancement in the health of the banking system through improvement of the regulatory and supervisory framework, and ultimately witness an effective development of the money and capital markets in Ghana.

By the end of the year 2002, the number of banks in Ghana had reached 17, and these banks were categorized into Commercial (9 in number); Universal (2); Merchant (3), and Developmental (3) (Refer Appendix I) for the list. The total number had risen to about 24 by the end of 2006, but this time, categorization had become weak and almost non-existent. This was because every bank’s wish was to take advantage of the changing banking environment, made possible by Bank of Ghana’s open policy of Universal Banking License that allows a bank to compete on every aspect of banking business. This has come to make banking business in Ghana not only competitive but also challenging, with attendant far reaching implications for banks, customers, and the entire economy of Ghana.

Problem Statement
In most recent times, a handsome majority of informed Ghanaian public have described banks in Ghana as being guilty of alleged business malpractices such as collusion, excessive and astronomical profits, and operational inefficiency. The extent to which these allegations or criticisms are true will be the focus of this study. This will be in the context of the fact that commercial banks in every economy are supposed to play a crucially important role in the effective development of a country’s financial system.

Aims and Objectives
The overall aim of the study is to examine Ghana’s commercial banking sector in the context of operational efficiency able to enhance the promotion of effective financial and economic development. From this overall aim are the following specific objectives that are to:

- Analyse the structure of Ghana’s banking sector in terms of operational efficiency;
- Examine whether their operations can enhance Ghana’s financial and economic development; and
- Put forward policy implications of the study.
Significance of the research
Banking affects the lives of all citizens in an economy and related studies must therefore be significant to the citizens and the economy they live in. In this context, the study should be of relevance to a wide range of audiences. Firstly, the researcher sees it as a way of making a positive contribution to the existing literature on the subject. Secondly, banks and financial institutions within Ghana’s financial system should see the study as a reference document to work with. Furthermore, the study should be of benefit to government institutions like the Bank of Ghana (BoG) and the Ministry of Finance and Economic Planning that are charged with prudential regulation of Ghana’s banking and financial system. Lastly, the study should also be able to serve as reference material for the academia in the conduct of future research.

Limitations of the Study
The paper focuses mainly on the efficiency of Ghana’s banking sector, using a simple survey method to accomplish the study. In this connection therefore, other areas of interest for further exploration could include efficiency measurement using quantitative methods like econometric techniques to examine the linkage between banking efficiency and such important issues as operational costs, managerial and leadership style, ownership, etc.

Organisation of the Paper
The remaining part of the paper is organized into the following sections: Literature Review and Analytical Framework that considers past research efforts in the area and provides a framework for analysis; Methodology that explains data source and its collection; Analysis and Interpretations; and Conclusions and Policy Implications of the study.

LITERATURE REVIEW AND ANALYTICAL FRAMEWORK
The works of McKinnon (1973) and Shaw (1973) have paved the way for financial liberalization in the developing world including Ghana since the 1980’s, even though Fry (1997) wrote on the lack of existence of positive correlation between interest rate and savings. Schumpeter (1911) had previously asserted that the financial system could promote economic growth by arguing that the services provided by financial intermediaries, such as savings mobilization, projects evaluation, and risk management, were all necessary for economic development and technological innovation. Moreover, King and Levine (1993) confirmed the previous positions of McKinnon and Shaw by explaining a strong link between financial development and growth, implying that fostering financial development can promote an economy’s growth rate in the long-run. But Caprio et al (1999) and Demirgue-Kurt and Detragiache (1998) have cautioned that unbridled financial liberalization could lead to a banking crisis resulting from weak rule of law, widespread corruption, inefficient bureaucracy and ineffective contract enforcement.

It is a popular fact that commercial banks play important roles in a country’s financial system and the entire economy of a nation. They are charged principally with effective financial intermediation of channeling funds from surplus entities to deficit entities, and ensuring that very much needed credit goes to places where it is most needed, and without which the credit would not be available. Thus, banks are seen as providers of the lubricating oil crucially needed for an economy’s effective growth and development (Salami, 2006). Besides, we should not forget that their liabilities, in terms of deposits, constitute a greater bulk of an economy’s money supply. The implication of this is that banks must always operate efficiently so as to mitigate stockholders and management agency problem. Contrary to this, the result could be that banks that are inefficient, are more likely to face an imminent threat of ultimate insolvency and liquidation (Fuentes and Vergara, 2003), (Salami, 1989),

Commercial banking environment in recent times is characterized by drastic competition. This competition is within and without, that is among commercial banks themselves and with other financial institutions in the market. This thus calls for commercial banks not only to be operationally efficient, but
also must be seen to be so, in order to court the perception of the public, their major clientele, in their favour.

The subject of bank efficiency in financial literature is not new as it has been discussed for years. But in more recent times, the subject has attracted greater importance and attention. This, according to Berger, et al (1993) has been due to a number of reasons. The rapid growth of financial markets and financial innovation worldwide has necessitated an improvement in bank efficiency to forestall the possibility of any banking crisis. This is supported by Casu and Molyneux (2003) who have expressed that integration and the accompanying deregulation has compelled bank management in Europe to focus on improving efficiency to meet the increasing competitive environment in the European Common Market. The study by Bos and Kool (2006) analyses the role of bank strategy and local conditions in bank efficiency, and concludes that managerial inefficiency, more than environmental factors, does play greater role in bank inefficiency, the latter’s role though found to be very minimal, still plays some part.

Bank efficiency may also be considered in terms of improved profitability. Another benefit of bank efficiency is the maintenance of better prices in terms of lower and competitive interest rates, and provision of better and higher quality services (Salami, 2007). Bank efficiency ensures greater security and soundness of financial systems. Thaker (1998) maintains that banking efficiency affects the development of the capital market, and the relationship between banks and the capital market is both competitive and complementary. He concludes his paper by expressing that it may not be possible to develop a good capital market in an economy that does not have good banks.

The efficiency of the financial system was also considered by Bain (1992) in terms of micro economic efficiency and macro economic efficiency. Under micro economic efficiency, he identified the range of financial instruments available; the choices open to savers and investors; the prevailing prices in the market; the costs of intermediation; and the capacity of the banking sector to engage in innovation and adapt to changing needs. Bain’s macro economic efficiency relates to aggregate saving and investment. In other words, it deals with how the banking sector is able to meet societal objectives in relation to the economy’s saving and investment; and also the stability of volumes of savings, investment and interest rates. The stability of the market with regard to the volumes of funds going through the banking system and the price of funds is also considered under macro economic efficiency.

Research on performance of financial institutions has increasingly focused very much on X-efficiency (or frontier efficiency) that measures deviations in performance from that of best-practice firms on the efficient frontier, holding constant a number of exogenous market factors like market prices. According to DeYoung (1997), X-efficiency often measures cost efficiency of institutions more accurately than the use of financial ratios. Others like Nakamura (1994), Udell (1989), Neely and Wheelock (1997), Zimmerman (1996), Allen and Rai (1996), and Chen (2001), have also examined efficiency with respect to various factors such as bank size, time, location and loan portfolio-mix, bank strategy, costs and profitability, and macro economic environment and monetary policy.

As analytical basis for our study, some of these efficiency issues namely, Regulation, Interest Rates Spread, Competition, and Macro-economic Conditions, will be examined with regard to banking efficiency in Ghana during the analysis and interpretation section of this paper.

**METHODOLOGY**
The study is survey based, and the methodology consists of identifying the appropriate and relevant data through surveys of relevant senior officials of selected banks, including the Bank of Ghana, using designed questionnaires. This is supplemented by information extracted from relevant publications of the
Bank of Ghana, other relevant banks, and the internet. (See Appendix I for the list of 17 banks used for the survey)

Primary data collection consisted of using structured questionnaires for face-to-face interviews with targeted senior officials of the relevant banks. These officials were purposely selected for their knowledge, expertise and experience in the study area. The information collected through both primary and secondary sources were processed appropriately for analysis and interpretations stage of the study.

**Analysis and Interpretations Stage**

Our analysis is with respect to some of the efficiency issues examined in the literature review section. The list includes:

- Regulation;
- Interest Rates Spread;
- Competition among banks and non-bank financial institutions; and
- Macro economic effects.

**Regulation:** The banking industry is highly regulated. Deregulation in financial markets worldwide produced dramatic changes in the banking industry, such as elimination of the barriers to geographic expansion and interest rate ceilings, and commercial banks witnessing drastic competition from bank and non-bank rivals. But in contrast, Kaufman (1995), explains that the regulatory framework may be costly, thus imposing inefficiency. By implication, regulation may lead to banks making less profit and likely to be at a greater disadvantage compared to their non- or less regulated competitors. The belief is that the removal of the regulation would step up the efficiency level of the banking industry. Salami (2002) also analysed the impact of Prudential Regulation by the Bank of Ghana (BoG) on performance of Ghana’s Rural Banks, and concluded that the regulatory mechanism helped to minimize possible malfeasance and business malpractices by ensuring banks’ compliance of the relevant laws, rules and regulations.

Our survey with the officials of relevant banks have confirmed that BoG’s implementation of current regulations have been found not only to be business friendly but also are encouraging as the banking industry is now operating in a highly competitive environment likely to enhance the operational efficiency of the industry. At least the Universal Banking License introduced recently has resulted in banks that were previously categorized according to their varied specializations, to assume the status of Universal Banks so as to benefit from both economies of scope and scale economies. Hitherto, these specialized banks like Home Finance Company could only benefit from scale economies; now scope economies have been added to the range of benefits.

But a word of caution for the BoG is appropriate here. A new legislation is being proposed that would raise the minimum capital requirement for banks from the previous 7.0 million GH cedis to between 50 and 60 million GH cedis (an increase of 600% - 750%), while that of the Non-Bank Financial Institutions and Finance Houses would increase from 1.0 million GH cedis and 1.5 million GH cedis respectively to between 5-8 million GH cedis (an increase of 400%), (Business News, 2008). If this legislation should see the light of day, the competition which has so far been enhanced and encouraged by the arrival of the Universal Banking License could be stifled and may reduce the operational efficiency of the industry. The result could be that smaller banks or other banks that are unable to meet the proposed increased capital requirement could be driven out of business or could be forced into merging with other banks, thereby resulting in fewer banks than previously with attendant problems of stunted competition and reduction in efficiency. BoG must therefore engage in serious and mutually beneficial discussions with the banking sector with regards to the best was forward on this. This is important for the soundness of the financial system and the economy

34
Interest Rates and Spread

The great bulk of commercial banking business involves accepting deposits from surplus entities and giving out loans to deficit units. Thus interest rates constitute a pricing and strategic tool in banking operations. If loans are priced too high (higher prices), the result may be low demand for loans, and if too low (lower prices), demand for loans would be too high to satisfy. A bank therefore needs to strategize to ensure that interest rates are at competitive levels so as to retain business volume and strive to improve on the efficiency of their operations.

Generally, interest rates operating in the banking industry have tended to fall since the year 2000 when they hovered around 50%, but they are currently around 20% on the average. But the spread between borrowing and lending rates is still wide, though, sometimes about 20%, (being the difference between Lending rate of 26% and borrowing rate of 6%, in a typical year of 2006). This spread constitutes the major bulk of bank astronomical earnings, the likely cause of public outcry against banks’ excessive and astronomical profits. The well-informed members of the public consider the interest rates relatively too high to have a positive impact on private sector growth and development and boost business activity. Even though the government is being petitioned by interest groups to act positively to ensure further decreases in interest rates to achieve lower spreads, the government through the BoG, can only act in an advisory capacity, in relation to moral suasion, used by the central bank in times of need. This is because the bank deposits, the major source of bank business, belong to bank customers and shareholders, and banks only act as the custodians of these deposits.

Most of the officials contacted during the survey have expressed the need for operating a relatively thinner spread, which by implication means that the banks must be content with a reduction in the level of profits reported annually in the media so as to court public perception in their favour. The issue in this section is linked with the extent of competition within the banking industry which is the topic of our next section.

Competition in the banking industry

In testing the degree of competition, Buchs and Mathisen (2005), using the Panzar and Rosse model and employing the 1998-2003 panel data set, concluded that banks in Ghana tend to behave in a non-competitive manner, indicating a persistently low level of market contestability. But the situation has improved significantly, and commercial banks currently in operation as Universal Banks number up to 26. The positive effects of this is that the banking industry has witnessed a more enhanced innovation in products and services, and apparent reduction in transactions costs through achievement of scale and scope economics, as well as a more aggressive branch network expansion.

The revelation coming out from our survey is that the top four banks according to Assets size, constitute over 60% of the market share (see Appendix II), using Concentration Ratio, a measure to test the extent of competition in the industry. This proportion makes Ghana’s banking industry oligopolistic, with the implication that crucial decisions about interest rates, foreign exchange rates, etc are likely to be taken by the top group, before the much smaller ones are informed. This thus gives room for the opportunity for collusive behavior normally associated with oligopolistic market environment of which Ghana’s banking industry appears to be characterized as at present.

Nevertheless, all the officials contacted during the survey have explained that keen competition exists within the banking sector itself, as well as between the banking sector and the non-banking sector. This involves both price and non-price competition, but is more aggressive with non-price competition, in the form of products and services innovation, advertisement to increase demand inelasticity of their products and services, and branch network expansion.
As we live and operate in a dynamic environment in which continuous change is a daily occurrence, it must be the duty of BoG to ensure that their prudential regulation discussed earlier in this paper is effectively implemented to ensure that mighty empires do not develop through mergers and consolidation, resulting from the proposed changes in bank minimum capital requirements, which could happen if the legislation should see the light of day. Efficiency of the banking sector is likely to suffer then.

**Macro economic effects**

Macro economic movements in terms of monetary policy, interest rate changes, and bull and bear market conditions may also affect bank efficiency. Changes in these macro economic factors tend to influence the overall economy that may affect banks and the efficiency of their operations.

Our survey has revealed that all the officials we interviewed were of the opinion that Ghana’s macro economy has performed well in relation to falling trends of interest rates and inflation which were previously hovering in the region of 40%-50% respectively before 2001, are now operating around 20% on the average. The GH cedi value with respect to foreign currencies like the dollar and the pound sterling has also stabilized, although the level of unemployment is still worrying. But overall, the general performance of the economy is thought to be favourable. The respondents have all identified a link between the relatively good performance of Ghana’s economy and an improvement in the financial system, including the banking industry. The visible effects have been an influx of foreign banks into Ghana, culminating in increased competition within the banking sector likely to produce increases in bank efficiency. Again, the BoG, through her prudential regulation of banks, should continue to exercise great caution and good judgment in their dealings with the banking sector so that effective bridges are built that will ensure the operation of a more efficient banking industry able to effectively compete and complement in the market. This would help to promote a stronger and more efficient financial system able to contribute to an improved health of the economy.

**CONCLUSIONS AND POLICY IMPLICATIONS**

The following conclusions have resulted from the foregoing. Firstly, the literature reviewed has emphasized the importance of bank efficiency in the light of the increasing competitive world’s financial market place with the attendant innovations in products, instruments, and institutions. Secondly the study has revealed that Ghana’s banking industry currently operates within an oligopolistic market environment, which even though tolerates some competition, needs to strive harder to achieve greater bank efficiency that could help to bring interest rates down further to the benefit of the financial system and the whole economy. Moreover, the importance of the Bank of Ghana with respect to the implementation of appropriate rules, regulations and laws to benefit the banking sector and the financial system is noted. Finally, the need for growth enhancing measures to grow the economy, as a critical factor that could enhance the efficiency of the banking system is also noted.

One of the implications flowing from the above analysis is that banks in Ghana must begin to take seriously the issue of bank efficiency as it has wider implications for cost management, managerial efficiency, strategic direction and profitability. Besides, the Bank of Ghana must continue to use prudential regulation to enhance competition in the banking sector and the financial system, and help to step up banking efficiency and bring interest rates further down lower. The government also needs to step up growth enhancing measures to improve the performance of the economy so as to enhance income generation through reduction in the level of unemployment and ultimately achieve an increase in the efficiency of Ghana’s banking sector to the benefit the entire economy.

**REFERENCES**


Appendix I: Structure of the Ghanaian Banking Sector, December 2002

<table>
<thead>
<tr>
<th>Bank</th>
<th>Ownership (percent)</th>
<th>Number of Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><em>Ghanaian</em></td>
<td><em>Foreign</em></td>
</tr>
<tr>
<td><strong>Commercial Banks</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ghana Commercial Bank Ltd.</td>
<td>97</td>
<td>3</td>
</tr>
<tr>
<td>SSB bank Ltd.</td>
<td>46</td>
<td>54</td>
</tr>
<tr>
<td>Barclays Bank of Ghana Ltd.</td>
<td>10</td>
<td>90</td>
</tr>
<tr>
<td>Standard Chartered bank</td>
<td>24</td>
<td>76</td>
</tr>
<tr>
<td>The Trust Bank Ghana Ltd.</td>
<td>39</td>
<td>61</td>
</tr>
<tr>
<td>Metropolitan and Allied Bank</td>
<td>53</td>
<td>47</td>
</tr>
<tr>
<td>International Commercial Bank</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Stanbic Bank Ghana Ltd.</td>
<td>9</td>
<td>91</td>
</tr>
<tr>
<td>Unibank</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td><strong>Universal Banks</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Merchant Bank Ghana Ltd.</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>Ecobank Ghana Ltd.</td>
<td>36</td>
<td>64</td>
</tr>
<tr>
<td><strong>Merchant Banks</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAL Merchant Bank</td>
<td>34</td>
<td>66</td>
</tr>
<tr>
<td>First Atlantic bank</td>
<td>71</td>
<td>29</td>
</tr>
<tr>
<td>Amalgamated Bank</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td><strong>Development Banks</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agricultural Development Bank</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>National Investment Bank</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>Prudential Bank</td>
<td>100</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Adapted from Survey data and relevant issues of BoG Annual Reports


<table>
<thead>
<tr>
<th>Bank</th>
<th>Total Assets = Total Liability</th>
<th>Share in Total Banking System (% of total system)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rank 1-4</td>
<td>12,211</td>
<td>63.78%</td>
</tr>
<tr>
<td>Rank 5-8</td>
<td>4,434</td>
<td>23.16%</td>
</tr>
<tr>
<td>Rank 9-13</td>
<td>2,499</td>
<td>13.06%</td>
</tr>
<tr>
<td>Total</td>
<td>19,144</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Adapted from Banks’ Annual Reports.
Constructs and Attitudes to Professionalism in Ugandan Firms

Samuel Sejjaaka, Makerere University Business School, Uganda

Professionalism has been identified as one of the constraints to improving financial disclosure by firms in developing countries. It has been argued that improving training would be one of the ways of enhancing professionalism and increasing firm capacity to use International Financial Reporting Standards (IFRS). Using factor analysis, this study identifies the constructs of Thomas (1989) professional accounting subculture (PASC) and tests whether differences in training have an effect on attitudes to professionalism and hence would enhance use of IFRS. We find that except in the case of the objectivity construct, there are no significant differences between perceptions of the PASC of respondents considering level of education and possession of a professional qualification.

INTRODUCTION

It has long been recognized that firms in developing economies do not have adequate accounting disclosure for mandatory and nonmandatory information (Sejjaaka, 2005). Several reasons have been advanced by various scholars for the low levels of disclosure in financial statements. One reason is the lack of regulatory control over the activities of firms while another reason is the informality associated with their business dealings or for that matter the structure of ownership. The latter, it has been argued does not impose an onerous duty to disclose as much information as would be required by International Financial Reporting Standards (IFRS) or rather that IFRS are too complicated for small firms to adopt (see argument for big GAAP, small GAAP). If we accept the logic that IFRS are too complicated, then we can argue that there are poor perceptions of the extent of professionalism in the organizational environment.

Gray (1988) hypothesized that societies, which have strong power distance and uncertainty avoidance cultures, are bound to display low levels of professionalism as opposed to highly individualistic cultures. Similarly, societies that exhibit a strong power distance and uncertainty avoidance culture are bound to be highly secretive. Hofstede (2001) characterises most African societies as having strong power distance and uncertainty avoidance - traits that would encourage less professionalism and hence poor perceptions of the need to apply accounting information in decision making or practice a high degree of independence.

The objective of this paper is to threefold. The first is to identify the constructs of the PASC (Thomas 1989). The second objective is to examine the perceptions of preparers of financial accounting information to those constructs and the third is to analyse whether training actually creates a difference in these perceptions/attitudes as has been suggested. In this regards we examine the following propositions.

Proposition 1: Preparers of financial accounting information perceive the organizations PASC differently, based on the level of education attained.

Proposition 2: There is a significant difference in perceptions of the PASC of the organization based on whether one has attained a professional education or not.

The paper in six sections, section one is the background and sets out the objective of the paper. Section two provides a review if literature on the professional accounting subculture and its elements. Section three sets out the methodology used in the study and section four is the discussion and analysis of the results. Section five draws out conclusions while section six lists references used.
LITERATURE REVIEW

Professionalism has been identified in accounting literature as an 'accounting value' by Gray (1988). He defined it as a preference for the exercise of individual professional judgment and the maintenance of professional self-regulation. This is in contrast to statutory control, which is related to compliance with prescriptive legal requirements. Accountants are perceived to adopt independent attitudes and to exercise their individual professional judgments. The concept of presenting a ‘true and fair’ view is dependent on the judgment of the accountant as an independent professional. This is so to the extent that accounting information disclosures additional to, and sometimes contrary to what is specifically required by law may be necessary. Perera (1989) attempts to develop a framework for the analysis of Gray's (1988) ideas. He argues that the higher the degree of professionalism, the greater the degree of self-regulation and the lower the need for government intervention (p. 47). A corollary to this argument in the context of the organization is that a higher degree of professionalism would improve the perceptions of preparers of accounting information to how useful the organizational environment promotes use (and probably disclosure) of accounting information in decision making.

Thomas (1989) defines a professional accounting sub-culture (PASC) consisting of five elements: symbols, language, ideology, rituals and myths. His work revealed that organizations with a strong PASC made better accounting choices. Symbols are defined as any object, sign, gesture, act or linguistic formation that is conventionally accepted as conveying meanings and emotions. Thus accounting information is clearly a form of symbol, which is available to organizational actors for ordering and interpreting their experiences. It is an attempt to demonstrate the rationality and legitimacy of organizations. Corporate annual reports, according to Thomas (1989), are used as a means of demonstrating this rationality and legitimacy by communicating information about managerial efficiency and quality of financial control. Organizations, which provide vast amounts of information, give the appearance of competence and demonstrate intelligent choice.

Language is often presented as a form of symbol. Organizations develop a coding scheme or language to sustain a sense of social order and a value system. Hofstede (2001) quotes Gambling (1977) as arguing that most of accounting is after-the-fact justification of decisions that were made for non-logical reasons in the first place (p.382). Accounting systems in organizations are uncertainty-reducing rituals, fulfilling a cultural need for certainty, simplicity and truth in a confusing world. Language then provides a means of discourse, debate, negotiation and achieving consensus. Accounting systems are the mechanism around which interests are negotiated, counter claims are articulated and political processes explicated (Thomas, 1989).

Ideology is a set of ideas and beliefs about the rightness of certain social arrangements and actions (Pettigrew, 1979). Accounting is meant to facilitate resource allocation and income distribution decisions, and such decisions are influenced by ideology. The ideological role of accounting may be seen in terms of which interests are bolstered, and which interests are undermined by the accounting measures an organization uses, particularly in situations of economic and political conflict.

Rituals are any action that follows a set pattern and expresses meaning through the use of symbols (Thomas, 1989). On the basis of this definition all financial and management accounting techniques are rituals. Rituals are ceremonial in nature. They have a key role in influencing states of nature and outcomes of events. They are also frequently held prior to some important action or decision, e.g. the use of capital budgeting techniques, before allocating resources. In accounting, rituals provide means of absorbing uncertainty and provide retrospective understanding of actions (Gambling, 1977).

Myths are defined as a narrative account of events that contains religious or supernatural ideas. Myths have a sacred quality (Pettigrew, 1979) or are based on institutionalized rules (Meyer and Rowan, 1977). Accountants enhance myth because of the way they increase the institutionalization of accounting
practice. Accounting gives the appearance of rationality and legitimacy. Phenomenologically, accounting practice has a lot in common with religious practice in the way it serves to aid uncertainty avoidance (Hofstede, 2001).

Professionalism is recognized as a key element in developing strong management in financial institutions. Carlson (1992) has noted that firms cannot function unless its staff has a wide range of skills and the appropriate attitudes to channel their skills and energies into productive results. Specifically, he points out that if work culture is misdirected, or typically unproductive, then other skills cannot be exploited appropriately.

**METHODOLOGY**

Thomas (1989) developed an instrument for the analysis of the influence of a professional accounting sub-culture in accounting choice. It refers to symbols, language, ideology, ritual and myth as means of communicating the firm’s organizational accounting culture. The symbolic element of culture was defined in terms of rationality and legitimacy. Language was operationalized in terms of the extent to which accounting language is used in planning and coordinating activities and in reporting performance. Ideology was constructed in terms of how accounting information is used to justify rewards and the promotion of vested interests. Use of Rituals was constructed in terms of how accounting information is used to justify business decisions and the extent to which this information influences those decisions. Myth was operationalized in terms of the emphasis placed on accounting measures in performance evaluation and appraisal.

The study involved a cross sectional design and used a non-probability sampling method. Judgment (purposive) sampling, in which respondents were selected on the basis of their expert knowledge in the subject under investigation (Sekaran, 2000, Saunders et. al., 1997), was adopted for data collection. To ensure homogeneity, sampling focused on all those institutional actors responsible for preparing any form of financial data used in reporting, both internally and externally. A standardized survey questionnaire consisting of precoded questions was administered to all accounting staff in the study units. There were four demographic questions on sex, age, years spent in school and possession of professional qualification. There were fourteen questions on professionalism, based on Thomas (1989) as illustrated in the factor analysis (table I).

There were 252 respondents of which 172 provided valid usable responses. Of these 111 were male while 60 were female. (There was one non response on sex of respondent) In terms of education, 75% of the valid respondents had received university education or the equivalent while 112 (65%) had a professional qualification.

Factor analysis (Gardener, 2001) was used to identify constructs of professionalism for which descriptive statistics and correlations were then computed. The ANOVA test was used to examine whether there were significant differences in perceptions/attitudes as a result of length of training and possession of professional qualifications in respect of the constructs derived from the factor analysis.

**DISCUSSION AND FINDINGS**

Based on the data reduction methodology, five constructs representing perceptions of the respondents were extracted (Table I below). These are labeled **performance evaluation, objective communication, supportive organization, specialist influence and independence** and explained 57.51% of the variance in the PASC. All the extracted components had eigen values in excess of 1.0. **Performance evaluation** describes the manner in which respondents perceived the organization in terms of using accounting measures to make decisions and evaluate them. **Objective communication** refers to the way the respondents perceived the organization as communicating truthfully and objectively to users of financial
data. *Supportive organization* refers to the way respondents perceived the organization as being fair and rule based in relation to their aspirations. *Specialist influence* refers to the manner in which respondents perceive opportunities to be specialists and probably exercise influence in the decision making process. *Independence* refers to the ability to leave the organization if the need arises, probably in circumstances of disagreement with supervisors or based on skills being demanded elsewhere. The descriptive statistics relating to the constructs so derived were then computed and are shown in Table II.
<table>
<thead>
<tr>
<th>Extracted Construct</th>
<th>Performance evaluation</th>
<th>Objective communication</th>
<th>Supportive Organization</th>
<th>Specialist influence</th>
<th>Independence</th>
</tr>
</thead>
<tbody>
<tr>
<td>immediate manager concerned about helping you get ahead</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>.809</td>
</tr>
<tr>
<td>immediate manager insists that rules and procedure be followed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.797</td>
</tr>
<tr>
<td>Opportunity to be promoted to specialist another job in line of income in case you quit organization</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.760</td>
</tr>
<tr>
<td>Public accounts communicate information about managerial efficiency and financial control</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.829</td>
</tr>
<tr>
<td>annual reports communicate information about company's awareness of its responsibilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.748</td>
</tr>
<tr>
<td>accounting information is used to plan, implement corporate policy and coordinate events</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.691</td>
</tr>
<tr>
<td>internal profits are produced frequently</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.649</td>
</tr>
<tr>
<td>half-yearly results influence management decision on interim dividends and other payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.547</td>
</tr>
<tr>
<td>accounting information, is used in bargaining for wage claims and redundancies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.547</td>
</tr>
<tr>
<td>accounting techniques such as pay back period are used to evaluate investment decisions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.651</td>
</tr>
<tr>
<td>accounting information is used in pricing products and services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.612</td>
</tr>
<tr>
<td>accounting information is applied in evaluating performance of managers in relation to their work</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.794</td>
</tr>
<tr>
<td>accounting measures or performance are perceived as linked to rewards and sanctions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.740</td>
</tr>
</tbody>
</table>

**Eigen Value**

<table>
<thead>
<tr>
<th>Performance evaluation</th>
<th>Objective communication</th>
<th>Supportive Organization</th>
<th>Specialist influence</th>
<th>Independence</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.162</td>
<td>1.573</td>
<td>1.172</td>
<td>1.087</td>
<td>1.057</td>
</tr>
</tbody>
</table>

**Variance (%)**

<table>
<thead>
<tr>
<th>Performance evaluation</th>
<th>Objective communication</th>
<th>Supportive Organization</th>
<th>Specialist influence</th>
<th>Independence</th>
</tr>
</thead>
<tbody>
<tr>
<td>22.59</td>
<td>11.24</td>
<td>8.37</td>
<td>7.76</td>
<td>7.55</td>
</tr>
</tbody>
</table>

**Cumulative Variance**

<table>
<thead>
<tr>
<th>Performance evaluation</th>
<th>Objective communication</th>
<th>Supportive Organization</th>
<th>Specialist influence</th>
<th>Independence</th>
</tr>
</thead>
<tbody>
<tr>
<td>22.59</td>
<td>33.83</td>
<td>42.20</td>
<td>49.96</td>
<td>57.51</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.
The extracted factors were recomputed as individual variables describing the perception of the respondents to the organizational PASC. The descriptive statistics show that all the factors had fairly high mean scores but with also displayed wide standard deviations based on the four point scale. *Performance evaluation* had the lowest mean of 2.62 (SD = 0.66) while *supportive organization* had the highest (3.25, SD = 0.63). The results imply that the respondents generally perceived their organizations to have a fairly high level of professionalism in their organizations despite the high deviation in the scores. The high deviations show that despite high scores on each of the constructs, there were also significant differences in the perception of the extent to which organizations were perceived to have a PASC. *Objective communication* in the reported results had the lowest variance (0.3) while opportunity to exert *specialist influence* had the highest variation (0.59).

<table>
<thead>
<tr>
<th>Construct</th>
<th>Mean (S.D.)</th>
<th>Variance</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance evaluation (1)</td>
<td>2.6279 (0.655)</td>
<td>.429</td>
<td>1.000</td>
<td>.251(**)</td>
<td>.345(**)</td>
<td>.212(**)</td>
<td>.016</td>
</tr>
<tr>
<td>Objective communication (2)</td>
<td>2.8706 (0.546)</td>
<td>.299</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supportive organization (3)</td>
<td>3.2471 (0.627)</td>
<td>.393</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specialist influence (4)</td>
<td>2.7471 (0.769)</td>
<td>.592</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Independence (5)</td>
<td>3.1512 (0.742)</td>
<td>.550</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed).**

A correlation analysis amongst the constructs was also computed using Spearman’s rank correlation analysis since the data was ordinal. The correlations showed that there was a significant correlation (p ≤ 0.01) between *performance evaluation* and *objective communication* (r = 0.251), *supportive organization* (r = 0.345) and *specialist influence* (r = 0.212). There was also a significant positive correlation between *objective communication* and *supportive organization* (r = 0.336). However independence did not have any correlation with the other constructs and in the case of *objective communication* and *supportive organization* it was negative but not significant. These results are not surprising because those who perceive the use of accounting measures as paramount would be expected to perceive the organization as also objective in its communications. What is contradictory however is that if people perceive the organization as rule based, ritualistic and ideologically attuned to use of accounting measures, then we would expect them to perceive the environment as highly independent. More so if they had an opportunity to be appointed to a specialist role or to posses enough control of their destiny in terms of job mobility (*independence*). This position is however not supported by the results of the correlation.

The above constructs were then subjected to an ANOVA test to examine whether educational levels and professional qualifications were significant factors in determining/influencing the reported descriptive statistics (table III and IV below). The results in table III show that except for the construct *objective communication* (p ≤ 0.039), there were no significant differences in the perceptions of the respondents based on education level attained. This was not surprising given the high mean scores observed for all
groups. However a closer analysis of the data shows that mean scores were still relatively lower based on education. The higher the level of education attained, the lower the scores on the PASC constructs.

Table III: ANOVA Table showing differences in attitudes based on years spent in school

<table>
<thead>
<tr>
<th>Attitude</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance evaluation * Education</td>
<td>1.112</td>
<td>6</td>
<td>.185</td>
<td>.423</td>
<td>.863</td>
</tr>
<tr>
<td>Total</td>
<td>72.324</td>
<td>165</td>
<td>.438</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups (Combined)</td>
<td>73.436</td>
<td>171</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within Groups</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Objective communication * Education</td>
<td>3.895</td>
<td>6</td>
<td>.649</td>
<td>2.271</td>
<td>.039*</td>
</tr>
<tr>
<td>Total</td>
<td>47.164</td>
<td>165</td>
<td>.286</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups (Combined)</td>
<td>51.059</td>
<td>171</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within Groups</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supportive organization * Education</td>
<td>1.604</td>
<td>6</td>
<td>.267</td>
<td>.672</td>
<td>.672</td>
</tr>
<tr>
<td>Total</td>
<td>65.644</td>
<td>165</td>
<td>.398</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups (Combined)</td>
<td>67.249</td>
<td>171</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within Groups</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specialist influence * Education</td>
<td>3.440</td>
<td>6</td>
<td>.573</td>
<td>.967</td>
<td>.449</td>
</tr>
<tr>
<td>Total</td>
<td>97.808</td>
<td>165</td>
<td>.593</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups (Combined)</td>
<td>101.249</td>
<td>171</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within Groups</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Independence * Education</td>
<td>1.823</td>
<td>6</td>
<td>.304</td>
<td>.543</td>
<td>.775</td>
</tr>
<tr>
<td>Total</td>
<td>92.247</td>
<td>165</td>
<td>.559</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups (Combined)</td>
<td>94.070</td>
<td>171</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within Groups</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Significant at p ≤ 0.05
Table V: ANOVA Table showing differences in attitudes based on possession of professional qualifications

<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>Performance Evaluation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups (Combined)</td>
<td>.346</td>
<td>1</td>
<td>.346</td>
<td>.804</td>
<td>.371</td>
</tr>
<tr>
<td>Within Groups</td>
<td>73.090</td>
<td>170</td>
<td>.430</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>73.436</td>
<td>171</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Objective communication</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups (Combined)</td>
<td>.192</td>
<td>1</td>
<td>.192</td>
<td>.641</td>
<td>.424</td>
</tr>
<tr>
<td>Within Groups</td>
<td>50.867</td>
<td>170</td>
<td>.299</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>51.059</td>
<td>171</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Supportive organization</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups (Combined)</td>
<td>.446</td>
<td>1</td>
<td>.446</td>
<td>1.135</td>
<td>.288</td>
</tr>
<tr>
<td>Within Groups</td>
<td>66.803</td>
<td>170</td>
<td>.393</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>67.249</td>
<td>171</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Specialist Influence</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups (Combined)</td>
<td>1.507</td>
<td>1</td>
<td>1.507</td>
<td>2.569</td>
<td>.111</td>
</tr>
<tr>
<td>Within Groups</td>
<td>99.741</td>
<td>170</td>
<td>.587</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>101.249</td>
<td>171</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Independence</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups (Combined)</td>
<td>.658</td>
<td>1</td>
<td>.658</td>
<td>1.197</td>
<td>.275</td>
</tr>
<tr>
<td>Within Groups</td>
<td>93.412</td>
<td>170</td>
<td>.549</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>94.070</td>
<td>171</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**CONCLUSION**

This study has examined the PASC hypothesized by Thomas (1989) and used a data reduction method to examine the constructs therein. While the previous study characterized these constructs in the form of language, ideology, ritualism and myth, we find that there are five distinguishable constructs in the context in which the instrument is used and these we refer to as performance evaluation, objective communication, supportive organization, specialist influence and independence. Performance evaluation relates closely to what Thomas (1989) referred to as myth and ideology while objective communication refers to language used in planning and coordinating activities. Supportive organization seems to describe or refer to ritualism. However the distinctions in the PASC appear to be blurred and two additional constructs of specialist influence and independence appear not to be supported. Moreover, these two constructs are weak, based on the number of variables (2 and 1 respectively) with which they correlate in the factor analysis. The instrument may therefore not be appropriate for describing a PASC in the developing country context despite its high Cronbach alpha ($\alpha = 0.715$).

In respect of propositions 1 and 2, we find no evidence that differences in training have a significant influence on the perception of the PASC. Rather, we find that all respondents perceive a strong sense of professionalism, based on the instrument used and that the accounting information system is effectively used in communication and control (Abernethy and Vagnoni, 2004). Various studies have shown that culture has an effect on reporting (see Zhuang, Thomas and Miller 2005) and it is evident from the results that generally there is uniformity in perception of professionalism. However, it cannot be shown that training has an impact on individual perceptions. This result is surprising because anecdotal evidence points to the fact that individuals who identify closely with each other, say professionals, tend to have
similar socialization contexts in terms of actions and attitudes. But in this case these are not found to be distinctively different from those without professional qualifications.

This study is not without its limitations. First the Likert scale employed in data collection was a four point scale and this could have had an effect on the scores because of limited variation. Secondly, the respondents were involved in a self assessment process in which they may have scored themselves highly regardless of there true abilities. Directions for further research could be based on these limitations. Notwithstanding these limitations, we believe that this study makes a substantive contribution to existing knowledge in the area of research.

REFERENCES
This current study investigates the effects of investment opportunities and corporate finance on dividend payout policy of emerging market firms. We test this issue by a sample of 34 emerging market countries covering a seventeen year period, 1990 to 2006. Fixed effects panel model is employed in our estimation. The findings of this research indicate a significantly negative relationship between investment opportunity set and dividend payout policy. There are however insignificant effects of the various measures of corporate finance namely, financial leverage, external financing, and debt maturity on dividend payout policy. Firm profitability and stock market capitalization are also identified as important in influencing corporate dividend payout policy. Profitable firms are more likely to support high dividend payments to shareholders. However, firms in relatively well developed markets tend to exhibit low dividend payout policy. The results of the study generally support existing literature on the impact of investment opportunity set, profitability, and stock market development on corporate dividend payout policy.

INTRODUCTION

The impact of investment and financing decisions on firm value has been the focus of extensive research since Modigliani and Miller (1958) proposed the “separation principle”. The theory asserts that in a perfect capital market, the value of the firm is independent of the manner in which its productive assets are financed. In fact some authors like Barnea et al (1981) support their view. Attention of empirical research has been geared towards ascertaining the relationship between investment opportunities, corporate financing and dividend payout (see Pruitt and Gitman, 1991; Aivazian and Booth, 2003). However, these findings have failed to establish any clear link concerning this issue. This present study contributes to the extant literature by focusing on emerging market firms. Dividend payout policy is an important corporate issue and may be closely related to, and interacts with, most of the financial and investment decisions firms make. A proper understanding of dividend policy is critical for many other areas such as asset pricing, capital structure, mergers and acquisitions, and capital budgeting (Allen and Michaely, 1995). Firms’ dividend decisions could also be influenced by its profit level, risk and size. Though dividend policy has been identified as a major corporate decision faced by management, it remains one of the puzzles in corporate finance (Ooi, 2001). There has been emerging consensus that there is no single explanation of dividends. Brook et al. (1998) agree that, there is no reason to believe that corporate dividend policy is driven by a single goal. The purpose of this paper is to examine the effects of investment opportunity set and corporate finance on dividend payout.

The contribution of this paper lies in the fact that it considers a large-scale dataset covering 34 emerging market countries over a seventeen year period, 1990-2006. The rest of the paper is organized as follows. Section two covers the literature on dividend policy. It also reviews the existing literature on the effects of investment opportunities and corporate finance on dividend payout policy. Section three discusses the data used in the study and also details the model specification used for the empirical analysis. Section four includes the discussion of the empirical results. Finally, section five summarizes and concludes the paper.
OVERVIEW OF LITERATURE
Since the publication of the dividend irrelevance theory by Miller and Modigliani (1961), a lot of studies have been conducted in the area of determinants of dividend payout the world over. The investment opportunities available to the firm constitute an important component of market value. The investment opportunity set of a firm affects the way the firm is viewed by managers, owners, investors and creditors (Kallapur, 2001). The literature has given considerable attention in recent years to examining the association between investment opportunity set and corporate policy choices, including financing; dividend and compensation policies (see for example Smith and Watts, 1992 and Abbott, 2001). Existing literature suggests a relationship between investment opportunities and dividend policy. Smith and Watts (1992) argue that firms with high investment opportunity set are likely to pursue a low dividend payout policy, since dividends and investment represent competing potential uses of a firm’s cash resources. Gul and Kealey (1999) also found a negative relationship between growth options and dividends (see also Amidu and Abor, 2006). Aivazian and Booth (2003) however found a positive relationship between market-to-book value ratio and dividend payments, suggesting that firms with higher investment opportunities rather pay higher dividends.

Financial leverage is said to play an important role in reducing agency costs arising from shareholder-manager conflict and is believed to play a vital role of monitoring managers (Jensen and Meckling, 1976; Jensen, 1986; Stulz, 1988). Farinha (2003) contends that debt is likely to influence dividend decisions because of debt covenants and related restrictions that may be imposed by debtholders. Also, firms with high financial leverage and implied financial risk tend to avoid paying high dividends, so they can accommodate risk associated with the use of debt finance. Rozeff (1982), Easterbrook (1984) and Collins et al (1996) extending the agency theory observe that firms pay dividend and raise capital simultaneously. Aivazian and Booth (2003) support the fact that financial constraints can affect dividend decisions, therefore firms with relatively less debt have greater financial slack and more likely to pay and maintain their dividends.

DATA AND ECONOMETRIC METHOD
This study examines the effects of investment opportunity set and corporate finance on the dividend payout policy of emerging market firms. Our dataset is composed of accounting and market data for a large sample of publicly traded firms in 34 emerging market countries over the period 1990-2006. These countries include; Argentina, Brazil, Chile, China, Columbia, Chez, Egypt, Greece, Hong Kong, Hungary, India, Indonesia, Israel, South Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Portugal, Russian Federation, Singapore, Slovakia, Slovenia, South Africa, Spain, Sri Lanka, Taiwan, Thailand, Turkey, Venezuela and Zimbabwe.

We estimate the following panel data regression model:

\[ Y_{it} = \alpha + \lambda \text{Invt}_{it} + \vartheta \text{Fin}_{it} + \beta X_{it} + \mu_{it} \]  

(1)

Where subscript \( i \) and \( t \) represent the country and time, respectively. \( Y \) is a measure of dividend payout. \( \text{Invt} \) is a measure of investment opportunity set. \( \text{Fin} \) are measures of corporate finance variables including, financial leverage, external finance, and debt maturity. \( X \) are the control variables and include profitability, risk, stock market capitalization, inflation, and GDP per capita. \( \mu \) is the error term. Using this model, it is possible to investigate the effects of investment opportunity set and corporate finance on dividend payout policy. The appropriate technique for estimating the model depends on the behaviour of the error term \( \mu_{i} \) and the correlation between the components of the error term and the observed explanatory variables. Both the fixed effects model and random effects model can be used in
accommodating the unobservable heterogeneity. However, the choice of the model estimation whether fixed effects or random effects will depend on the underlying assumptions. Hausman (1978) suggests a test to check whether the individual or country effects are correlated with the regressors. Under the null hypothesis of orthogonality, that is, no correlation between individual effects and explanatory variables, both random effects and fixed effects estimators are consistent but the random effect estimator is efficient while fixed effects are not. Under the alternative hypothesis that individual effects are correlated with the regressors, the random effects estimator is inconsistent while the fixed effects estimator is consistent and efficient. Greene (1997) explains that under the null hypothesis, the estimates should not differ systematically. That is the difference in the coefficients is not systematic. Thus, the test will be based on a contrast vector H:

\[ H = (\hat{b}^{GLS} - \hat{b}^w)' [V(\hat{b}^w) - V(\hat{b}^{GLS})]^{-1} [\hat{b}^{GLS} - \hat{b}^w] \]  

(2)

Where H is approximately chi-squared distributed with k degrees of freedom. Where k is the number of regressors in \( X \), excluding the constant. We test the hypothesis that there is no correlation between individual effects and the explanatory variables using our baseline model. We report the results of the Hausman specification test in Table 1.

**EMPIRICAL RESULTS**

Both fixed and random effects specifications of the model were estimated. After which the Hausman test was conducted to determine the appropriate specification. We report the results of the Hausman test in Table 1. The test statistics are all significant at 1%, implying that the fixed effects model is preferred over the random effects. The Hausman specification test suggests we reject the null hypothesis that the differences in coefficients are not systematic.

The results indicate a statistically significant but negative relationship between investment opportunities and dividend payout ratio. It could be inferred that firms with high investment opportunities are more likely to exhibit low dividend payout ratio. In other words, firms with high investment opportunities are more likely to pursue low dividend payout ratio since dividends and investment represent competing potential uses of a firm’s cash resources. Paying low dividend means that such firm could retain enough funds to finance their future growth and investments. Gaver and Gaver (1993) note that firms with high growth potential or investment opportunity set are expected to pay low dividends, since investment and dividends are linked through the firm’s cash flow identity. This result is consistent with the results of prior empirical studies (see Collins *et al.*, 1996; Gul and Kealey, 1999; Abbott, 2001; Amidu and Abor, 2006), but contradicts the findings of Aivazian and Booth (2003).

On corporate finance, various measures of corporate finance were used including, financial leverage, external financing, and maturity of debt. All the corporate finance measures exhibit positive relationships with dividend payout. However, our results do not show any significant relation between these measures and dividend payout. This could mean that corporate finance is not an important determinant of the dividend behaviour of emerging market firms. In other words, it may suggest that dividend decisions are taken independent of decisions on corporate financial policy.

The results also reveal a statistically significant positive relationship between profitability and dividend payout ratio. This signals the fact that a firm’s profitability is considered an important factor in influencing dividend payment and that a highly profitable firm is more likely to declare and pay high dividends. Clearly, profitable firms are able to accumulate enough earnings over time and therefore may be capable of supporting high dividend payments to their shareholders. This result amply supports our hypothesis of a positive relationship between firm profitability and dividend payout ratio. This finding
seems to provide strong support for the residual cash flow theory of dividends and is also consistent with prior empirical studies (see Baker et al., 1985 and Aivazian and Booth, 2003).

A priori, risk should have a negative influence on dividend policy. In other words, firms with high risk tend to pursue a low dividend payout policy. Surprisingly, the results of this study however, show a positive but insignificant relationship between risk and dividend payout ratio. This may suggest that in the case of emerging markets, risk does not seem to play a role in explaining firms’ dividend payout decisions. This appears contrary to existing literature.

Table 1: Regression Model Results: Dividend Payout

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment opportunities</td>
<td>-0.1779</td>
<td>-0.1843</td>
<td>-0.1811</td>
</tr>
<tr>
<td></td>
<td>(-2.56)***</td>
<td>(-2.63)***</td>
<td>(-2.61)***</td>
</tr>
<tr>
<td>Financial leverage</td>
<td>0.0003</td>
<td></td>
<td>0.0058</td>
</tr>
<tr>
<td></td>
<td>(1.37)</td>
<td></td>
<td>(1.33)</td>
</tr>
<tr>
<td>External finance</td>
<td>0.0002</td>
<td>0.0002</td>
<td>0.0002</td>
</tr>
<tr>
<td></td>
<td>(0.05)</td>
<td>(0.05)</td>
<td>(0.05)</td>
</tr>
<tr>
<td>Debt maturity</td>
<td></td>
<td></td>
<td>0.0058</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(1.33)</td>
</tr>
<tr>
<td>Profitability</td>
<td>0.0301</td>
<td>0.0277</td>
<td>0.0290</td>
</tr>
<tr>
<td></td>
<td>(4.14)***</td>
<td>(3.88)***</td>
<td>(4.06)***</td>
</tr>
<tr>
<td>Risk</td>
<td>0.0048</td>
<td>0.0049</td>
<td>0.0049</td>
</tr>
<tr>
<td></td>
<td>(0.91)</td>
<td>(0.92)</td>
<td>(0.94)</td>
</tr>
<tr>
<td>Market capitalization</td>
<td>-0.0018</td>
<td>-0.0018</td>
<td>-0.0019</td>
</tr>
<tr>
<td></td>
<td>(-2.21)***</td>
<td>(-2.17)***</td>
<td>(-2.24)***</td>
</tr>
<tr>
<td>Inflation</td>
<td>0.0002</td>
<td>0.0002</td>
<td>0.0002</td>
</tr>
<tr>
<td></td>
<td>(1.27)</td>
<td>(1.18)</td>
<td>(1.21)</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>0.0132</td>
<td>-0.0179</td>
<td>0.0005</td>
</tr>
<tr>
<td></td>
<td>(0.06)</td>
<td>(-0.08)</td>
<td>(0.00)</td>
</tr>
<tr>
<td>Constant</td>
<td>0.2909</td>
<td>0.5991</td>
<td>0.1071</td>
</tr>
<tr>
<td></td>
<td>(0.17)</td>
<td>(0.34)</td>
<td>(0.06)</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.10</td>
<td>0.09</td>
<td>0.10</td>
</tr>
<tr>
<td>F-statistic</td>
<td>5.51</td>
<td>5.20</td>
<td>5.50</td>
</tr>
<tr>
<td>Prob &gt; F</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
</tr>
<tr>
<td>Hausman test, chi²(7)</td>
<td>18.26</td>
<td>24.05</td>
<td>16.59</td>
</tr>
<tr>
<td></td>
<td>0.0056</td>
<td>0.0005</td>
<td>0.0203</td>
</tr>
</tbody>
</table>

Notes: All regressions include a constant. T-statistics are in parentheses. *** means significant at 1 percent level of significance; Tobin’s q is used as a proxy for investment opportunities; Financial leverage is the ratio of debt to equity; External finance is the ratio of external finance to total finance; Debt maturity is the ratio of short-term debt to total debt; Profitability is net profit as a percentage of assets; Risk is defined in terms of o-score; Market capitalization is stock market capitalization as a percentage of GDP. Inflation is the inflation rate; GDP per capita is the log of GDP per capita.

The results show a significantly negative relationship between the ratio of market capitalization to gross domestic product and dividend payout. This indicates that as the stock market develops firms tend to pursue low dividend payout policy. A higher ratio suggests a higher stock market development and this may influence investment growth of firms. According to Braun and Johnson (2005) stock markets can influence the level of investment. Therefore, stock market development should positively correlate with investment growth.
Considering the differences in the levels of economic growth across the countries, one would have expected variations in corporate dividend policies across the various countries. However, the results of this study fail to register any significant relationship between the macroeconomic variables and dividend payout policy, suggesting that inflation and GDP per capita may not be important in influencing dividend payout decision of emerging market firms.

CONCLUSIONS
This paper examined the effects of investment opportunity set and corporate finance on dividend payout policy of firms in emerging markets, covering the period 1990 – 2006. This study presents important and interesting evidence regarding the effects of investment opportunities and corporate finance on dividend payout policy. The results suggest that investment opportunity set is a major determinant of firms’ dividend payout policy. Our findings imply that firms with high investment potentials would pursue very low dividend payout policy in order to retain funds to finance their investments. On the other hand, as suggested by Gaver and Gaver (1993), contractual arrangements encourage firms without profitable investment opportunities to pay higher dividends, rather than to undertake negative net present value projects. This finding clearly supports several previous empirical studies in this area (Gaver and Gaver, 1993; Gul and Kealey, 1999; Abbott, 2001). In addition, the results of this study showed insignificant relationships between all measures of corporate finance and dividend payout. This finding is indicative of the fact that, decisions regarding dividend payout may be taken independent of corporate financial policy. Firm profitability and stock market capitalization were also identified as important in explaining corporate dividend payout policy. Profitable firms are more likely to satisfy their shareholders by supporting high dividend payments. However, firms in relatively well developed markets tend to exhibit low dividend payout policy. High stock market capitalization may signal growth potentials of the firms and therefore would require funds to finance such growth. The effect then would be that firms would be interested in low dividend payments.

This current study has shed light on the significance of investment opportunity set and corporate finance in explaining the dividend payout policy of emerging market firms. It is clear from the study that in emerging markets, the main factors driving dividend policy decisions are investment opportunity set, firm profitability, and stock market development. These findings suggest that firms with higher investment opportunities and operating in relatively developed stock markets would retain adequate financing for future investments as long as such investment projects yield positive net present values. However, profitable firms that do not have positive net present value investments may be expected to pay dividends rather than retain such profits for investment projects that would not maximise shareholder value. Future research is however necessary to further our understanding on this issue and to build on some of the findings provided by this paper.

REFERENCES


China’s exports to Africa have increased dramatically, as have its imports of African raw materials. With over 750,000 Chinese in Africa, the paper models the types and levels of Chinese entrepreneurs and gives descriptions of enterprises by sectors. Views of African leaders, who benefit from Chinese aid, infrastructure contracts, and business deals, are presented. African entrepreneurs see Chinese entrepreneurs as direct competitors, even as African consumers benefit from cheap Chinese merchandise. African textile and mining industries have been undermined, and African marketers and workers have lost jobs. Is the “smiling dragon” dangerous or a contributor to African development and well-being?

INTRODUCTION
Many Chinese intellectuals say “we are just trying to do something good” about their country’s political and financial interest in Africa (Ngomba 2007). But African and other critiques note that anti-Chinese sentiments have grown in Ghana, Zambia, and South Africa because of undercutting textile industries, promulgating labor abuses, and violating human rights (French and Polgreen 2007a,b; Ngomba 2007; Wines 2007). Teke Ngomba notes that harm to textile industries, on one hand, and debt forgiveness and loans, on the other, are confusing, and that China is a “smiling dragon with arms stretched to Africa, at once welcoming, friendly and yet dangerous” (2007).

China is an old friend who combated colonialism shoulder-to-shoulder with Africa and helped independence movements in the 1950s and 1960s. Interaction continued in the 1980s and early 1990s. But since the 1990s, cooperation and economic development dramatically intensified. China’s interest in gaining Africa’s resources “has taken on a significantly ‘profit-centered outlook’” (Sautman 2006:8). Partly a result of China’s own extraordinary domestic growth rate, its foreign policy and development strategies have greatly expanded. In recent years, over one hundred high-level meetings between China and Africa have occurred. China has established several “investment centers” in Africa and is the third largest trader with Africa (after the U.S. and France). In 2000, the Forum on China and Africa Cooperation (FOCAC) was established and now has 48 African member countries (Shelton 2005). Chinese Foreign Direct Investment (FDI) in Africa was US$1billion in 2006 overshadowing western donors (Zafar 2007). By 2007, China “committed US$8.1 billion to development projects in Nigeria, Angola and Mozambique alone” (Ngomba 2007). China has also forgiven debt (31 countries – $1.4 billion), carried out a peace mission in Liberia, sent medical and agricultural experts everywhere in Africa, trained African students, and funded basic infrastructure (i.e., roads and railways).

China’s policy of is that of non-interference in nation states. China maintains that its assistance to Africa is genuine and unconditional. A high level minister said: “We do not attach conditions to our aid and we will not do it in the future” (Xinhua News 2007). China offers an alternative to the West’s interests in good governance, transparency, and human rights. Hence, China’s non-conditional loans have lured many African countries away from donors who ask for transparency and good governance. Since China does not use its “soft power” to aid political accountability, some argue that the political effects will eventually harm Africa (Thompson 2005; Tull 2006). For example, China has sold sophisticated weaponry and the capacity
to manufacture arms to Sudan, and then shielded Sudan against charges of genocide in Darfur in the U.N. Security Council (Junger 2007; Large 2007).

Most scholars see oil, timber, and metals (copper, iron, platinum) as China’s main interest, but geo-strategic concerns are also paramount (Kaplinsky, McCormick, and Morris 2006). China argues that the western media plays up the “China threat” and the theme of neo-colonization. China extracts African resources and exports its manufactured goods to Africa on increasingly larger scales. As well, China provides development aid to Africa that is reciprocated with mutual favorable votes in the U.N. Scholars now debate whether or not China is an investor (dynamic partner) or a threatening predator. Zafar (2007:103) argues that Africa can “reduce its marginalization from the global economy” because of China, while Brautigam (2007:1) suggests that China can provide “a model for lower-tech industrial development, stimulating the spin-off of manufacturing or acting to jump start local investment.” But there are problems as well. South Africa, Zambia and other countries have experienced decline and demise of its textiles and mining industries (Alden 2007; Ngomba 2007; Sylvanus 2007). China’s projects also cause environmental degradation (e.g., Chan-Fishel 2007). Working conditions for African and Chinese workers may be abysmal. And there are few jobs for Africans in Chinese projects, as contractors bring their own laborers (Gong 2007).

China’s advancement in global trade seems to have spelled losses for the West. The African Growth and Organization Act (AGOA) enhanced U.S.-Africa trade from 2000-2005. Broadman (2007) notes that some capacity was even a result of Asian investors who had the capital and technological expertise, and who established textile factories using African workers. However, AGOA’s apparel benefits were undermined when the Multi Fiber Agreement expired in 2005, which enabled China to dominate the textile trade on a global basis. Similarly, the E.U. and the Africa, the Caribbean, and the Pacific countries (ACP) gained preferential market access under the Cotonou Agreement. But with its expiration in 2007, the E.U. has less preferential access to ACP markets, while China gained a more advantageous position.

ADVANTAGES AND DISADVANTAGES OF CHINESE BUSINESS DEVELOPMENT IN AFRICA

Do China’s investments, imports and exports to African countries have implications of colonialism? Africans wonder if such partnerships and unsolicited business are advantageous or not. We examine in a longer paper the advantages of Chinese business development in Africa and ask: (1) Are investments between China and African countries mutually beneficial? (2) Have Chinese investments and entrepreneurs capacitated African countries in terms of infrastructure, labor and employment, capital accumulation, and quality of life? (3) Have low-cost Chinese goods and services improved the business climate and the quality of life for large numbers of Africans?

Out questions also consider the disadvantages: (1) Have Chinese FDIs benefited only certain segments of the population at the expense of others? Have elites prospered with pay-offs at the expense of the middle class and the poor? (2) Have Chinese imports undermined African production and industries, especially in textiles and apparel, household goods, construction, and telecommunications? (3) Have Chinese owners and contractors overlooked safe working conditions of both Chinese and African workers? (4) Have large-scale infrastructure projects caused degradation of the environment? (5) Has China’s quest for resources, as well as its policy of non-interference, bypassed human rights issues? (6) Are China’s arms-for-resources deals with African governments fueling domestic instabilities and border wars?
The above questions have guided this paper that is organized as follows. First, China’s strategy for entering Africa is mentioned. Second, a model of the types and levels of Chinese entrepreneurs (elaborated in our longer paper) in Africa and some descriptions by level are presented. Third, African leaders and local people’s views on Chinese entrepreneurs are discussed. Also, some data on African exports to and imports from China are provided.

**CHINA’S GLOBAL STRATEGY**

In response to globalization and entry into the WTO in 2001, China’s “opening-up policy” evolved into a combination of “Bringing in” and “Going out.” In this regard, China has not only attracted FDI from developed countries, but also has encouraged and supported outbound investment from its public and private sectors in developing countries. This south-south economic partnership is gaining momentum especially with Africa. The strategy calls for Chinese enterprises and entrepreneurs to think about outbound investments and search for niches in the global market. China is also adjusting the structure of its economy, since many labor-intensive industries (e.g., textiles) are no longer competitive due to increased skilled labor. The government also implemented the “Grab the big, loose the small” strategy, that consolidates and supports large state-owned corporations such as energy, construction and transportation, while privatizing small and medium scale state-owned enterprises (SOEs), a policy known as “SOE reform.” The state also encourages the private sector to increase employment of skilled workers.

Motivations to enter the African market vary by sector. For example, the China National Petroleum Corporation, the China National Offshore Oil Corporation, and the China Petroleum and Chemical Corporation (Sinopec) were turned into ministries housed within the State Economic and Trade Commission to represent the Chinese government in purchasing operating rights in Africa (Taylor 2006). Large private companies are also globalizing their services. Huawei set up regional offices in six African countries, providing telecommunication and network services (www.huawei.com). State-owned and private medium-scale enterprises use their technologies and skills in sectors where interest margins are low to capitalize weak African industries such as agriculture and textiles. Individual entrepreneurs take advantages of low market-entry requirements in African countries.

**WHO ARE THE CHINESE DOING BUSINESS IN AFRICA?**

There are at least 750,000 Chinese who work or live in Africa (French and Polgreen 2007b). In addition to diplomats doing negotiations and business deals, some of the main categories of Chinese doing business in Africa are: (1) state corporation personnel managing contracts, investments, and projects; (2) owners and managing staff of private sector firms; (3) owners of small and medium formal sector businesses; (4) import-export agents and traders; (5) informal sector hawkers and marketers; and (6) contract workers and laborers. Most are men, but female workers are employed in South Africa and Mauritius (Gong 2007). Few men have brought their families, but those wives who are there may be entrepreneurs in family businesses. Gong notes that some companies prohibit male workers from having any interactions with local women as a way to prevent AIDS and STDs, although some Chinese men in Mozambique have African girlfriends (Fenio 2007 personal communication). And young Chinese women have been lured to South Africa as commercial sex workers. Both researchers and Africans themselves note that most Chinese retain separate cultural lives, and interactions with Africans are limited.

Alden (2007) argues that the Chinese in Africa are a mixture of capitalists, comrades, and “carpet-baggers.” He describes three main waves of Chinese migration to Africa; two are outside the scope of this paper, but the third explains the settlers and business people who are in Africa for the long term. They include laid-off workers as a result of the down-sizing of Chinese corporations, persons displaced by large
infrastructure/dam construction, and those who migrants in their own country who were “already floating.”
Alden estimates that in 2004, millions of people had greater freedom to seek employment outside China. By 2006, there were 1,609 licensed companies to send Chinese workers abroad.

Ranging from state-owned corporations to individual entrepreneurs, Table 1 provides a model of Chinese businesses in Africa. To consider levels and scale, the table’s categories cover sector, capital range, number and type of employees (family labor, Chinese or African workers), motivation and strategies, and time duration of their enterprises in Africa.

<table>
<thead>
<tr>
<th>Example</th>
<th>Level</th>
<th>Ownership Formality/Informality</th>
<th>Business Sector/Type</th>
<th>Capital Range</th>
<th>Number &amp; Type of Employees</th>
<th>Time Frame</th>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>SinoHydro</td>
<td>Large</td>
<td>SOE/formal</td>
<td>Energy/construction</td>
<td>$1mn to 5bn</td>
<td>500-1500 Chinese</td>
<td>Long</td>
<td>State support</td>
</tr>
<tr>
<td>Huawei Technologies</td>
<td>Medium</td>
<td>Private/formal</td>
<td>Telecommunication</td>
<td>$1-200 mn</td>
<td>100-500 Chinese</td>
<td>Long</td>
<td>Go global</td>
</tr>
<tr>
<td>Zhongken Farm</td>
<td>Medium</td>
<td>SOE/formal</td>
<td>Agriculture</td>
<td>$1-50 k</td>
<td>50-200 Chinese/African</td>
<td>Long</td>
<td>Go-global</td>
</tr>
<tr>
<td>Trade company in Nigeria</td>
<td>Medium</td>
<td>Private/formal</td>
<td>International trade</td>
<td>$1-50 k</td>
<td>5-25 Chinese/African</td>
<td>Long</td>
<td>Enterprise association</td>
</tr>
<tr>
<td>Baltiao shops in Cape Verde</td>
<td>Small</td>
<td>Private/formal</td>
<td>Fixed location Retail</td>
<td>$5-10 k</td>
<td>1-25 Chinese Family network</td>
<td>Medium</td>
<td>Local community</td>
</tr>
<tr>
<td>Wholesalers in Johannesburg</td>
<td>Medium to small</td>
<td>Private/informal</td>
<td>Wholesaler</td>
<td>$1-5 k</td>
<td>Self-employed</td>
<td>Long</td>
<td>Local community</td>
</tr>
<tr>
<td>Hawkers, Vendors</td>
<td></td>
<td>Private/informal</td>
<td>Retail on the go</td>
<td>&gt;$5 k</td>
<td>Self-employed</td>
<td>Long</td>
<td>Family network</td>
</tr>
</tbody>
</table>

Source: Spring and Jiao

Informal-sector Chinese entrepreneurs sell apparel and everyday goods in direct competition with large number of African micro- and small-scale entrepreneurs. With limited education, skills, and capital, most are self-employed hawkers who settled in Africa in the 1990s. They are legal and illegal immigrants who took advantage of China’s loosening emigration policy and found African market niches. In any African locale, immigrants from the same place in China support each other through family networks. Some who came at the entry level succeed in moving upward and become wholesalers and business owners (Haugen and Carling 2005; Wilhelm 2006). They go from hawking, to supplying hawkers, to being wholesale suppliers, and then to being importers.

For example, Chinese traders-immigrants in “China City” in Johannesburg and rural South Africa have market stalls, and sell large volumes of Chinese cheap goods to small, informal-sector African traders--blacks and Asians from South Africa, plus Angolans, Botswanaians, Ghanaians, Nigerians, and Zimbabweans (Wilhelm 2006). Uneducated and unskilled, they contrast with Taiwanese who entered South Africa with capital and opened businesses using skilled staff in the 1970s and 1980s.

A study in Cape Verde shows that Chinese do not enter wage-labor markets, but set up their own businesses (retail stores, importer firms, restaurants, medical clinics) (Haugen and Carling 2005). Data from surveys and in-depth interviews show that migrants from Zhejiang province began entering Cape Verde in 1995, and now fill cities and towns with Chinese shops. They hire relatives and other Chinese, who in turn aspire to become self-employed in the same kinds of businesses. Known as baihuo or general merchandise businesses, they sell cheap Chinese textiles, apparel, and household goods undercutting Africans. They have few market entry or regulatory constraints. The standard of living has improved, and even poor people can afford cheap Chinese goods.
Moving up to small businesses in the formal sector are the restaurants, medical clinics, and retail stores where skills and start-up capital are higher. Usually family and other Chinese employees are hired, although some restaurants have Africans workers. Many established businesses were early comers in the 1990s; in recent, years younger Chinese came to settle and start ordinary and innovative businesses such as an ice cream factory in Malawi (French and Polgreen 2007b).

Medium size formal-sector firms include international trade, agriculture, manufacturing, textiles, and construction. At this level, start-up capital is higher. These businesses usually have long-term commitments, and many came to Africa because of the shrinking market and high competition in China. Chinese business owners may also hire Africans to go to China to select products suitable for African tastes. A Chinese trading firm in Lagos sent two Nigerians to Guangzhou to select apparel and electronics for the Nigerian market (Wang 2008, personal communication).

China, unlike the West, focuses on agricultural endeavors since its accession to the WTO. These include small to large farms and processing companies for export and local sales, and firms that sell agrochemicals and farm equipment. The China State Farms Agribusiness Corporation owns Zhongken Farm, near Lusaka, Zambia and earned US$600,000 in 2001; its manager encouraged other Chinese farmers to invest in farms (People’s Daily 2002).

Previous cooperative agricultural aid projects between China and African countries date from the 1960s. Current agricultural cooperation focuses on market-oriented enterprises. China’s farming techniques, equipment, agrochemicals, and hybrid species are highly desired for Africa’s crops, livestock, and aquaculture, as well as for its irrigation systems and food processing. Chinese officials note that a decade of farming experience in Africa has provided investment confidence, and they see the 21st century as a business opportunity for African agriculture. One noted “we encourage Chinese companies to invest in the farming sector in Africa through a variety of forms, including joint ventures, joint stock companies or solely-owned companies” (People’s Daily 2002). The successful agricultural company Jiangsu Provincial State Farm Corporation will expand from Zambia to Zimbabwe, South Africa, and Botswana.

Smaller private entrepreneurs may invest in groups to lower their risk. The combined investment from such entrepreneurs in Zhejiang province, which has the most vibrant private sector in China, was $55.7 million in 2005. Investments were in construction and logging, as well as in apparel automobiles, telecommunications, and tourism (QianJiang Evening News 2007).

An example of large-scale private businesses is Huawei Technologies, the largest telecommunications equipment supplier in China. In 2006, Huawei’s gross profit in Africa reached $20.8 billion by selling its products and services to 50 million customers in 40 African countries. It established branch companies in Algeria, Egypt, Nigeria, Tunisia, South Africa, and Zimbabwe. Sixty percent of its employees in Africa are Africans. It also established local training centers in Egypt, Kenya, Nigeria, and Tunisia (QianJiang Evening News 2007).

Large Chinese state-owned corporations focus on construction (infrastructure projects), heavy industry (oil drilling and logging), and telecommunications. There were over 800 of these in Africa in 2006 (Alden 2007). Some are African contracted projects, while others are Chinese development aid projects financed by the Chinese central and provincial governments who are sometimes paid in resources. Examples of the first category are a Zambian power plant extension project financed by the Zambia National Electric Power Company and the Angolan government-financed Saurimo airport restoration project contracted to
SinoHydro. An example of the second category is the Bui Dam in Ghana, mainly financed by the Chinese government and paid for by a percent of Ghana’s cocoa production (Jiao 2007; Daniel Sarpong 2007 personal communication). The large projects hire hundreds to thousands of Chinese workers. The managers, engineers, and technicians are also Chinese. Some Africans complain that China ships everything from China for these African projects, “even the cement,” and do not hire many Africans (Junger 2007). A distinctive feature of medium and large state corporations is that they all have Party offices in their companies.

REATIONS FROM AFRICAN LEADERS

Africans believe that China is closer to their development realities and conditions, and that China is the new superpower in general and for investment. “From the promulgation of Zimbabwe’s ‘Look East’ policy to the blossoming of Chinese-language studies in Nigeria, the African continent is eagerly embracing Chinese capital, its diplomatic entreaties and even cultural trappings at an unprecedented rate” (Alden 2007:59). Alden delineates three types of regimes with differing relationship to China: “pariah partnerships, illiberal regimes or weak democracies with commodity-based economies, and democracies with diversified economies” (Alden 59-60). Chinese-African partnerships have been welcomed in several dictatorships (e.g., Sudan and Zimbabwe) and in the weak states (e.g., Angola and Chad), where elites have become enriched through Chinese resources.

Angola is China's leading supplier of oil, accounting for 15% of its imports. Now Angola’s large Chinese infrastructure investment projects have tens of thousands (some estimate 200,000 by 2012) of Chinese workers rehabilitating railways and roads damaged by the civil war, and building airports and government structures. In 2005, Angola shunned an IMF loan with market liberalization conditions to take the Chinese one with the only condition being non-recognition of Taiwan (Ngomba 2007; Alden 2007). By 2007, Angolan officials and local people complained that Angolan resources and workers were not being used, repeating that the Chinese shipped in all project “ingredients” (materials and workers) for its endeavors.

China publicly embraced Zimbabwe in 2005. President Mugabe remarked: “We are returning to the days when our greatest friends were the Chinese. We look again to the east, where the sun rises, and no longer to the west, where it sets.” Zimbabwean investors “entered into collaborative agreements with the state-owned companies in the areas of telecommunications and power utilities” (Alden 2007:64). Chinese entrepreneurs leased farms taken from white farmers, and China became the major buyer of tobacco. Chinese farmers have been allotted 386 square miles of farmland (Karumbidza 2007).

In weak democracies that are resource rich (e.g., Nigeria, Senegal, Tanzania, and Zambia), China is seen as a strategic partner providing FDI. The elites in these countries still “seek rents” and use state resources. Nigeria with its oil, large market size, and political prowess in the African Union and NEPAD is now “a designated partner.” Nigerian President Obasanjo remarked that China was a role model for Africa. “This is the 21st century and China will lead the world. And when you are leading the world, we want to be close behind you. When you are going to the moon, we don't want to be left behind” (Alden 2007:69). Private-sector Nigerian business owners protested that their federal and state governments gave incentives to Chinese competitors. Nigerians also travel, trade, and reside in China, and there are 100,000 West Africans in Hong Kong and Guangzhou.
In democracies with diversified economies (e.g., South Africa (SA), Ghana, Botswana, and Namibia), the relationships are more complicated. They like Chinese FDI but realize that China competes with local enterprises. President Mbeki said: “China is both a tantalizing opportunity and a terrifying threat.” China is South Africa’s main FDI source. Although China is interested in SA’s industries, the loss of jobs has trade unions clamoring for limits to Chinese takeovers.

China built the TanZam railway in the 1970s and began projects and deals in the early 2000s. Zambia’s President Mwanawasa welcomed Chinese entrepreneurs and gave them preferential treatment with “state assets at concessional rates to investors” (Alden 2007:73). Chinese re-privatized the mines and rehabilitated the Zambia’s textile complex. However, the textile venture subsequently failed because of cheap Chinese imports. Safety issues were overlooked for the thousands of Zambians hired for the mines and factories, and in 2004, 46 workers were killed in a mine explosion. National discontent led to threats by Zambia’s opposition political party to bring back Taiwan. China responded by building health clinics and doing HIV/AIDS projects.

Africa’s response to China has not been coordinated or strategic. However, FOCAC, with its 48 African members, and now embraced by the NEPAD secretariat, may bring about common positions. Civil society, including NGOs, labor unions, and ‘the people’ (who feel Chinese competition in jobs and local industry growth) will increasingly get more involved in the debate.

The deals that African leaders have made are reflected in data on their countries exports, but the imports are a combination of smaller business deals by more types of businesses. The data themselves are subject to inquiry because they only account for the formal sector. Table 2 illustrates the trade patterns of exports and imports of eleven selected African countries with China. The original data set is from 1998 to 2006, but only 1998, 2002, and 2006 are given here. The data show that imports by African countries from China increased greatly starting in 2002, and by 2006 escalation was exponential. Imports from China are much higher than exports for all countries except Angola and Sudan that export large quantities of oil to China. Zambia’s export also is boosted in 2006 based on copper and minerals. The main trend is the large increase of goods from China into African markets (Broadman 2007).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ANGOLA</td>
<td>139.7</td>
<td>40.2</td>
<td>988.2</td>
<td>67.4</td>
<td>9,937.1</td>
<td>983.8</td>
</tr>
<tr>
<td>ETHIOPIA</td>
<td>0.7</td>
<td>67.5</td>
<td>7.4</td>
<td>144.8</td>
<td>119.8</td>
<td>474.8</td>
</tr>
<tr>
<td>GHANA</td>
<td>7.7</td>
<td>122.5</td>
<td>27.4</td>
<td>200.5</td>
<td>72.6</td>
<td>883.2</td>
</tr>
<tr>
<td>KENYA</td>
<td>1.3</td>
<td>68.3</td>
<td>4.7</td>
<td>76.8</td>
<td>22.1</td>
<td>683.8</td>
</tr>
<tr>
<td>MOZAMBIQUE</td>
<td>0.6</td>
<td>12.7</td>
<td>6.9</td>
<td>16.5</td>
<td>32.9</td>
<td>76.5</td>
</tr>
<tr>
<td>NIGERIA</td>
<td>24.9</td>
<td>393.1</td>
<td>73.0</td>
<td>739.2</td>
<td>252.5</td>
<td>3141.2</td>
</tr>
<tr>
<td>SENEGAL</td>
<td>3.2</td>
<td>28.6</td>
<td>8.6</td>
<td>44.8</td>
<td>9.2</td>
<td>153.4</td>
</tr>
<tr>
<td>SOUTH AFRICA</td>
<td>168.1</td>
<td>854.6</td>
<td>447.8</td>
<td>1,488.1</td>
<td>2,085.1</td>
<td>7,494.8</td>
</tr>
<tr>
<td>SUDAN</td>
<td>1.3</td>
<td>384.5</td>
<td>1,052.1</td>
<td>431.5</td>
<td>1,764.9</td>
<td>1,558.5</td>
</tr>
<tr>
<td>ZAMBIA</td>
<td>0.9</td>
<td>6.7</td>
<td>3.4</td>
<td>28.1</td>
<td>380.7</td>
<td>83.6</td>
</tr>
<tr>
<td>ZIMBABWE</td>
<td>16.6</td>
<td>50.7</td>
<td>29.4</td>
<td>24.4</td>
<td>25.8</td>
<td>45.9</td>
</tr>
</tbody>
</table>

Source: Spring and Jiao constructed from original data in the DOT database of IMF; rounded off to two decimals (www.imf.org)
AFRICAN REACTIONS AT LOCAL LEVEL
What has been the reaction of African people as opposed to their leaders who have welcomed and made deals with China? Aside from anecdotal accounts, a case study of 1,000 Cameroonians shows that the influx of Chinese “citizens, goods and money to Africa has been greeted with a lot of consternation and suspicion in most African countries” (Ngome 2007). Seventy percent were “alarmed” by the increasing and uncontrolled numbers; 25% said they liked the Chinese coming, and 5% said it did not matter. Some note that China has many poor people, so “there is no ground for their pretending to want to help African states” and “they come to exploit what the Europeans left untouched” (Ngome 2007). Some fear unemployment, since Chinese are replacing Cameroonians in the informal sector (even prepared street foods!). Others note that Chinese owners of small shops generate employment by hiring assistants and shopkeepers. Some blame their government for allowing the Chinese to trade freely while taxing its own citizens. Yet people like the fact that China builds hospitals, schools, and sports complexes, and also capacitates the military.

While Cameroonians welcome the large influx of products (most households can afford TVs and DVDs now), and even the poor can purchase cheaper goods, people think the goods are low quality and lack durability. Yet buyers do not have to “amass a lot of wealth to buy a single item” (Ngome 2007). Success stories focus on African entrepreneurs who with little capital are able to purchase Chinese products for resale in their shops. Cheap Chinese motorbikes are being used as informal taxis by youth who formerly were unemployed and crime-prone. Cameroonian business owners now desire “to import containers of goods for local markets.” There is also “a fierce competition” between western-trained Cameroonian and traditional Chinese doctors for patients.

Robust civil society organizations (in countries such as Ghana, South Africa, Zambia) are starting to be watchdogs of Chinese investments and hiring practices. Some refute statistics on the undercounting of Chinese workers and argue for hiring Africans in Chinese projects. The South Africa’s Congress of South African Trade Unions (COSATU) showed that 800 businesses employing 60,000 workers closed because the removal of tariffs on textiles resulted in a large influx of Chinese goods. Political opposition parties have also latched onto criticisms of China in their platforms in Botswana, South Africa, Zambia, and Zimbabwe. Alden (2007) notes that the Chinese reactions to such critiques are to offer symbolic gestures such as “financing a social good” like a hospital.

CONCLUSION
To conclude, five images shape China-Africa relations. China is: (1) “the new face of globalization;” (2) a development model; (3) a mirror heightening insecurities for the West; (4) a “partner of pariahs;” and (5) “a stakeholder” as a source of capital and bidder for projects in Africa” (Alden 2007:128-133). Africa is an investment destination in the globalized economy in which the Chinese has been actively participating in order to survive and prosper for the last 30 years. China’s new scramble for Africa’s resources will continue unabated and has the “blessings” of many African leaders. Some argue that the burden is on African leaders who must learn from past mistakes to “use their resources as a bargaining weapon to obtain the best deal,” while not translating their resources into “economic suicide and environmental disaster for African nations” (Ngomba 2007:9-10; Mbaku 2007 personal communication). Are African countries ready? Have they made their own long-term strategies? Festus Ojudun, a senior political reporter with the Nigerian Tribune states “If China can achieve it, why can’t Nigeria?” Ermias Legesse, an executive member of the Ethiopian Peoples Revolutionary Democratic Front claimed: “Ethiopia is following the Chinese mode in many ways, so these years our economic growth has reached double digits” (Xinhua News 2007).
REFERENCES

63
Thompson, D. (2005). ‘China’s soft power in Africa: from the “Beijing Consensus” to health diplomacy,’  
Monetary Fund.
Xinhua News Agency. (2007). Zhongguo qi ye xian qi "fei zhou re" Zhejiang zai fei tou zi quan guo di yi  
(Chinese enterprises’ "African fever" Zhejiang province takes lead).  
Zafar, A. (2007). The Growing Relationship Between China and Sub-Saharan Africa: Macroeconomic,  
Aid for Trade: Do we Share a Common Understanding?

Lettice Kinunda- Rutashobya, University of Dar es Salaam, Tanzania

This paper explores issues on Aid for Trade Initiative (also known by acronym AfT), with a view to increasing our understanding on this important agenda. The question that we attempt to address is: Is the Aid for Trade initiative, which is currently firmly linked to the WTOs Doha trade negotiations and agreements (The DOHA Development Agenda), a new initiative or is it old wine in a new bottle? What scope does it represent? Do the aid giving and aid recipient countries share a common understanding on what AfT means to them and hence their obligations? Answers to these questions are important as monitoring current AfT spending in developing countries and pushing the WTO member countries to execute their AfT pledges depend very much on how it is defined. The paper provides justification for AfT and observes that apart from inadequate AfT funding, there is also the problem of drawing a boundary between trade related aid and general development aid. We argue that Sub-Saharan Africa, Tanzania included, need to develop a national dialogues on this initiative so that any benefit emerging from implementing AfT can be sustainable. Nevertheless, the paper concludes that AfT is just a complement and not a substitute to the benefits that may arise from trade liberalization; hence market access through reduction of tariffs and non tariff barriers in developed countries is a key to effective participation by developing countries in the multilateral trading system.

INTRODUCTION

The question that this paper attempts to address is: Is the Aid for Trade initiative (also known by acronym AfT), which is currently firmly linked to the World Trade Organization’s (WTO) Doha trade negotiations and agreements (The DOHA Development Agenda), a new initiative or is it old wine in a new bottle? What scope does it represent? Do the aid giving and aid recipient countries share a common understanding on what AfT means to them and hence their obligations? Answers to these questions are important as monitoring current AfT spending in developing countries, and pushing the WTO member countries to execute their AfT pledges depend very much on how it is defined. This paper explores these issues with a view to increasing our understanding on this initiative. The paper is divided into 5 sections. The next section provides a brief on the origins of AfT, while section three defines AfT as it is understood by the various stakeholders. In section four we attempt to show Why Tanzania needs AfT. In section five a discussion on how Tanzania can benefit most from AfT is provided.

THE AID FOR TRADE INITIATIVE

Although the AfT initiative has its origins in earlier efforts, it has gained momentum since the Sixth WTO Ministerial Conference in Hong Kong in late 2005. In their declaration, the Hong Kong Ministerial Conference invited the WTO Director General to create a Task Force to provide recommendations “on how to operationalize AfT and “how AfT might contribute most effectively to the development agenda of DDA. According to the declaration “AFT should help developing countries, particularly LDCs, to build their supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO agreements and more broadly to expand trade” During the G8 summit in July 2005 at Gleanegles, UK, it was proposed by the then British Chancellor of Exchequer, Gordon Brown that “aid for trade” could be a key complement to WTO’s Doha trade liberalisation round. There is therefore a broad consensus both among development partners and the developing nations themselves that assisting developing countries to increase exports of goods and services, to integrate into the multilateral trading
system, and to benefit from liberalized trade and increased market access is essential. This appears to be the whole rationale behind the AfT initiative. The belief is that effective AfT will enhance growth prospects and reduce poverty in developing countries. In accordance with the sixth Ministerial Conference on AfT initiative, a Task Force was established in February 2006 to provide recommendations on how to operationalize AfT. The Task Force submitted its report in July 2006, and its recommendations were endorsed by the WTO in October 2006. In the report, the Task Force notes that “AfT is important in its own right. It should assist developing countries to benefit from increased trade opportunities multilaterally (both from previous rounds and from the anticipated results of the DDA), regionally, bilaterally and unilaterally……A successful conclusion of the Round will increase the need for assistance to implement new agreements….to ease adjustment costs, and to make use of new market access” (WTO, 2006),

AID FOR TRADE: A DEFINITIONAL PROBLEM

Given the recognition of the role of AfT, WTO members generally have expressed that the recommendations of the Task Force should be implemented expeditiously. Yet, there are still grey areas and questions especially with regard to the definition and scope of AfT: What should be included in AfT? What can a specific Aid for Trade include? Donors are already assisting developing countries in many ways that have trade-related components. Yet the AfT Task Force recommended an extremely broad scope for AfT. They argue that the “scope for AfT should be defined in a way that is broad enough to reflect the diverse needs identified by countries, and clear enough to establish a border between Aid for Trade and other development assistance of which it is a part. That, activities should be considered as AfT if they have been identified as trade-related development priorities in the recipient country’s national development strategies. the AfT Task Force referred to six items that should constitute the AfT pillars: 1) trade policy and regulations, (2) trade development, (3) trade related infrastructure, (4) the building of productive capacity, (5) trade related adjustment and (6) other trade-related needs.

It is important to note that the activities referred to in these “pillars” are not new as such. The first 2 pillars have traditionally been part of the trade-related technical assistance/capacity building (TRTA/CB). These have previously been explicitly geared to trade and counted as trade-related aid. More specifically, the first pillar “trade policy and regulations” includes the same activities that have been prevalent in previous trade-related assistance since the 1990s to help countries negotiate and prepare for closer integration into the multilateral trading system. This category includes the training of trade officials, analysis of proposals and positions and their impact, support for national stakeholders to articulate commercial interest and identify trade-offs, dispute issues, institutional and technical support to facilitate implementation of trade agreements and to adapt to and comply with rules and standards (WTO, 2006).

The second pillar “trade development” constitutes support to activities aimed at private sector development, to help enterprises, especially small and medium enterprises (SMEs) engage in trade, reinforce business support structures and create a favourable business climate for traders. This includes investment promotion, analysis and institutional support for trade in services, business support services and institutions, public-private sector networking, e-commerce, trade finance, trade promotion, market analysis and development (http://tcbdb.wto.org/).

The definition of the WTO Task Force widened the scope of AfT considerably, adding three new categories to the previous two. Pillar 3 and 4, infrastructure and the building of productive capacity, are much broader categories, and previously have figured prominently in bilateral and multilateral Official Development Assistance (ODA). These categories have been specifically subsumed under trade. Trade-related infrastructure is defined as “physical infrastructure” while productive capacity is not defined, and is thus open for widely different interpretations.
Pillar 5 trade-related adjustment, also pertains specifically to trade, and is defined as support geared at “supporting developing countries to put in place accompanying measures that assist them to benefit from liberalized trade.” Tanzania’s tax revenue composition during the FY 2002/03 included 41.4% from imports, local goods-23.5%, Income taxes-25.0%, and other taxes-10.1%. This will mean that the country needs trade related adjustment aid to enable to look for alternative source of tax revenue.

The definition of pillar 3, 4 and 5 is very broad and arbitrary. DAC proposes that what is accounted as Aid for Trade, should depend more on the objective of the action than on the type or category (OECD, 2006). That “there are few economically rational criteria to ring-fence Aid for Trade activities from the overall economic growth agenda.

The issue of additionality has also resulted in some misunderstanding. The Task Force has stated that ‘additional, predictable and effective financing is fundamental for fulfilling the AfT mandate. The original G8 statement also referred to “additionality” of AfT funds. Whether AfT entails more aid in overall quantitative terms, is a tricky issue. It has become clear that whatever funds will be allocated for AfT, have to be mobilised as part of the more general Official Development Assistance (ODA). The additionality of pledged funding then relates to the pledged increase in total ODA spending, which will thus also increase the available funds for AfT. The above explanation clearly shows that there is no clarity and common understanding of the AfT. Yet a common understanding is imperative for monitoring current AfT spending, and pushing the WTO member countries to implement on the AfT pledges they have made.

**DISCOURSE ON TRADE AND DEVELOPMENT**

The notion that developing countries should trade their way out of poverty has gained increasing currency. Much of the theoretical and empirical discourses point to the necessity of trade as a condition for development. Subsequently, there is a broad consensus emerging that strengthening the trade capacity of poor countries and providing them an enabling international environment to trade, is the best way to facilitate their development. Koponen et al (2007) argue that although most countries who have engaged in trade have grown rich of it, this assertion is contested in some cases. They add that the question is not trade or no trade, but “what to trade” and “how to trade.” Much of the controversy is about trade policy and in particular trade liberalisation: to what extent should trade be left “free”?

The new international trade regime, based on the World Trade Organization WTO, is predicated on the principles of free trade, but there is much doubt about these principles and they are interpreted very selectively. The discussion necessarily circles around economics and economic models, as economics as a discipline, is one of the staunchest champions of free trade. It is one of the basic tenets of modern economics that free trade is welfare-enhancing. Yet this has been disputed on several grounds, both within and outside economics. The theoretical bases of this assertion are complex and contested, and when applied to the real world, empirical evidence for it is at best inconclusive.

**JUSTIFICATION FOR AID FOR TRADE: THE TANZANIAN EXPERIENCE**

Available trade indicators show that Sub-Saharan African countries (SSA) are the most marginalized. According to Ng and Yeats (2000), SSA accounted for 3.1 percent of world exports (2.9% for imports) in the early 1950s, but by the early 1990s this share fell to 1.0 percent (1.1% for imports). The implication of the declining share of SSA in global trade on income accruing to these countries is obvious. Poor trade performance has led to low economic growth rates and hence poverty among the people of these countries.
Tanzania is a Developing Country South of the Sahara. Despite the economic and trade reforms that have taken place since the mid 1980s, its share in the global trade has been declining and is negligible. Tanzania’s share in world trade declined from 0.04 percent in 1980 to almost 0.00 percent in 1990 and slightly less than 0.02 percent in 2001. This situation calls for concerted efforts on the part of Government and its development partners in order to reverse the negative trend and expand the integration of the country into the Multilateral Trading System. There is now a consensus that both supply side and demand side constraints are responsible for this appalling situation, but more so the supply side constraints outweigh the market access constraints. For despite the adoption of trade liberalization policy, and the many existing preferential treatment within the WTO, European Union, East African Community, Southern Africa Development Cooperation, and bilateral trade preferences with countries such as the US (AGOA), Canada, China, South Korea, Australia and others Tanzania trade performance has not been very satisfactory (Tanzania is a signatory to the Uruguay Round that established the WTO. This makes Tanzania one amongst the founding members of the world trade body. Its trade policy is hence guided by the rules and obligations of the Multilateral Trading System). Its current account balance has continued to be negative and its share to GDP has continued to be low as shown below. While imports of goods and services have grown by about 21.6 percent a year on average during the last two years, exports of goods and services increased at 11.1 percent, which is less than a half the growth of imports (Bank of Tanzania (BOT) reports, 2007). Travel (mainly tourism) and gold remain the dominant export categories, accounting for about 50 percent of total exports of goods and services, with gold accounting for 39.7 percent of total goods exports during 2005/06. The current account balance has thus widened substantially from 2.2 percent in 2002 to a record high 10.4 percent in 2006 (BOT, 2007).This situation calls for policy interventions domestically, and may also justify the need for AfT to address the supply side constraints and put Tanzania on the economic world landscape.

### Table 1: Trade and current account balance to GDP Ratio

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports/GDP</td>
<td>0.2</td>
<td>0.1</td>
<td>0.1</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Imports/GDP</td>
<td>0.4</td>
<td>0.3</td>
<td>0.3</td>
<td>0.2</td>
<td>0.2</td>
<td>0.3</td>
</tr>
<tr>
<td>Current Account balance/GDP</td>
<td>-3.1</td>
<td>-9.6</td>
<td>-5.5</td>
<td>-5.1</td>
<td>-2.2</td>
<td>-4.4</td>
</tr>
</tbody>
</table>

Source: TIC, Bank of Tanzania, ZIPA “Tanzania Investment Report” 2004

### AID FOR TRADE IN QUANTITATIVE TERMS

The OECD/WTO database which was built for monitoring AfT funding shows a lot of discrepancies, given that donors have used varying criteria for reporting their commitments. The database indicates a huge gap in quantity, between narrowly defined trade-related aid, and Aid for Trade in the newer wider scope. In 2004, under the OECD/WTO database Trade Related Technical Assistance/Capacity Building accounted for $2.6 billion (2.7% of total ODA), whereas all wide Aid for Trade activities consisted of $22.7 billion (in 2003 constant prices), which is 24.4% of total ODA, excluding debt relief. Of this figure, $12.9 billion was spent on infrastructure (13.8% of total ODA), and $7.3 billion in productive capacity building (7.8%) (Garcia et. al.: 2006). With constant and expanding spending commitments, Garcia et. al. envisage the below scenarios for AfT spending by the year 2010:
Similarly in Tanzania, the consensus is that the magnitude of AfT funding has not been big enough, hence the needs are inadequately met at the present time in terms of the scale and scope of resources deployed, and target delivery. There is also the problem of drawing a boundary between trade related aid and general development aid. Some of the trade related needs which have not been currently met are: institutional and physical infrastructure, strengthening productive capacities and competitiveness, as well as trade policy and negotiation level.

**WHAT CAN BE DONE TO ENABLE TANZANIA BENEFIT MORE FROM AFT?**

The WTO Task Force has called for strengthening of the “demand side” as a key effectiveness of AfT. Nevertheless, both sides have responsibilities if AfT is to bring participation of the demand side into the Multilateral Trading System on a sustainable basis. On the demand side, the first step should be mainstreaming trade into the development strategies of these countries. Tanzania has already mainstreamed trade into its development strategies such as the National Strategy for Growth and Reduction of Poverty (NSGRP). The NSGRP, which is a five year national strategic blue print (2005/06 to 2009/10), is a second national organizing framework for putting the focus on growth and poverty reduction high on the country’s development agenda. It is informed by the aspirations of Tanzania’s Development Vision (2025) for high and shared growth, high quality livelihood, peace, stability and unity, a strong and competitive economy, good governance, and a well educated and learning society. This strategic blue print builds on Poverty Reduction Strategy Paper (PRSP) (2000/01-02/03), the PRS review, the Medium Term Plan (MTPs) for Growth and Poverty Reduction and the Mini-Tiger Plan 2020 (TMTP2020) that emphasize the growth momentum to fast-track the targets of Vision 2025 (NSGRP, 2005). The challenge, however, is that of creating an enabling environment for all sectors to move together; which appear to be lacking at the moment. This paper argues that there is need for a national debate on AfT so that there is a common understanding on the importance of trade and hence AfT. This applies to all other developing and least developed nations that need to build their capacity for an effective participation in the multilateral trading system. There is also need for some cross sectoral committees, which should include the private sector.

On the supply side, development partners should be urged to fulfill their AfT pledges. Coordination among the donors is key to effective AfT. There is also an urgent need to implement the recommendations for an enhanced Integrated Framework (IF) that is geared towards strengthening the capacity of LDCs trade capacity.
CONCLUSIONS
The purpose of this paper was to explore issues on Aid for Trade Initiative. The paper has shown how Sub-Saharan African countries (SSA), Tanzania included, are the most marginalized in the multilateral trading system. That despite the many preferential treatments offered these countries have not been able to take advantage of the market access opportunities. Both market and supply side constraints are responsible for this appalling situation, but more so the supply side constraints. This calls for the need for increased AfT. However, AfT funding has not been big enough, hence the needs are inadequately met at the present time both in terms of the scale and scope of resources deployed, and target delivery. There is also the problem of drawing a boundary between trade related aid and general development aid. The much contested issue of additionally in AfT has not received a consensus among the donor community. Nevertheless, it is important to emphasize that AfT is just a complement and not a substitute to the benefits that may arise from trade liberalization, hence market access through reduction of tariffs and non tariff barriers in developed countries is eventually the key to effective participation by developing countries in the multilateral trading system.

REFERENCES
Bank of Tanzania (2005), Annual Report, 2004/05, Dar es Salaam
Bank of Tanzania (2007) monthly reports, Dar es Salaam
Ng, F &Yeats, A (2000), On the Recent Trade performance of Sub-Saharan African Countries: Cause for Hope or More of the Same? Trade Research Team, The World Bank
Wilska, K & Bonsdorff ( 2006), Aid for Trade as a Vehicle for Enhancing Export Competitiveness, paper presented at a Seminar on Aid for Trade: Adjusting productive capacity to maximize Sustainability in a Liberalized Global Economy, Glion, Switzerland
World Bank (2005), Tanzania Diagnostic Trade Integration Study (DTIS) Report, November, Volume 1
World Bank: DTIS (2006)  

http://www.wto.org/English/docs_e/legal_e/marrakesh_decl_e.htm

WTO (2005), WT/MIN(05)/DEC 22 December 20005, Doha Work Programme Ministerial Declaration, Hong Kong http://www.wto.org/English/thewto_e/minist_e/min05_e/final_text_e.htm

WTO: Doha Development Agenda, Aid for Trade:  
http://www.wto.org/english/tratop_e/dda_e/aid4trade_e.htm

WTO Aid for Trade Task Force (2006), Recommendations of the Task Force on Aid for Trade, WT/AFT/1, 27 July 2006 (06-3617)  
http://www.wto.org/english/tratop_e/dda_e/aid4trade_e.htm

A Commentary of the Role Multinationals in the Economic Development of Nigeria

Joseph F Aiyeku, Professor, Salem State College, USA.
Massoud Farahbakhsh, Salem State College, USA
Bolajoko N Dixon-Ogbechi, University of Lagos, Nigeria

This paper highlights the impact of multinationals and their marketing on the economic development of Nigeria. In the paper, we aim to arouse interest in what we consider to be a neglected area of marketing and to build on the limited work published so far in this area in Nigeria. Our paper is based on a literature review of the effects of the multinationals’ marketing activities in terms of their contribution to the development of marketing mix elements in Nigeria, as well as their contributions to the economic development of the nation. The practice of marketing ethics and their effects on corruption, which is a cankerworm disturbing the progress of the nation; and the dilemmas they are facing in the dynamic Nigerian business environment. The paper identified some problems and gave recommendations to overcome them. And it is believed that if these recommendations are adopted, Nigeria will benefit tremendously from the marketing effects of the multinationals operating in the country.

INTRODUCTION
This paper adopts the reductionist’s stance. To this effect, it briefly looks at what marketing is, what multinationals are, what multinational marketing is, how they originated, and the marketing effects of multinationals in Nigeria. Marketing is defined as an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders (AMA, 2004). Multinationals (MNC), on the other hand, is defined by Franklin Root (1994), as a parent company that engages in foreign production through its affiliates located in several countries, exercises direct control over the policies of its affiliates, implements business strategies in production, marketing, finance and staffing that transcend national boundaries without any loyalty to the country in which they are incorporated. The British Institute of Marketing defined it as: the marketing process that is responsible for identifying, anticipating and satisfying customer requirements profitably in more than one country. They are generally perceived by the developing nations to have enormous economic power and the ability sometimes to dominate the economies of the poor countries, although they are also often sought out as sources of much-needed capital, technology and marketing expertise.

THE DEVELOPMENT OF MULTINATIONAL ENTERPRISES
The origin of internationally operating corporations can be traced to the beginning of the colonial age. Though before then large-scale international trade already took place in the form of: the triangular trade Slaves-Candy Cane-Cotton and spice-shipments from the Indian subcontinent to Europe, which was embarked upon by independent agents or small ventures. However, during the late 19th century, the massive colonization and exploitation of Africa, led to the evolution of semi private "trading companies", in charge of producing, transporting and marketing products from the colonies. Though these were usually bilaterally operating undertakings, such as the German-East-African trading company and the British "East-India Company", yet they had some impact on the lives of people both at home and abroad.
The World War II and the political turmoil at the beginning of the 20th century, prevented a major advancement in international trade, and things did not change eventually until the end of World War II.

It was at this period that, globalization as we know it has a birth date and a birthplace: The international summit of economists, politicians and corporate figures took place in Bretton Woods, New Hampshire, in July 1944. It was at this summit that it was decided that a new economic system was to be put into place, replacing isolationistic or even nationalistic political concern with the equalizing power of international profiteering. Even though the organizational form has changed over the years, (NAFTA, GATT, Maastricht), the direction remains the same: Liberalizing international trade, encouraging direct foreign investments (DFI) and loosening government regulation in favor of supranational organizations such as the EU, the IMF, World Bank and WTO were all part of the plan.

**EFFECTS OF MULTINATIONAL ON MARKETING MIX ELEMENTS**

*Multinationals and Product*

A product is a bundle of benefits offered to satisfy customers’ needs. It provides the foundation upon which the entire marketing effort is built. A product can be an idea, a personage, a service, or a tangible object. For products to be of value to the consumers they must satisfy their needs, be of good quality and have the right price. With multinationals like UAC, PZ, Shell, etc.; Countries like Nigeria that valued imported products than locally produced ones, are able to get goods of value without having to travel abroad for them. Because of their strong financial base, multinationals are able to invest much on research and development thereby allowing Nigerians the opportunity to be abreast with technological innovations in terms of product features etc at affordable prices.

*Multinationals and Promotion*

Promotion is defined as any techniques or activity under the sellers’ control, which is intended to communicate favorable persuasive information about the product or service to the potential buyer. Promotion can be divided into two broad categories: The objective of marketing promotion is to: Inform, Stimulate demand, Products differentiation, Accentuate product value, and Maintain stable sales. Multinationals’ good financial base and pool of experts enable them to achieve their promotional objectives effectively and efficiently. The marketing effect of this in Nigeria is that consumers know enough about the various products and are able to make more informed decisions that will help them improve their standard of living. Furthermore it can be observed that majority of the promotional activities that are carried out in the country through various promotional media are sponsored by multinationals. This implies that multinationals have contributed immensely to the development of Promotion and creation of employment in Nigeria. This have a multiplier effect on the economy because by creating employment they are providing more Nigerians with purchasing power which is a necessary ingredient for effective demand.

*Multinationals and Price*

Price is defined as the amount of money, which a buyer of a particular product must offer to the seller with a view to getting possession of the product. In a nutshell, it is what the buyer gives up for a product or service. Efficient and effective pricing of product or services should form a critical dimension in successful operation of any organization. The job of the marketing manager is to develop and implement a pricing strategy that meets the needs of the company at a certain point in time (Dibb et al, 1991; Adeleye, 1995). With the Multinationals, the pricing element of marketing in Nigeria is more competitive in the sense that since more organizations are marketing the same type of product but with different brand names as such they have to ensure that they use the right type of pricing strategy because if their pricing is not competitive, consumers will move to competing brands. Furthermore, they influence pricing because
they enjoy economies of scale and are able to provide consumers with good quality product at a cheaper rate than the indigenous firms.

**Multinationals and Distribution**
The term “distribution” covers the act as well as the process of disposing commodities in order to yield benefits to those who value them i.e. consumers; it also benefits the producers who give value to the product. The salesman uses the term “distribution” to refer to the wholesaler or retailer who sells the type of commodities which the sales person has to offer (Odugbesan and Oswuagwu, 1996). With the help of the multinationals, the distribution element of marketing in Nigeria has developed tremendously; they have contributed to the access in the remote areas of the country thereby developing them. Multinationals have help make some communities that were hitherto inaccessible accessible, thereby expanding the Nigerian market for products and services and opening new opportunities for indigenous marketers. Multinationals have also contributed to the infrastructural development of the nation through their various social responsibility programs, thereby further facilitating access to the market, an example of this is the tarring of Malu road in Apapa, Lagos by Mobil corporation.

**The Effects of Multinational Companies on Development**
The presence and activities of multinational corporations in the developing world has been the subject of controversy especially on development policy. In the recent years, however, the impact of multinational corporations on developing countries has been judged more favorably. In fact, comparative surveys by the International Labor Organization (ILO) of social conditions, effects on employment, choice of technology and training by multinationals and local companies paint a positive picture for multinationals – when compared with local companies. This view is confirmed by studies from the UN Center for Transnational Corporations (UNCTC) since the early eighties (NFSD, 2002).

Many multinationals make positive contributions to the economic growth of developing countries through their investments, products and services. They do this by translating theoretical knowledge into practical results via the correct use of their products and services, for example in agriculture, health and industry; providing access to modern technological and management know-how (e.g. research, development, marketing, finance); investment and employment training in all areas, on all hierarchical levels. The benefits host countries derive from a multinational's presence is a function of: its structure, product range, services and sphere of activity. This is why it can be said that Nigeria is benefiting immensely from the presence and operations of the various multinationals in the country. To maximize these benefits, suitable regulatory and financial conditions, a dependable legal system, an adequate infrastructure and a well-functioning government have to be present, while their absence prevents or hinders them. But Nigeria cannot benefit maximally from the presence of these multinationals because it is highly deficient in all the above mentioned factors. For example the infrastructural facilities are so poor that one wonders how the multinationals survive!

**Multinationals Marketing and Ethics**
Since the mid-seventies and increasingly since the beginning of the nineties, the ethical perspective has been moving more and more to the forefront of social thought. According to Leisinger (1994), there is no need to point out that we are living in a time of great social change. If acting responsibly always and primarily means acting intelligently, i.e. carefully weighing up the benefits and harm that one's own actions can bring, then one has to act ethically too! Thus, he added that much of what is called "unethical conduct" is primarily unintelligent, occasionally even stupid behavior that focuses on supposed short-term advantages without considering mid- and long-term consequences.
The impotence of ethics is shown in the fact that most people choose to maximize their own benefits when economic and political decisions have to be made, and are only prevented from acting against the common interest by governments branching out into many walks of life. Goodpaster (1984) referred to the following rules of thumb as "moral common sense," namely: avoid harming others, respect the rights of others, do not lie or cheat, keep promises and contracts, obey the law, prevent harm to others, help those in need, be fair, and reinforce these imperatives in others. This is an area most multinationals ignore in Nigeria.

Multinationals and Corruption
One cannot discuss the marketing effects of multinationals without looking at the “corruption” concept. Galtung (1994) defined corruption as misuse of power for private benefit or advantage. Leisinger (1994) added that this power may, but need not, reside in the public domain. Besides money, the benefit can take the form of protection, special treatment, commendation, promotion, or the favors of women or men. He argued that whereas some countries permit bribes to be deducted from taxes as "operating expenses" or "special outlays", other countries such as the United States have anti-corruption legislation that even makes the bribing of foreigners in a foreign country a punishable offense. In Nigeria, bribing an official is not seen as a criminal offense but as a way of making things easy for business. Some view it as public relations (PR). A way of getting things done faster. In a nutshell, in (Schmidt and Garschagen, 1978; Johnson, 1985; and Dandridge, 1985)'s views, corruption encompasses four main distinguishing features:

- Misuse of a position of power;
- Gaining of advantage for those who, actively and passively, are parties to the misuse;
- Undesirable effects on third parties (ramifications);
- Secrecy of the transaction.

Leisinger (1994) identified two types of corruption, namely: "small/petty" and "big" corruption.

a. "Petty" corruption is defined as "small" payments intended to get someone empowered to take and enforce decisions to see to it that something he or she is duty-bound to do is actually done within a reasonable period of time. The payments are made because without this additional "stimulus" nothing would happen, or else its happening would be unconscionably delayed. Hence the expression "speed-up gratuities." The word "petty" in "petty corruption" refers to both the size of the financial transaction and the size of the obligation that the transaction buys. In many poor countries like Nigeria, petty corruption pervades every segment of society. In an impoverished society many people's success in the daily struggle to survive can depend on doing things that they would not be constrained to do if they were better off. In this light petty corruption appears as a defensive strategy that people must resort to because their income does not suffice to feed and clothe their families DEH (1992).

b. "Big" corruption: Lloyd (1993) stated that although the transition from "petty" to "big" corruption is fluid on individual case, the latter presents a distinct problem area. In the worst case a parasitic political and economic upper stratum ruthlessly exploits its privileges and the clout that goes with them to funnel huge sums into its own pockets, as is the case with Nigerian public office holders and politicians. Development ruins in many poor countries testify to the deplorable results of such wheeling and dealing (Leisinger, 1994).
This devious practice is considered to have added massively to the foreign indebtedness of many developing countries like Nigeria, while seldom contributing to bettering the lot of their people. The upshot is the notorious "privatization of profits and socialization of losses", with the public costs of corruption outweighing whatever private benefit it may bring many times over (Nye, 1967).

Corruption whether, ‘petty’ or ‘big’, can have a direct influence on business success. In fact it greatly influences the marketing effects of multinationals because with its help the whole climate of doing business can be changed in the bribers favor. Without resort to corruption well-nigh insurmountable problems can arise: deliberate foot-dragging instead of friendly treatment (in passing on information or granting approvals, for example); holding back information rather than imparting it in time (for example, in connection with a crucial deadline such as the latest date for submitting a tender in a public bidding competition); or shelving vs. approving applications (e.g. for import or export licenses or sales authorizations). All this can add up to the decisive difference between business success and failure (Leisinger, 1994). Corruption is widespread in developing countries and has very serious repercussions on the quality of life of the people especially the poor and disadvantaged (Theobald, 1990). Despite this, some perceived corruption as something positive because it helps MNCs to overcome bureaucratic indifference and accelerates decisions, reduces uncertainty about deciding whether or not to invest, and thus serves to mitigate the consequences of poor government policies (Leff, 1964).

**Dilemmas Facing Multinationals**

Today, the world is living in a time of great scientific and economic advancement, in an age of political, economic and social liberalization which is combined with, and partially caused by, sweeping and rapid technological change (Smyth and Herkströter, 1996).

Developments, especially in the way people communicate and obtain information, have changed many aspects of consumer lives; an example of this is the way in which the introduction of GSM just a few years ago has altered the life of Nigerians. Most of these changes have been positive. Consumers in the country now have more choices and information than ever before. This places more demands on multinationals. To make things worse expectation seems to be difference from one country to another as a result, these corporations are sometimes caught in the tensions between these differing expectations (Smyth and Herkströter, 1996). For example in Nigeria, multinational corporations are expected to pay the EDF tax among other things to participate in national development. Another dilemma facing multinationals arises from the question of ‘double standards’ in the form of contradictory needs. How can the marketer solve this dilemma? For example, nepotism (giving of special favor, especially employment, by a person in high position to his relatives) is regarded in the West with extreme ambivalence. It is generally frowned at and those who are seen as being the beneficiaries of such favors’ have to work hard to gain any credibility at all.

But, in Nigeria, hiring relatives and people of your own ethnic group is regarded as a positive virtue. You are looking after your own; you are being your brothers’ keeper! You are helping him/her by providing him or her with a job, an opportunity. It is something to be applauded, not criticized! When someone is in the position to provide such opportunity and does not do it, such individual is seen as selfish and wicked! Similarly, giving of gifts is an essential part of doing business in Nigeria. In fact, it could be regarded as rudeness if you not bring a gift when you initiate a business meeting. But, in the West, gifts, especially if they are substantial, are regarded as a form of bribery. This dilemma is made even more difficult by the shifting standards in some areas, on this particular question. At what point does a gift end and a bribe
CONCLUSIONS AND IMPLICATIONS
The world is living in a time of wonderful new developments and opportunities. New products stream into the marketplace virtually daily, science is moving forward at an accelerating pace and marketing is evolving at the same pace to the extent that we are now in the realm of global marketing. We are making exciting progress in combating disease, in improving the efficiency of fuels, in developing new ways to communicate with each other and to share knowledge.

The opportunities are practically endless! Multinationals in Nigeria can contribute to the realization of these possibilities - first and foremost by continuing to run their business as profitably as possible within the framework of the Nigerian law and their own General Business Principles, and by being sensitive to the evolving needs and concerns of all their stakeholders.

A nation cannot survive on its own; it has to interact with other nations and what better way to do this than to have the representatives of the nations residing in them, through multinationals. Big multinational companies have spread all over the world in search of cheap labor and potential customers. Bringing along the intrinsic values of their countries of origin. European, American and Japanese firms have explored virtually all parts of the world, interacting and often conflicting with native communities as they go and influencing their marketing activities (Cartwright, et al, 1996; Ohmae, 1991; and, Wever, 1990).

In the developing countries, governments are glad to attract foreign investment of any sort, and often return the favor by neglecting their responsibility to introduce even the most basic environmental and social standards (minimum wages, safety-regulations, legal working age, pollution controls...). It is therefore mainly a matter of company discretion whether their impact on their surrounding is fruitful, and their presence is considered a progress for local people, or if it is negative, leaving behind a destroyed landscape and disgruntled locals (Austin, 1990; BraBe1 & Windfuhr, 1995). This has been the case in Nigeria where many of these multinationals have been operating for decades. The activities of such multinationals have had tremendous impact on the marketing activities in Nigeria and subsequently the economic development of the nation...

This is why it is necessary to know the marketing effects of these multinationals on the nation so as to see how to make better use of the opportunities they present and avoid the threat they pose on the indigenous firms so that the nation can move forward and finally live to the expectation of the acronym ‘the giant of Africa’ given to it.

REFERENCES
Austin, J. E. (1990), Managing in developing countries, New York: Campus.
Prospects for Ethnic African Products in the European Union

Tidings P. Ndhlovu, Manchester Metropolitan University, UK
Leopold Lessassy, Université Pierre Mendes France Grenoble 2, France

This paper attempts to identify factors which are conducive to the exportation of ethnic African products into the European Union (EU) market. We develop a conceptual framework within which to examine the main players and processes at work. We also analyse the prospects for authentic African products in selected EU member states, namely France and the UK. We conclude that the reality on the ground often involves complex structures in socially and culturally heterogeneous contexts. Our exploratory study thus seeks to offer insights into these structures and processes, noting that the relationship between ethnic producers/retailers and their distributional channel members is often volatile and conflictual.

INTRODUCTION

This study seeks to identify the factors which are conducive to the exportation of ethnic African products into the European Union (EU). There is a growing interest in authentic ethnic products, such as handicrafts, in the European market, particularly in France and the United Kingdom (UK). The increasing awareness of health and environmental (ecological) issues has been accompanied by a desire to purchase unique products, which, in turn, is reflected in the development of theme retail stores, restaurants and/or convenience foods, organic foods and vegetarian products, and traditional handicrafts. Such a ‘revolution’ has been led by, amongst others, hyper/supermarkets such as Marks and Spencer (M & S), Sainsbury’s, and Tesco (in the UK) and Monoprix, Carrefour, Auchan and Xenos (in France). While the UK was the first country in Europe where distributors sought to promote ethnic products, the French supermarkets, led by the pioneer Monoprix, have been conducting yearly (one-week) ‘ethnic food’ promotional campaigns since 1998. In this regard, importers have also tended to work with retailers in organising in-store food ‘tasting’ sessions, advertising and providing marketing materials.

Two factors are also important here: firstly, television cookery programmes have encouraged more adventurous home cooking, and people are more willing to try out ‘exotic’ and new things; and, secondly, British consumers have been bombarded with the same ethnic foods for decades, Afro-Caribbean food being depicted as offering exciting new tastes and flavours. Dragon Stout, for example, has benefited from increased interest in foreign imported beer, particularly as an accompaniment to food, and take-up from non Afro-Caribbean people is also increasing. In one of our interviews, one supplier pointed out excitedly that: “Our products are crossing over to the mainstream consumer. All our products are authentic and not ‘Anglicised.’ We supply a high percentage of the UK’s Afro-Caribbean and African community, who demand brands and tastes available in their country of origin. That said, we are working on improving the packaging of our products to give them a more mainstream feel”.

Clearly, the EU market has a number of attractions for African producers: it is the ‘largest unified market in the world’ (Biggs, et al, 1996: 1; 4); there are no language barriers between the EU and African countries; it lies within the same time zone; and the distances, particularly for North and West Africa, are not that huge. Despite the threat from China, African countries such as Mauritius, Kenya, Cote d’Ivoire and South Africa have continued to stage a rear-guard defence of their manufactured goods market, notably handicrafts, clothing and home products. The close proximity of North African producers,
coupled with their relatively skilled workers at low wages, has continued to help them meet orders quickly and respond to changing fashion trends unlike garment producers in Sub-Saharan Africa.

This is the background against which an examination of the potential for African business people within the EU can be conducted. Apart from the opportunities for African producers, there are also parameters or constraints (such as certification procedures) which tend to obstruct the growth of authentic ethnic products. Given the nature of the EU market, together with the cultural dimension and/or historical ties of African countries to Europe, can producers forge successful and sustainable links with distributors and/or intermediaries?

Our paper first sets out the conceptual framework within which the relationship between producers, (ethnic) retailers and their distributional channels is studied. This is followed by a data analysis and an examination of France and the UK as potential markets for African ethnic products. On this basis, our concluding remarks address some of the opportunities and constraints facing African producers.

CONCEPTUAL FRAMEWORK
Ethnic products often conjure up an image of exotic sophistication, even if the reality involves more complex structures in socially and culturally heterogeneous contexts. It is with this in mind that we first introduce the neo-classical viewpoint, building on the preceding discussion to posit the Keynesian/neoclassical perspective which introduces the social context into the discussion, and finally ending with the political economy perspective which seeks to enrich our understanding of the processes in play.

For the neo-classical economists, the EU has increasingly become a trading village ripe for African producers to take advantage of whatever opportunities may exist. To the extent that “immigrant populations integrate with the mainstream and their disposable income rise[s], these ethnic pools begin to have wider choice. Better education opportunities mean that these pools are literate [and] can …make informed choices… [from] the wide array of competing brands, products and services. Ethnic integration…does not mean fully embracing new cultures. On the contrary, these shifting ethnic segments hang-on closely to their cultural root and identity including language and religion” (Myrie, 2007: 1). While the so-called ethnic sub-cultures (Cui, 1997) are not as large in Europe as in the USA, it is contended that the presence of immigrants in the EU has led, not only to the potential growth of African products, but also to ethnic-minority businesses within the EU itself (Biggs, et al:4;6).

In the circumstances, the price mechanism will allocate resources in an equitable way (Ndhlovu, 2007), so that any attempt by African producers to charge over the odds (premium prices) for sub-standard goods will be met with bankruptcy. In other words, ‘product quality, delivery and price requirements’ are crucial to the success or otherwise of ethnic retailing and distribution (ibid). African producers can also take advantage of the EU market since shopping has increasingly become a leisure pursuit, that is, themed retail environments tend to satiate the ‘marketplace demands for more leisure’ (Sherry, et al, 2001: 467).

The Keynesians/neoclassical, on the other hand, point to the ethnically diverse European markets and the uncertainty which permeates decision making. This makes contractual relationships more complex than envisaged by neo-classical economists, particularly in the light of the continuing importance of sovereignty of national governments. The political environment varies from country to country so that risk assessment becomes a crucial part of decision making. Thus, we need to appreciate particular governments’ actions with respect to taxation, equity control and expropriation. Clearly, competitiveness in terms of production costs (wages, productivity and exchange rates) can, if circumstances are favourable, enable African producers to gain a foothold in niche markets, despite the seemingly insurmountable institutional and infrastructural constraints, such as local regulations, rules of origin vis-à-
It is argued that emphasis ought to be put on how distributors can influence the relationship between manufacturers and dealers (Dietsch, 1996). Furthermore, “formal and informal networks will --- provide the necessary deterrent against corruption and/or non-compliance in contractual affairs, while at the same time accounting for the lowering of transactions costs and development of specific business skills” (Ndlovu, 2007: 4). Informal traders will, for example, rely on trust. The consequent ‘strategic collaboration’ should not, however, minimize ‘the role played by government, political, economic, social and environmental factors’ (ibid).

The distortions in developing countries’ labour markets, including imperfect labour mobility, have significant effects on trade liberalisation and, in some cases, produce unexpected second-best results which cannot necessarily be solved at the national level. This is why many African politicians adopted regional policies in order to address problems of export promotion and the accompanying regulations. One difficulty is how governance can be enhanced in countries where government institutions are extremely weak and private economic activities are largely concentrated in the informal economy.

It is against this background that the political economy approach transcends the notions of individualism and voluntary exchange, as well as those concerning technological-industrial organization. It examines the forms in which the relationship between African producers and distributors take place, including the relationship between intermediaries (small businesses and suppliers) and, for example, the European Export Management or Trading Companies. These relationships exist within a conflictual context. Moreover, formal and informal networks are formed and reshaped against the background of institutional and historical legacies which involve power relationships and globalisation, as well as cultural identity (Ndlovu, 2007: 6). Paradoxically, informal networks can confer advantages in terms of price, product counterfeiting and the rapid switch of product lines by informal intermediaries. We must also be point out that civil society activism has registered many “successes” in the WTO (World Trade Organisation), including the 2003 agreement on cheaper medicines for developing countries, and the inclusion of discussions on fisheries subsidies, environmental goods and services, and food aid in the Doha negotiations.

However, the regulatory environment has some impact on the activities of both formal and informal relationships. Governmental and non-governmental agencies do enforce laws or set guidelines for conducting business. Winning government approval is thus part and parcel of doing ‘good business’. Global marketing activities can also be affected by a number of international or regional economic organizations/arrangements, such as the Multi-Fibre Agreement, the EU’s laws governing member states and their relationship with third parties (e.g. the Cotonou Partnership Agreements) and the WTO Doha Round of negotiations which are designed to bring about liberalisation and market access at a time when trading blocs regard protectionism as the surest way of coping with the recession. In response, several national or regional initiatives, such as the ACP (African Caribbean and Pacific) Business Forum and the Joint Economic Forum in Mauritius, have been taken by developing countries. Power relations are reflected by, for example, the ability of the USA and EU to pressurise smaller countries into opening up their markets without reciprocity on their part. Moreover, economic institutions, such as CDEAO, CFAO, World Bank, IMF and political institutions such as the African Union and ACP-EU, do not often take account of the informal economy. Yet these complex environments have an impact on how producers,
distributors and retailers conduct business. As one informant put it to us: ‘How can distributors like ourselves influence the relationship between manufacturers and dealers and how can African producers without any power cope with that?’.

Increasingly, “capitalism achieves its remarkable success and growth in part by way of the manner in which it occupies and produces ‘a space’” (Sherry et al, 2001:469). In circumstances where African producers do actually manage to penetrate ‘the profit-making space’, this can concurrently trigger hostility from local (EU) producers and even fiercer competition for the retail (‘themed’) space.

**DATA COLLECTION**

This is the context within which we investigated ethnic products which are sold in France and the UK. In France, we conducted interviews with retailers and importers who buy from African ethnic producers as described below.

- ethnic shop owners.
- hypermarket store managers: these interviews involved store managers of *Carrefour* and *Auchan* located in Valence and Nîmes in southern France.
- importers: we talked to representatives of 4 enterprises, particularly those who are responsible for the import-export business, owners of exotic stores and supermarkets. Amongst the importers, we also interviewed independent agents, one group acting in an informal basis, and whose customers bought from ethnic shops.

In the UK, retailers who purchase African ethnic products in London and the Northern Quarter in Manchester were interviewed:

- ethnic shop owners who purchase from producers in Brixton.
- *Sainsbury*’s store managers.

We did not, however, obtain permission to interview importers in the UK, and so our information on 2 importers (Table 1) who deal in African ethnic products was gleaned from internet sources.

<table>
<thead>
<tr>
<th></th>
<th>Hypermarkets</th>
<th>African ethnic shops</th>
<th>African purchasers</th>
<th>Importers</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>France</td>
<td>2</td>
<td>4</td>
<td>6</td>
<td>4</td>
</tr>
</tbody>
</table>

We also questioned 48 people whom we met at the *Carrefour* parking lot, about *Where they bought ethnic products? Why they shopped at hypermarkets? and Why they did their shopping at the ethnic shops?* Using the information obtained, together with other secondary sources, we were able to construct a picture of the origin of products sold (Table 2) and trends in shopping habits (Table 3). Table 3, where the columns sum is more than 48, reflects the fact that we allowed the 48 informants to give multiple reasons for their choice of retail outlet.
Table 2: Products sold by hypermarkets, supermarkets and ethnic shops

<table>
<thead>
<tr>
<th>Ethnic Products</th>
<th>Country of Origin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tables</td>
<td>Congo, Gabon</td>
</tr>
<tr>
<td>handicrafts / Handmade crafts</td>
<td>Mauritius, Cot d’Ivoire, Kenya, South Africa, Sénégal and Mali</td>
</tr>
<tr>
<td>collection de meubles en acacia massif teinté brillant</td>
<td>Mali, Congo et Guinée</td>
</tr>
<tr>
<td>Yam, Ripe Plantain, Green Plantain</td>
<td>Ghana</td>
</tr>
<tr>
<td>Potjiekos, Fruit and vegetables from the land</td>
<td>South Africa</td>
</tr>
<tr>
<td>Grains and flour: gari, rice flour, beans, potatoes</td>
<td>Ghana, Nigeria, Kenya</td>
</tr>
<tr>
<td>Bananas</td>
<td>Cameroon, Cote d’Ivoire</td>
</tr>
<tr>
<td>Clothing / textiles</td>
<td>Tunisia</td>
</tr>
</tbody>
</table>

Table 3 Reasons why people buy from hypermarkets / ethnic shops

<table>
<thead>
<tr>
<th>Reason</th>
<th>Hypermarkets</th>
<th>Ethnic Shops</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country of origin souvenir</td>
<td>2</td>
<td>28</td>
</tr>
<tr>
<td>Cheap price</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>Good quality</td>
<td>25</td>
<td>12</td>
</tr>
<tr>
<td>Products are fresh</td>
<td>25</td>
<td>12</td>
</tr>
<tr>
<td>Trust the vendor(s)</td>
<td>4</td>
<td>19</td>
</tr>
<tr>
<td>Vendors are welcoming</td>
<td>10</td>
<td>28</td>
</tr>
<tr>
<td>Clean location</td>
<td>31</td>
<td>9</td>
</tr>
<tr>
<td>Availability of products (I’m sure)</td>
<td>42</td>
<td>5</td>
</tr>
<tr>
<td>Habit (I’m used to it)</td>
<td>36</td>
<td>7</td>
</tr>
<tr>
<td>Not far from home</td>
<td>22</td>
<td>20</td>
</tr>
<tr>
<td>Exceptional circumstances</td>
<td>4</td>
<td>35</td>
</tr>
<tr>
<td>Location</td>
<td>20</td>
<td>8</td>
</tr>
</tbody>
</table>

TRENDS FOR ETHNIC PRODUCTS: THE UK AND FRANCE

The United Kingdom

While there has been increasing interest in ethnic products in the UK over the past few years, the so-called Afro-centric goods still hover around 1 percent of the UK market. It is generally agreed that the lucrative lines are in women’s clothes. According to Biggs et al, if Sub-Saharan producers had, for example, been price competitive, revitalised their designs in line with fashion trends and upgraded their aging mills, then firms like Gardner (UK’s biggest importer and distributor of school wear) would not have drastically reduced their orders from their Kenyan suppliers in 1995, nor would buyers of products from Sub-Saharan Africa have lost interest in trade fairs (Biggs et al, 1996: 17).

African producers can take cognisance of Europeans’ greater awareness of ethnic, decorative goods, which is demonstrated by the number of cultural events and themed collections in stores such as Harrods and Liberty’s, as well as distributors such as Boots and Natural Selection. Insofar as good management structures and versatility are important, it is not surprising that Natural Selection switched from sourcing much of its products from Africa, particularly Kenya, to the Chinese market (ibid: 20). Other retailers, such as Woolworth’s, Gardner and Primark have subsequently responded to the recession by following suit. For its part, Gardner also vertically integrated its Kenyan supplier, Bedi, to meet head-on the challenge posed by discount stores, mail order and out-of-town superstores such as IKEA.
Notwithstanding this, African producers selling to hypermarkets and supermarkets in the UK and France were optimistic that growth was possible in areas where the EU giants dominate. One customer of a boutique even remarked that: "sometimes my favourite items are not available, that’s something I don’t understand". Others noted that vendors appeared not to be concerned about this.

Some importers buy the goods outright in the country of origin and import them, while others act on their behalf and share the profit. Nevertheless, in the UK, big importers often deal with supermarkets on behalf of producers of goods from Africa. That is the case with Wanis, Britain's biggest specialists in Afro-Caribbean products. Given the failure of ethnic producers to conform to certain specifications and/or fulfill their commitments, importers located in Europe, like Wanis, set up both national sales forces (of eight, in the case of Wanis, with a growing percentage of its volume in mainstream grocery) and a network of national and regional wholesalers and independents. There are many UK-based importers/distributors of Afro-Caribbean products, some focusing on “metamorphosing” their brands into African products, notably Suzi-wan. Others, such as Wanis, do not just end there (i.e. by carrying the high profit lines), but they also complement their portfolio with a number of less well-known products and, in so doing, provide customers with a wider range of products.

In addition to over 1,000 Caribbean products, UK-based importers market a comprehensive range of products from Nigeria, Ghana and South Africa. But integration based on culture seems not to work beyond ethnic shops, primarily because intermediaries are essentially of African origin, occasional and itinerants. Many intermediaries provide their own warranty-related services based on culture which the modern retailer is unable to match. As far as financial aspects are concerned, informal traders need to develop at least two methods for avoiding some of the associated risks. The first is a personal guarantee, which does not apply to hypermarket managers. Informal traders rely on personal trust. It is effective enough to be accepted by hypermarkets when delay occurs in the delivery of the goods. The second method is chain credit. Clearly, giving credit without formal guarantees only works with strict customer selection, mainly ethnic or family members. This does not happen within the context of supplier and distributor’s relationships in Europe.

What is essential for importers is that brands be established as quality products in their country of origin first, and that they have some historical heritage behind them. This will then form a basis for their establishment within the UK market. One informant noted that consistency of supply is another consideration: “We work closely with our manufacturers to deliver authentic products that offer attractive margins to our customers and answer a consumer demand or need. Given that the UK market is often very different from the domestic market of overseas manufacturers, it is crucial that we understand each other’s expectations”. In this light, one distributor was heard to say: “we don’t trust African suppliers to deliver on their commitments”.

France

Despite the growth in the retail market for ethnic foods, products from Sub-Saharan Africa account for a small proportion of the French market. Moreover, the majority of high-quality garments are from Mauritius, while the bulk of textile imports is represented by gray (ecru) cloth from Cote d’Ivoire and other French-speaking former colonies. According to AC NIELSEN (Marketing Research, Retailers and Supermarket Consumer Panels), in 2006 the French market for Asian food products represented more than $41 million, compared to $25 million for Tex-Mex food products. The latter’s market has increased annually by 25 percent. Unlike the UK, estimates show that the informal trade (notably in handicrafts) is as important as formal trade.
Table 4 shows Carrefour’s revenue following a 2 week promotion of fruit and vegetables. Apart from bananas (mainly due to competition), the margins were higher than sales.

<table>
<thead>
<tr>
<th>Products</th>
<th>Origin</th>
<th>Percentage / Overall Sales of Stores</th>
<th>Percentage Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yam</td>
<td>Ghana, Nigeria</td>
<td>5</td>
<td>60</td>
</tr>
<tr>
<td>Grains and flour: gari, rice flour, beans, potatoes</td>
<td>Ghana, Nigeria, Kenya</td>
<td>11</td>
<td>50</td>
</tr>
<tr>
<td>Ripe plantain</td>
<td>South Africa</td>
<td>9</td>
<td>44</td>
</tr>
<tr>
<td>bananas</td>
<td>Cameroon, Cote d’Ivoire, Peru</td>
<td>23</td>
<td>20</td>
</tr>
<tr>
<td>Other African fruits, pineapples</td>
<td>South Africa</td>
<td>17</td>
<td>24</td>
</tr>
</tbody>
</table>

There was real interest in exotic products at Carrefour stores and we also observed this when visiting Monoprix, the first distributor to initiate this type of business. During a 2 week promotional period at Carrefour, it was clear that Carrefour dealt indirectly with African producers via trading importers, a phenomenon which seemed to apply for the UK as well. This poses serious concerns, such as difficulties for ethnic product suppliers to establish their products as brands. For example, during this promotional period, the manager in the Nîmes hypermarket did not even know who the producers were as he only dealt with importers. Managers in other supermarkets also did not know who their African suppliers were: “The only thing I know about these bananas is that they are from Cameroon, delivered by our importer who is located in Marseille”. In ethnic stores which are supplied by multinational corporations (MNCs), there were few African brands. Since MNCs have their own channels and marketing, the market share for ethnic products remains small and may not be growing.

Notably, French consumers satisfy their desires for ethnic foods at home by cooking various cuisines, including Asian, African, American and Indian. According to SECODIP, a French research and evaluation firm, the typical French consumer who buys ethnic foods is under 50 years old, lives in cities with more than 60,000 inhabitants, has income in the medium-to-upper level, and has two children. He or she buys ethnic meals, not necessarily for dietary reasons, but for taste.

There is thus a chink of opportunity for African producers in the light of demographic trends in France: that young adults’ (20 to 39 years) demand for domestic furniture rises as clothing looses its appeal with age; and that, despite the social conflict accompanying perceived injustices of (illegal) immigration, French people are generally welcoming of other cultures, in particular African cultures. This is also demonstrated by the popularity of African art in, for example, Paris, and the fact that the Hermes chain continues to buy jewellery from the Sahel region. Biggs et al also contend that, unlike British people, the French can be divided into two discreet groups: those who regard fashion as the be-all-and-end-all objective; and those who, in response to the recession, profess to look for value-for-money products, which is where authentic African products come in. They claim that it is this latter group which has also enticed M & S (from the UK) and Zara (from Spain) to enter the French market. Judging from these experiences, so the argument goes, ethically influenced products must adapt to changing fashion trends in France, as amply demonstrated by the successful campaign by Pier Import, a speciality store (ibid: 23).

Producers have to widen their clientele to beyond African customers: “selling only to Africans is not the solution”, commented one African intermediary, “we should extend this to French people”. There are
only 7.5 million black/coloured people in France i.e. 12.5% of the population of France (1 million of Asian origin, 4 million originally from North African and 2.5 million of Afro-Caribbean descent). There is thus not much to be gained from targeting a limited number of (African) consumers: “by doing so we can’t expect enough revenue from our exchange”. Nevertheless, we must take account of specific needs of customers from certain religious or ethnic communities, for example, personal-care is often associated with black or Arabic people.

What seemed to emerge from our interviews is that, selling to the great part of the population is considered to be the only viable strategy for a credible export business. That is why ethnic products have often been designated as exotic. One respondent remarked: “Look at some products which, prior to consumption, were focused only on foreigners: the situation has changed, right now everybody, whatever their origin, may enjoy eating, for example, kiwi in our hypermarket Carrefour in France”. Clearly, big brands are targeting Europeans who like foreign food and have exotic tastes – Unisabi, which is owned by Mars Food, and the Suzi-Wan line, which appears as Le Meilleur de l’Orient, being cases in point. Indeed, in the supermarkets we visited, we were shown national brands displayed as ethnic or exotic products: Illusion vraie of Gemey (L’Oréal), with 2 ethnic colours, caramel et cacao, etc., although there was an avoidance to go as far as introducing special lines which cater for black/coloured skins. A similar trend can be observed in several brands in Sainsbury’s stores in London. Some hypermarkets also stock specific brands, such as Fashion Fair, Fiori Roberts and Naomi Sims, but authentic products are rare. Many beauty products are not designed for black/coloured customers and, consequently, they (the latter) tend to buy from African ethnic shops.

As in the UK, women’s clothing represents by far the largest value and potential for growth. In response to threats posed by specialty chains and hypermarkets, departmental stores, such as Galeries Lafayette, have given space in their stores to special boutiques and exhibitions, while also indulging in their own promotional campaigns. The looming danger for African producers is that some of these value-for-money stores, notably the TATI company, are not only targeting immigrant communities in France, but have also begun to make inroads in African countries, like South Africa (ibid: 24).

BY WAY OF CONCLUSION: OPPORTUNITIES AND CONSTRAINTS

This paper has attempted to show that an examination of the prospects for the trade of ethnic products with the European Union is not as straightforward as first suggested by neo-classical theory. Alternative approaches focus on the complex interplay of ethnic retailers and their distributional channels, and the contradictory restructuring of such relationships which involves preservation and fierce competition (continuity and change) as part and parcel of the survival strategy. It is in this light that we began to explore the prospects for exporting ethnic African products into France and the UK.

Despite numerous difficulties, there are many reasons for believing that successful relationships between ethnic and modern retailing stores can be established. This will require awareness of economic and cultural factors, of the product and demographic trends, and success of authentic products beyond hypermarkets / supermarkets (Table 5), Pier Import in France being a case in point. There is also an increasing attraction for African products within the EU, an enthusiasm which, judging from our interviews, was evidently shared by store managers at Auchan.

The importers that risk investing in promising products in the UK do not act as extended sales offices of the manufacturer. They often put forward a 4 marketing-mix-variable-strategy: the great importance of communicating ideas; best practice; product enhancement; and knowing the market, all of which allegedly gives a competitive edge to both importers and their partners. For brand owners that require
more than a sales network, importers offer to take control and manage public relations, marketing and promotional aspects of the brands. Importers focus on the long term, and only invest in activities that will add value and longevity to a brand.

**Table 5: Key for success in both hypermarkets and ethnic shops**

<table>
<thead>
<tr>
<th>Key of Success</th>
<th>Conditions for Success</th>
<th>Hypermarkets</th>
<th>Ethnic Shops</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cultural aspects</td>
<td>Integration and partnership based on a country’s cultural origins is important</td>
<td>However, it does not work if intermediaries are occasional and itinerant</td>
<td>-Important: ethnic actors meet to share the same practices -But growth is limited</td>
</tr>
<tr>
<td>Economic aspects</td>
<td>-Regional African policy -Role of international or regional economic organisations -Relationship with non-profit organisations helping small ethnic producers</td>
<td>- Breakdown in direct relationship between African suppliers and retailers; replaced by contracts pertaining to marketing aspects which have to be respected</td>
<td>-Big Growth is expected</td>
</tr>
<tr>
<td>Potential customers, Non-African non-Caribbean people</td>
<td>-Available to hypermarkets</td>
<td>-Less available</td>
<td></td>
</tr>
</tbody>
</table>

The most popular brands stocked by Wanis include *Dragon Stout*, *DG Malta*, *Big Bamboo*, *Irish Moss*, *Baldwin’s Sarsaparilla*, *Tropiway Fufu Flour* and *Bigga*. Historically these brands have achieved their position in the UK as a result of a loyal consumer base, therefore more work needs to be done to broaden their appeal over time without alienating core customers. However, African products do not feature strongly amongst the leading brands in supermarkets. According to our informants in hypermarkets, Asian products bring in more revenue. For importers, it is, for example *Jamaica Sun* products, such as *Callaloo* and *Ackee*, which appeal mostly to Afro-Caribbean shoppers who make up the core of that range's customer base; and they do particularly well in areas with a large Afro-Caribbean population. There are, however, encouraging signs that “the taste of the Caribbean” is beginning to appeal to a wider audience: “*Our 'Tropical Sun' products enjoy popularity across the total shopper profile, with our Hot Pepper Sauces and Coconut Water selling well in the multiples***”.

**REFERENCES**


Sherry, Jr, J.F., Kozinets, R.V., Storm, D., Duhachek, A., Nuttavuthisit, K., and DeBerry-Spence, B.  
Environmental Education as a Tool for Poverty Alleviation in Africa

Umoh T. Umoh, University of Botswana, Botswana

Africa environment poses formidable problems for sustainable socio-economic development. Among these are unpredictable and increasing incidence of droughts, aridity and desertification; decline in agricultural and natural resources productivity, water shortages for plants, animals and man, vector/water-borne diseases, HIV/AIDS pandemic, unemployment, poverty and crime. The paper highlights the socio-economic development impediments within the continent that elevate poverty level. It analyses the extent and variation in poverty in Africa and identifies Environmental Education (EE) as one of the means of solving poverty problem in the continent through mass mobilization, enlightenment programmes and introduction of EE at all levels of learning (formal and non-formal educational programmes).

INTRODUCTION

Humankind is globally faced with threats of disaster in all areas – air, land, sea, atmosphere, health, transport, habitat and habitation, food production and so on. Perhaps, never before has Africa been so endangered. Major environmental and social problems confronting Africa include: increasing incidence of droughts, desertification and aridity resulting from changes in rainfall and intensified land use; food security at risk from decline in agricultural production and uncertain climate; water shortages for plants, animals and man; natural resources productivity at risk and biodiversity that might be irreversibly lost; vector- and water- borne diseases, especially in areas with inadequate health infrastructure; HIV/AIDS; unemployment and high crime rate. These in turn impinge on different components of socio-economic structure and resource use of the continent and as a result impede her socio-economic development.

Africa is highly vulnerable to various manifestations of climate change. Responses to climatic variations in the region include: increasing incidence of droughts, desertification and aridity resulting from changes in rainfall and intensified land use; food security at risk from declines in agricultural production and uncertain climate; water shortages for plants, animals and man; natural resources productivity at risk and biodiversity that might be irreversibly lost; vector- and water- borne diseases, especially in areas with inadequate health infrastructure; coastal zones vulnerable to sea-level rise particularly roads, bridges, buildings, and other infrastructure that is exposed to flooding and other extreme events. The above named environmental problems are the major physical causes of poverty in the continent and are also practical poverty indices.

Various measures of poverty within a country is a function of the following: environmental/physical factors, investment and enrollment in education, governments commitment to and the state of health infrastructure, whether the government in the country is democratically elected, occurrence of civil strife, level of military expenditure and others such as economic and external factors. The purpose of this paper is to investigate the impact of environmental education strategies on poverty alleviation in Africa using cross-national data. The specific objectives are to provide a set of poverty measures for these African countries, determine the extent of poverty among them and group these countries on the basis of their poverty levels. The paper will also account for variations in poverty levels among African countries, while focusing on the role of environmental education strategies.
ENVIRONMENTAL EDUCATION
The rate of development of any country is contingent upon the educational attainment of her citizenry. A nation cannot develop when it is burdened with huge environmental and socio-economic problems from all angles. Education is a priceless asset of fundamental importance to the individual and to the society. Education is defined as “a process of socialization in which individuals acquire values, standards, norms and knowledge to enable him live a productive life in the society (Agbarevo, 1993). The essence of education in any part of the world is to assist people to maximize their potentials for optimum self development and development of the society. There is no doubt that there is need for conceptual knowledge of the environment to be increased because of prospect for future degradation of the environment are high. According to the National Policy on Education of various countries in Southern Africa, “government has adopted education as instrument per excellence for effecting national development and needed change”.

Environmental Education (EE) is education aimed at developing a world population that is aware of and concerned about the environment and its associated problems, and which has the knowledge, skills, attitudes, motivations and commitments to work individually and collectively towards a solution of current problems and prevention of new ones (Oulton and Scott, 1995; Hsu, 2004). Lawal (1999) summed up Environmental Education as “Education from the environment, education about the environment and education for the environment”. Environmental education is a life long process of education aimed at creating healthy harmonious existence of man with the environment. It is a times referred to as “green curriculum” it:

i) involves development of skills, attitudes and values for positive interaction with biosphere to conserve and sustain natural resource;

ii) inculcate in individual environmental ethics, interest in nature, better understanding of the concern for conserving and sustaining environment,

iii) address environmental concepts and problems

iv) diagnoses environmental problems and prescribes alternatives that will treat environmental ill.

Environmental education is transferable from children to parents to neighbours resulting in control group learning (Vaughan et. al.;2003,) and encourage commitment of individuals and communities to finding solutions to their environmental problems and to preventing further degradation.

SOCIO-ECONOMIC DEVELOPMENT IMPEDIMENTS IN AFRICA
The sensitivity of socio-economic development is a function of several physical features and societal characteristics. Most of the problems in Africa have been attributed to various basic factors, prominent among which are lack of awareness or ignorance of the consequences of our actions on the environment, our level of development and our poverty level.

According to Nwarie (1998), Africa, a continent with virtually all resources it takes for development, is the worst hit by hunger, starvation, armed conflict, instability, displacement and abject poverty. The politicians jockey for resources. The cumulative effect is fragrant corruption, deprivation, wastage and impoverishment which intensify underdevelopment. Poverty and HIV/AIDS pandemic are the greatest challenges facing administration of various African countries.

Environmental problems usually impact negatively at regional, national and at local or household level. At the regional/national level it can affect several sectors of the economy particularly those relating to agriculture or those making heavy use of water as well as on national food security. At household level, it
affects food security, particularly for the rural poor who commonly have few reserves to cope with food shortages. Economic and social conditions in Southern Africa during drought years deteriorated, and real regional output was estimated to have fallen by 1.3 per cent in 1981, stagnating further in 1983 and 1984. National cattle herds, a source of wealth and power in Botswana, Lesotho, Mozambique, Zambia and Zimbabwe, declined to 30 per cent of the norm, with estimates of one million cattle dying in the region (Vogel, 1998).

Environmental hazards resulting from environmental change reduce the productivity of land and deprive people of biological resources that are important for human sustenance. The impacts in turn lower the incomes and subsistence of millions of already poor, peasants, herdsmen and urbanites who form part of the same economy. Prolonged dry periods lead to hunger, malnutrition and starvation, high infant mortality and accelerated rural migration. Loss of biodiversity in cultivated plants and domesticated animals, and in wild foods which are so important when agriculture fails in times of drought, is a direct threat to food security (IPED, 1994). Drought has accelerated the migration of farmers from the countryside to the cities, putting additional pressure on basic city services such as water and sanitation. Water-dependent factories and mines shut down, throwing thousands out of work.

Environmental education and awareness enhance socio-economic development and dismantle some impediments to developmental process. Fisman (2005) in his article ‘The effect of local learning on environmental awareness in children: an empirical investigation’ opined that improvements in environmental knowledge were uncorrelated with the children’s socio-economic status, whereas improvement in local environmental awareness appeared only among students living in high socio-economic neighbourhood.

**EXTENT OF POVERTY LEVELS IN AFRICA**

Extent of poverty can be measured using two approaches namely the poverty line (PL)/income approach and the deprivational approach.

The major features of the poverty line approach are:

(i) usually the starting point for assessing the extent of poverty;
(ii) income-base approach to the analysis of poverty;
(iii) indicative of the budget restrictions within which the household can choose its consumption goods;
(iv) means of separating poor from non-poor;
(v) it is the income or expenditure required to sustain the minimum standard of living in terms of basic food and non-food items;
(vi) individuals, households or geographical entities that fall below this minimum level are deemed to be poor.

Inter-country variations in poverty levels can be determined on basis of income. The main problem is that PLs do not exist for all African countries. Furthermore, existing (national) PLs are country-specific and inherently arbitrary, thereby making cross-country comparison difficult. The World Bank (1985) has devised a way for obtaining PLs for countries where they do not exist. This can be obtained as follows:

\[
PL = \text{GNP per capita} \times 0.35 \times 1.25 \times \text{average household size} \tag{1}
\]

Equation (1) can be written as:

\[
PL = \text{Relative poverty line per capita} \times \text{average household size} \tag{2}
\]

Where the assumed relative poverty line per capita or per household member is 0.438 of GNP per capita (0.35 x 1.25 in the equation).
PLs are estimated for different African countries. The estimated PLs pertain to the annual income required to sustain the minimum standard of living in terms of basic needs for the average household size in the country in question. The PLs present a snapshot of patterns of poverty within the continent. The PL varies from US$ 228 for Ethiopia to US$ 14448 for Seychelles. Countries with high PLs are Seychelles, Libya, Gabon, Botswana, South Africa and Mauritius. Countries with moderate PLs include Algeria, Morocco, Tunisia, Swaziland and Cape Verde. Countries with low PLs are Ethiopia, Democratic Republic of Congo, Eritrea, Mozambique, Burundi, Liberia and Sierra Leone.

In order to meaningfully group countries into different levels of poverty, their PLs can be compared with those of the continent as a whole. For this purpose, we follow the World Bank’s (1998) suggestion that good practice is to consider two poverty lines – the upper and the lower poverty lines. The upper PL is two-thirds of the average per capita consumption, which captures the poor, while the lower PL is one-third of the average consumption being indicative of the very poor. Since the PL for the continent (US$ 2505) can be regarded as the average, countries whose PLs falls below two-thirds ($1670) of the mean can be regarded as being poor, while those falling below one-third ($835) are deemed to be very poor. Three categories of countries can be derived. Countries with PLs greater than $1670 will be considered not poor. Countries in which the PLs fall between $835 and $1670 will be seen as poor while countries with PLs below $835 will be deemed to be very poor.

Classification of African countries on the basis of their poverty levels shows some countries in the three categories as follows:

- Not poor: Botswana, Cameroon, Congo Republic, Egypt, Mauritius, Namibia, South Africa, Swaziland, Tunisia (35%)
- Poor: Angola, Benin, Ghana, Lesotho, Togo, Zimbabwe (25%)
- Very poor: Burundi, Central African Republic, Congo Democratic Republic, Eritrea, Ethiopia, Kenya, Malawi, Mozambique, Rwanda, Sudan, Tanzania, Uganda, Zambia (40%)

VARIATIONS IN POVERTY LEVELS IN AFRICA

In order to determine the extent or incidence of poverty within the various countries, it is necessary to have an idea of the proportion of those living below the PL in each country. Two sets of such data were obtained namely percentage of a country’s population living below the national or official PL (28 countries) and proportion of a country’s population living on less than one US dollar per day-international poverty line (22 countries).

The emerging patterns of poverty shows that percentage of population living below the national PL – four distinct patterns of poverty.

- Countries with a very high incidence of poverty: - Zambia, Gambia, sierra leone, Uganda (between 55% and 86% below the national PL)
- Countries in which the incidence of poverty is high: - Lesotho, Guinea-Bissau, Kenya, Cameroon (at least 40% of population is below the PL)
- Countries with medium levels of poverty: - Nigeria, Togo, Benin, Burundi and Ghana (at least 30% of population is living below the national PL)
- Countries with the least levels of poverty: - Mauritius, Tunisia, Morocco and Algeria (less than 25% of population are deemed to be poor).
Percentage of population living on less than a dollar per day reveals four distinct patterns of poverty as follows:

- **Countries with very high levels of poverty**: Guinea-Bissau, Zambia, Uganda, Niger (65% to 90% of the population survives on less than one dollar a day).
- **Countries with high levels of poverty**: Senegal, Kenya, Lesotho, Zimbabwe (40% to 55% of the population subsists on less than a dollar a day).
- **Countries with moderate levels of poverty**: Botswana, Guinea, South Africa (proportion living on less than a dollar a day varies between 25% to 35%).
- **Countries with lowest levels of poverty**: Algeria, Egypt, Morocco, and Tunisia (proportion living on less than a dollar per day range from less than 3% to 8%).

Some general observations are as follows: Some overlap in the list of countries falling into the four groups when two measures of poverty are considered independently. A clear picture that emerges when both measures are taken into consideration is that countries in North Africa have the lowest level of poverty. This roughly reinforces the established pattern of well-being and prosperity within the continent. It focuses on variation in poverty levels from an income perspective, thereby, painting a partial picture of the nature and extent of poverty.

**POLICY IMPLICATIONS**

Findings have consistently shown that improvements in education and health will invariably lead to reduction in poverty levels. Policy recommendations are that:
- African governments need to commit more resources to improving all aspects of their education and health sectors.
- Improvements in education should seek to increase female enrolment, as well as overall enrolment in primary education.
- Improvements in health should focus on primary and preventive healthcare.

Another findings emanating from this paper indicate that democratically elected governments are more likely to bring reduction in extent of poverty. Policy recommendations are:
- There is the need for more African countries to embrace the ideals and principles of democracy and good governance.
- This should among others, involve effective mass participation whereby, people have to say the formulation and implementation of policies and programmes that affect their every day lives.

Findings have repeatedly shown that foreign aid has not been associated with reduction of poverty. Policy recommendations is that the international community needs to play a more proactive role in reducing poverty in Africa. This can be achieved in two ways namely:
- By increasing the current aid allocation to human development concerns.
- Aid allocation can then be tied to conditions such as good governance, reduction in military spending and sincere commitment to poverty alleviation on the part of various African countries.

**POVERTY ALLEVIATION POLICIES AND ENVIRONMENTAL EDUCATION**

One of the eight United Nations Millennium Development Goals is to eradicate extreme poverty and hunger by 2015. Two recent developments highlight the increasing commitment of African countries to working together and formulating policies to address their development challenges, the chief among them being poverty. These are, the transition from the Organisation of African Unity (OAU) to African Union which was inaugurated in South Africa in July, 2002 and the launch of the New Partnership for Africa’s
Development (NEPAD) in 2001. NEPAD is an African led strategy for sustainable development and poverty reduction in Africa. The Department for International Development (DFID) policy paper ‘Eliminating Global Poverty’ (DFID, 2002) proposed policy programmes to address regional dimension of poverty to include (i) analysis of poverty and inequality and the development of poverty reduction strategies (ii) promoting growth, jobs and equity (iii) strengthening democracy, governance and service delivery and (iv) tackling HIV/AIDS.

How do we reduce environmental and socio-economic problems in this age of rapid technological development, population growth, etc. To address the many sided problems of our environment which are threatening our survival, calls for involvement of all citizens right from the rural farmers, city dwellers, students, workers, policy makers, the general public, etc. Such mass mobilization can only come through environmental education which if mounted both in our formal and non-formal educational programmes, will impart to the citizen new values, attitudes, skills and knowledge that will enable them cope with environmental problems.

The discussions have consistently shown that improvement in environmental education will invariably lead to reduction in poverty. As a policy recommendation, African governments need to commit more resources to improving all aspects of their educational sector. As regards environmental education and awareness, schools should develop and mount a school-wide compulsory and interdisciplinary course in climate change information and sustainable development. Through such course, student will gain an:

- understanding of the importance of environment in their existence, survival and quality of life as an individual and as a member of an ‘endangered’ race.
- awareness of climatic and other elements involved and the delicate nature of the interdependence between his race and environment; and the impact of his/her behaviour on such relationship; as well as understand the need to minimize the impact of unsustainable actions on such relationship.
- ability to think critically and creatively about problems of the environment in their immediate community and how to solve them especially checking the decadence in the environment and helping it to regenerate itself.

CONCLUSION
It is evident that most problems and disasters are facilitated by man owing to ignorance, industrialization, underdevelopment, diseases, HIV/AIDS and poverty. There is need for man to live in harmony with his environment for survival. Therefore, ethical awareness, right value acquisition attitudes and skills consistent with sustainable socio-economic development must be promoted. Environmental Education is critically needed for disaster reduction. Environmental Education has been embraced across the globe as an effective tool for promoting sustainable development and reducing poverty. However, for Environmental Education to succeed as a veritable tool for poverty reduction, all hands must be on deck and the government must be back up financially and materially all intellectual projections. Success can then be weighed on how far education has been able to improve people, quality of life, concern and respect for the environment.

REFERENCE
Agbaredro, M. N. 1993. ‘Education as a catalyst in rural development’. Paper presented at 5th Annual Conference of Association for Promoting Quality Education held in Nnamdi Azikiwe University, Awka, 8 – 9 December, 1993


Smallholder Tea Marketing Near Kibale National Park\(^1\) in Western Uganda

Kate Mullan, University of Florida, USA
Abe Goldman, University of Florida, USA
James A. Sterns, University of Florida, USA

For more than 50 years, tea has been a valuable source of income for small-scale growers near Kibale National Park in western Uganda. Little is known, however, about the interaction between growers and the factories that buy their greenleaf tea. Researchers interviewed tea growers (n=33) and local factory officials. Findings indicate factories have widely differing relationships with growers. Many growers sell to a co-op, but others try to capitalize on price differences among factories. Recent policy changes by the co-op are generating tensions between co-op management and member-growers. These tensions illustrate the strengths and vulnerabilities of cooperative marketing enterprises.

INTRODUCTION

Black tea was the fourth largest foreign exchange earner for Uganda in 2006 (Nakaweesi, 2007). It is no less important for the Batoro and Bakiga farmers living in the study area, west of Kibale National Park in western Uganda, where it has been the main cash crop for over 50 years. Tea has many natural advantages: compatibility with the local soil, climate and altitude; resistance to damage from crop-raiding park animals; and the ability to produce a salable product year-round. The last trait in particular makes it an appealing source of income. Land and seedlings represent a capital investment that can be prohibitive to aspiring growers, but production itself requires little equipment, none of it more sophisticated than a spray pump for herbicide. Aside from benefits to land owners, labor-intensive tea production provides steady employment to numerous workers, including immigrants from more crowded or troubled parts of Uganda, Congo, Rwanda and elsewhere. Mulley and Unruh (2004) provide further analysis of migration- and tea-related labor issues in the area, while Nakaweesi (2007) estimates that tea employs more than 50,000 Ugandans and indirectly benefits another 400,000.

The main detriment of tea is that the “greenleaf” must be processed within a day of being harvested. Fortunately, farmers near Kibale have ready access to the most valuable asset the Ugandan tea industry can offer—reliable marketing opportunities at nearby processing facilities. Without these factories, smallholders could not grow tea as a cash crop. Studying the market in which farmers operate is therefore key to understanding smallholder tea production.

\(^1\) The authors gratefully acknowledge funding support for this project from a grant from the US National Science Foundation, Award number 0352008; the Undergraduate Scholars Program at the University of Florida; and the Florida Agricultural Experiment Station, Director and Dean Dr. Mark McClellan.
Brief history of tea in Uganda

The secure markets enjoyed by the tea industry are largely due to substantive support from the national government since circa 1950. At that time, state-owned Agricultural Enterprises Limited built the first factory in the area, and over the next two decades it generated smallholder tea growing with offers of free or inexpensive seedlings on credit and extension services. The importance of a stable market infrastructure for tea production is illustrated by the effects of the instability of the 1970s. As illustrated in Figure 1, output crashed during the regime of Idi Amin, who assumed power in 1971. After peaking at 23,400 tons in 1972, Ugandan tea production plummeted to levels below those of the early 1960s. Amin was deposed in 1979, by which time years of war, upheaval, and economic isolation had disrupted the marketing chain and compelled most farmers to focus their efforts on food crops.

Leaders after Amin actively encouraged tea as an export crop, in part to reduce dependence on coffee (Library of Congress, 1990); for example, in 1988, the government doubled the price per kilogram paid for greenleaf tea. The early 1990s marked the true renaissance of tea cultivation near Kibale. With money from the Ugandan government, private companies, the World Bank, the European Economic Community and the Dutch government, factories were repaired and newly equipped. This effort helped to re-stabilize the local market, thereby renewing incentives to invest in tea growing and processing. Unsurprisingly, smallholders near Kibale made the most of national government grants intended for the rehabilitation of their shambas (a local term adapted from Kiswahili to refer to tea plots) from unruly “forests” of tea trees to the tidy, waist-high rows that are now common in the landscape. Cultivation took off around 1995. In 2006, about 19,000 hectares produced over 34,000 tons of greenleaf in Uganda (FAO ProdSTAT, 2007).

Figure 1. Tea production in Uganda, 1961 – 2006 (tons)

![Figure 1](source)

Source: FAO ProdSTAT.

Methods
Thirty-three smallholder tea farmers living west of Kibale National Park were interviewed between June and August of 2007, with farm size ranging from 0.5 acres to 21 acres. Because tea farming is not universal and *shambas* are often far from farmers’ homesteads, respondents were selected using snowball sampling. Using a structured, formal interview guide, each farmer was asked a series of questions about household demographics, personal and family land use history, annual costs and revenues from their tea *shamba*, the obstacles and benefits associated with tea growing, the nature of their marketing arrangements with local factories, their interactions with the national park, the composition of household income, and their opinions on the tea industry and on tea as a source of income. Most interviews were facilitated by a local research assistant who translated from the local language (Lutoro in most cases), although some interviews were in English. In most cases, respondents were interviewed twice, generally at their homes, and interviews lasted approximately two to three hours over the course of the two visits.

Key informant interviews were also conducted with factory officials, generally at the respondents’ workplaces in the tea factories. These contributed to the assessment of the marketing context, as well as to a more generalized understanding of land use history in the area.

**FINDINGS**

*The marketing environment*

There are currently four tea processing companies in the area, each with its own history and business model. Most produce tea on their own fields with hired field workers who generally work on a piecework basis. They also purchase tea from local smallholder growers to varying degrees and on differing terms, as outlined in Table 1. Three of the four were included in this study, while the other was not (as discussed below). Understanding the marketing environment for smallholders is crucial to understanding motives behind many of the operating decisions smallholders make, as well as trends in input usage, farm yields, and output.

<table>
<thead>
<tr>
<th>Management Policies</th>
<th>Rwenzori</th>
<th>Finlays</th>
<th>Mpanga</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outgrower contract</td>
<td>None</td>
<td>3 months</td>
<td>Full membership</td>
</tr>
<tr>
<td>Agreement exclusivity</td>
<td>N/A</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Price (Shs/kg, 2007)</td>
<td>260 – 290</td>
<td>280 (can rise)</td>
<td>250 (can rise)</td>
</tr>
<tr>
<td>Payment frequency</td>
<td>N/A</td>
<td>Biweekly</td>
<td>Monthly</td>
</tr>
<tr>
<td>Provision of Inputs</td>
<td>N/A</td>
<td>Sometimes</td>
<td>Usually supplied</td>
</tr>
<tr>
<td>Greenleaf transport</td>
<td>None</td>
<td>None</td>
<td>Usually supplied</td>
</tr>
<tr>
<td>Other benefits</td>
<td>N/A</td>
<td>None cited by respondents</td>
<td>Technical advice; dividends, bonuses</td>
</tr>
</tbody>
</table>

Source: Survey responses

The fourth tea company in the area is Tamteco, which was not included in this study since officials did not respond to efforts to meet with them and no respondents reported dealing with this factory. Tamteco was formed in the early 1980s by a returning British national in a joint venture with the Ugandan government (Library of Congress, 1990). Until the 1990s, Tamteco and Uganda Tea Corporation (a joint venture between the government and the Mehta family) controlled most Ugandan tea production. It seems that at present they do not buy smallholder greenleaf in any great quantity.
Rwenzori Commodities, the other factory that has few if any dealings with smallholders, was formed in the early 1990s as a private corporation. It does not enter into purchasing agreements with “outgrowers” (i.e., local name for small holder tea growers, especially Mpanga shareholders) or offer any additional benefits. Management does not factor smallholder greenleaf into the production budget, and the general manager gave the impression that Rwenzori buys from smallholders only when estate production falls below processing capacity, or, in some cases, almost as a charitable activity.

The international firm Finlays Group entered the area market in the early 1990s, also as a private company. Formerly known as Rwenzori Highlands Tea Company, its estate fields were established by the government-owned tea company in the 1960s. Finlays Group claims on its website to be “Uganda’s single largest producer of black tea”; it owns four other production and processing sites in western Uganda, and additional factories in Kenya and Sri Lanka. Finlays offers several benefits to the smallholders who sell there, including three-month purchasing agreements (although the factory reserves the right to reject poor quality greenleaf), a relatively high floor price with opportunities for increases if its processed tea garners higher prices, biweekly payment disbursements, and limited provision of inputs on loan.

Most of the farmers who opted to sell part or all of their output to Finlays cited the price they offered as well as the frequency of payment as major reasons. Offering payments biweekly rather than monthly may seem a minor factor in selecting which factory to work with, but consistent cash flow helps in competing with other smallholders and the factories for laborers (who expect to be paid every workday). Performing and properly timing production tasks—including plucking every seven to 10 days, fertilizing a few times a year depending on the rains, applying herbicide, manually weeding as needed, and pruning every three years—are crucial to maintaining high yields for tea. Chronically delaying the completion of these tasks while waiting for monthly payments results in reduced output and lower income in the future.

One of the main drawbacks of Finlay’s is that it does not send trucks to pick up smallholders’ output. This limits the number of small growers selling to them to those located relatively near one of the Finlay factories, or those wealthy enough to have transport of their own. Another limiting factor is an apparent reluctance by factory management to rely too heavily on outgrowers rather than on their own production, partly for reasons of quality control (based on an interview with factory manager).

The factory that deals most extensively with smallholders is Mpanga Tea Growers’ Association, a former parastatal that completed the transition to a farmer-owned cooperative in 2001. According to the general manager, 80 percent of the greenleaf it processes is from outgrowers; the rest is produced on their own fields. Mpanga actively recruits new owner-members, who earn shares in the factory according to the volume of greenleaf they sell to the co-op (1000 tons earns one share). New members enter into a “Greenleaf Agreement,” in which the farmer promises the co-op exclusive rights to the output of the contracted land in exchange for guaranteed purchases by the factory. Mpanga is also obliged to make fertilizer and herbicide available on credit, to provide technical know-how by sending out field assistants, and to deliver greenleaf from farmers’ fields to the factory. The supply of inputs and transportation have been recent issues of contention between farmers and the factory. Shareholders are also entitled to any dividends and “second payments” declared by management (although that seldom happens—which is another source of conflict) and to copies of the annual general report. They are also permitted to vote at annual general meetings.
Marketing decisions and arrangements
The factory or factories with which a farmer chooses to deal determines not only the greenleaf price the farmer receives, but also his/her access to inputs, transport, and cash flow. Twenty-one of the 33 interview respondents (64%) picked one factory for one of several simple reasons and stayed with their choices. The other 12, though, pursued a range of behaviors. Non-shareholders took advantage of the free market; Mpanga shareholders often created illicit flexibility by selling part or all of their tea to other factories, a practice locally referred to as “diverting.”

Eighty-two percent of respondents (27) were or had been associated with Mpanga and behaved somewhere within a range of engagement with the co-op. Almost two-thirds of these had always sold all of their greenleaf to Mpanga, as per their greenleaf agreements (“loyal to co-op”). Two farmers who behaved like loyal shareholders previously had attempted to divert their leaf to Finlays and/or Rwenzori, which failed due to problems with transport and the quality of their greenleaf (“failed diverters”). Some respondents were shareholders who sold most of their tea to the co-op, but also supplied other factories (“diverters”). Another was a shareholder who sold mostly to Finlays; he only sold greenleaf to Mpanga if it was of poor quality or when he needed inputs on credit (“super diverter”). Others were or had been shareholders, but had either given away their shares or simply redirected their loyalty to another factory (“co-op deserters”). Finally, a handful had never interacted with Mpanga (“None with co-op”). Table 2 places these behaviors on a spectrum that ranges from no engagement with the co-op to complete engagement with the co-op.

Table 2. Respondents’ degree of engagement with Mpanga co-op

<table>
<thead>
<tr>
<th>No association</th>
<th>Co-op deserters</th>
<th>Super diverter</th>
<th>Diverters</th>
<th>Failed diverters</th>
<th>Loyal to co-op</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>2</td>
<td>1</td>
<td>5</td>
<td>2</td>
<td>17</td>
<td>33</td>
</tr>
<tr>
<td>18%</td>
<td>6%</td>
<td>3%</td>
<td>15%</td>
<td>6%</td>
<td>52%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Survey data

Respondents gave a variety of justifications for their marketing decisions, which were quite consistent within categories of behaviors.

Loyal shareholders. Those who were loyal to the co-op often took a philosophical rather than pragmatic approach—or at least long-run instead of short-run—when explaining why they sold their tea exclusively to the co-op. They felt that it was important to be faithful to the “only factory for the farmers,” and took pride in their ownership stakes in the factory and in their dedication to upholding the greenleaf agreement. Only one mentioned profit sharing, and only four other loyal shareholders mentioned other practical benefits, such as leaf transport and inputs on loan. At the very least, the uniformity of their expressions suggested that the company had been successful in promoting loyalty, even among shareholders who voiced specific frustrations with the co-op.

Their steadfastness begged the question: If the prices paid by the co-op are lower, and other benefits often fall short of expectations, why stay loyal to the co-op? Many responses indicated the importance of personal satisfaction and social esteem. Nearly all respondents (even diverters) criticized disloyalty to the co-op and violation of greenleaf agreements; meanwhile, as in any small town, everyone had a notion as to what their neighbors were up to. Even the three local men who assisted with translation of the
interviews, though none of them grew tea nor had any personal stake in the co-op, had very negative views of diverting.

Another (potential) benefit unique to the loyal marketing arrangement sprang from the assumption that the co-op would eventually be much more profitable and dividends much higher. If a shareholder deemed it likely that the factory would be successful, then it made sense to concentrate production on share accumulation, especially if he/she had other income in the meantime.

In addition to these carrots, co-op managers have been seeking a stick that could stop diversion. Prior to 2007, co-op policy tied a shareholder’s input allowance to his/her production levels. Although this policy may have dissuaded some potential diverters, the managers know that diversion occurs, and they have a specific conception of its motivation. This is that diverters sell just enough leaf to the co-op to qualify for cheap inputs (which may or may not be available); they then either use these inputs or sell them to other smallholders. Meanwhile, they sell the majority of their leaf to Finlays or Rwenzori for higher prices. This conception is oversimplified, but it encourages management to be aggressive in deterring farmers’ diversion.

*Diverters.* The self-described motivations of diverting shareholders – who comprised almost one-fifth of the sample – differ substantially from managers’ views of their behavior. Only one diverter mentioned that he/she was mainly interested in “free” inputs from co-op membership. Instead, they viewed diverting as a short-term solution to cash deficiency, whereas selling to the co-op was viewed as a basically idealistic long-term investment that entailed forgoing higher prices elsewhere in hopes of earning co-op dividends in the future. This impression was supported by the practical reasons they gave for selling leaf to other factories. Greater payment frequency and higher greenleaf prices available at other factories were the incentives most cited by diverters. Proximity to the processor or its estates was also a significant factor, especially in the times and places that Mpanga’s leaf collection was spottiest (e.g., failure to provide promised transportation of greenleaf to the factory). Table 3 breaks down the reasons given by diverters; multiple answers given by single respondents are included.

**Table 3. Reasons for diversion** (given by diverters and super diverter, n = 6)

<table>
<thead>
<tr>
<th>Reason</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment frequency</td>
<td>3</td>
</tr>
<tr>
<td>Price</td>
<td>3</td>
</tr>
<tr>
<td>Proximity to factory</td>
<td>2</td>
</tr>
<tr>
<td>Distaste for Mpanga’s bank loan system</td>
<td>1</td>
</tr>
<tr>
<td>Mpanga’s transport was unreliable</td>
<td>1</td>
</tr>
<tr>
<td>To gain access to inputs</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>11</strong></td>
</tr>
</tbody>
</table>

Source: Survey data.

These responses capture the main benefit of diversion: having the best of both worlds. Diverters can get more cash more regularly than loyal shareholders, but still have an instrument for saving (in terms of shares), unlike non-shareholders. As the co-op managers accurately perceived, respondents reported that diverters may develop side businesses selling inputs to other growers. In addition, diversion allows them to sidestep issues with transport at Mpanga and provides more frequent cash flows and higher prices to help cover production costs.
Co-op deserters and non-members. Finally, the eight farmers (about 24% of the sample) who had deserted the co-op completely or never sold to it at all were the most purely pragmatic. All but two said they sold to Finlays or Rwenzori because of higher prices. Those who had deserted the co-op did so because they were doubtful that the company would become profitable anytime soon and decided that there was no point in wasting greenleaf on share accumulation. Proximity to the factory and payment frequency are cited as other benefits of the private factories.

Policy Controversies and Conundrums
Tea growers and factory managers almost uniformly expressed opinions condemning the practice of diverting. Shareholders -- loyal and diverting alike -- felt that diverting was an act of betrayal, as well as detrimental to their own earnings. Management affirmed both views in annual general reports, but in informal interviews, co-op officials focused on the bottom line. With less greenleaf, the factory operates below capacity and has less room to be selective about leaf quality, so the quality of processed tea suffers. Second-rate product results in lower processed tea prices at the Mombasa auctions, and the greenleaf price stays low—which induces even more growers to divert leaf, and so on. Moreover, shareholders generally do not concur with management’s current responses to these problems: rather than declaring higher dividends, the management has been using co-op profits to expand estate fields in order to recoup wasted overhead and improve quality control.

The co-op’s managers and board members view stopping diversion as critical to maintaining the co-op’s financial wellbeing. Rather than increasing payment frequency or raising the greenleaf price, which address two of the main motivations for diversion, the managers have focused on controlling the allocation of fertilizer and herbicide. First, they tried linking inputs to the volume of greenleaf sold to the factory. Although this was an ostensibly logical measure, it penalized loyal shareholders who may have suffered low yields for other reasons (e.g., cyclical changes in weather patterns), thereby exacerbating a negative feedback loop in which declining yields impaired farmers’ access to inputs, leading to decreased income, further reduced access to inputs, and continued yield declines. This policy did not seem to have effectively impeded diversion, nor did it address a fundamental dilemma: the company had promised to lend inputs but could not afford the risk of increasingly high default rates.

On the heels of this policy failure, management introduced a major new system of input access in the summer of 2007. Under it, shareholders were eligible to sign up for inputs on credit only if they enrolled with the rural bank, which would underwrite the input loans, using farmers’ output—not their land—as collateral. In effect, the value of future output would secure credit for bulk purchase of inputs, and that credit would be available only through the new intermediary of the rural bank. The factory would still store and distribute the physical inputs to outgrowers.

This decision has generated controversy and widespread misconceptions among shareholders. Although supported by the co-op board (which consists of shareholders, distinguished by their wealth and education, who are elected by their peers), the new policy was unilaterally implemented by factory management. It was not voted in at the annual general meeting, which shareholders generally think is the appropriate procedure for important operational decisions. At least one respondent refused to enroll because he saw the management’s decision as illicit. Furthermore, there was a major misunderstanding by shareholders who believed that they were required to use their land rather than their production as collateral. This was a very strong deterrent in a culture that emphasizes owning land and self-sufficiency over renting land and wage employment.
Positive opinions of the policy changes were expressed by nine of the 24 shareholders. These respondents, however, seemed to be less informed than those who criticized the program. At least two thought that the policy had been the majority choice of the outgrowers; another believed, incorrectly, that the program would make cash available to farmers. Two could not explain why they felt positively, one did not see any difference between the old and new systems, and one joked that he was supportive because he had already enrolled. Only one farmer said that the policy was good because it would prevent diverting, the original purpose of the policy. The other four shareholders had no opinions; one had not heard of the new system before the interview.

Facing a mixture of incentives, frustrations and misinformation, enrollment in the new input program was split almost evenly among respondents at the time of interview, with 10 respondents having decided to enroll and 11 not to enroll. Non-enrolled respondents said that they would buy inputs from shops in town or other outgrowers, or declared that they would do without. Two were undecided and waiting to see what happened with those who joined the system. The general manager of Mpanga had the impression (not borne out by these responses) that “most” shareholders had enrolled or were planning to. Three of the 11 respondents who had chosen to participate had unfavorable opinions of the system, which illustrates the lack of options that farmers face in obtaining necessary production inputs—a point made by one of these growers. Another farmer in the negative group stated that he had enrolled only because the factory had reassured him that the system was temporary until the co-op has paid off its investments.

IMPLICATIONS AND CONCLUSIONS
This case illustrates a number of features that are important to fostering and maintaining cash cropping by small scale farmers in Africa, as well as some of the conditions and dynamics that can threaten the sustainability of such production. In many respects, tea ranks among the most economically and environmentally beneficial examples of cash crop production by smallholder farmers. Its viability, however, is subject to several critical institutional and economic conditions, and deficient or misconceived policies and structures can progressively undermine its attractiveness and sustainability. The main lessons of this case are summarized below:

(1) A functioning market and processing infrastructure is essential for smallholder tea production. Farmers can sell their greenleaf tea only to a factory, and it must be sold and processed within a day of harvesting. The absence or dissolution of such a marketing channel outlet will undermine smallholders' incentives to produce tea. Privately-owned tea factories, however, are not necessarily reliant on smallholder producers. They may choose, as two of the four factories in this area do, to focus almost entirely on tea production from their own plantation fields, using hired labor.

(2) Due to this asymmetry of dependency between the growers and private factories, the establishment of a cooperative society and factory was essential for the revival of smallholder tea production in the area. In the early 1990s, it was the co-op (state-owned at the time) that attracted and channeled funding from various governments and agencies for the rehabilitation of small shambas. As a result, the co-op has been an important mechanism for income development in the area: had the co-op not facilitated the stabilization of marketing and production 25 years ago, smallholder tea growing and private investment in tea processing might not exist today.

(3) Despite the value of the co-op's role in the local tea market, it faces serious obstacles to maintaining a loyal pool of shareholders that the company needs in order to thrive. Management feels confined in the greenleaf price it can offer its outgrowers, which happens to be the lowest in the area, thereby constraining its ability to compete with the other factories. Furthermore, it has been difficult to follow through on other benefits it has promised its grower-members. As these problems have created incentives for shareholders to divert their greenleaf to other factories, management has pursued well-
meaning preventative strategies with negative consequences for “cooperative-loyal” growers and little success in containing diversion.

(4) This unfavorable feedback has made it increasingly clear that managements' and shareholders' misconceptions about each other's positions aggravate the co-op's problems and restrict farmers' opportunities to fully benefit from their tea enterprises.

(5) These “lost benefits” exemplify inherent problems commonly found in exclusive supplier agreements between cooperatives and their members. Agricultural cooperatives in both developed and developing countries face problems of diversion (i.e., “cheating”). Positive incentives that bundle benefits to farmers who supply cooperatives are critical, as negative incentives are antithetical to the principles upon with cooperatives are based. Cooperatives must build loyalty through clear benefits to participation since the alternatives -- which usually involve enforcement of exclusive supplier contracts through legal actions or imposition of other negative costs – are simply not feasible within the context of farmer-owned cooperatives.

REFERENCES


An overview of cashew industry in Nigeria was reviewed, emphasizing historical antecedents, status and prospects of nut production sector with a view to providing expertise information that may help prospecting investors in decision making in this non-oil sector of the Nigerian economy. Potential investments in sustainable production of organic cashew in Nigeria, processing of cashew nuts as well as cashew apple into juice and wine, raw nut exports and product packaging for both international and local markets are highlighted in this paper. Recommendations for continued production of such quality nuts and apples of cashew for industrial uses are suggested.

INTRODUCTION
It is presumed that the backbone of any successful agro-allied industry is hinged on availability of quality raw materials. As Nigeria strive to establish solid democracy as a country and steadily grows her economy, more challenges are emerging and workable strategies are required to address the issues of sustainable economic growth, particularly the non-oil sector. This piece would only focus on stakeholders in rural agricultural sub-sector of Nigerian economy with a view to throwing more light on the spectrum of investments opportunities hidden in this sector. Clearly creating opportunities for those who constitute the majority in agricultural production, cashew should be placed among the country's list of priorities for development. Notably, cashew growers constitute substantial proportion of stakeholders of agricultural producers because, they spread across 27 states of Nigeria, where 95% of the country’s cashew output is produced, processed, and exported every year.

EVOLOVATION OF CASHEW INDUSTRY IN NIGERIA
Cashew (Anacardium occidentale L.) is next to cocoa as export crop and a major source of cash income to many smallholder farmers in the central and northern parts of Nigeria (Topper et al., 2001; CBN, 2005). Like Cocoa. Cotton, Palm produce and Sesame, Cashew provides considerable contributions to Gross Domestic Product, National Income and generation of foreign exchange. Available records suggest that cashew was probably introduced into Nigeria in the 16th century, the same time it was introduced into other parts of Africa by the Portuguese voyagers (Johnson, 1973). It was reported growing in the wild since introduction until mid 1950s when it attained a commercial crop status with establishment of first set of large plantations in the western and eastern regions of the country then, by their respective regional development corporations. However, commercial strength of cashew was never realized until 1970s with invasion of Indian merchants seeking for raw cashew nuts to meet up the Indian local processing capacity. This far-off development in the continent of Asia arouse the awareness of both the farmers and government, which led to establishment of new plantings on the part of farmers and enactment of law for the systemic research on cashew production in 1971 by federal government of Nigeria. Now, cashew is a big produce business not only in Nigeria, but also in the African
continent as a whole. Shomari (1988) opined that cashew industry provides employment for about 5 millions people especially rural women in major producing African countries.

**OUTLOOK OF NATIONAL CASHEW NUT PRODUCTION.**

Nigeria is the 2\textsuperscript{nd} world producer of cashew nut (Figure 1) and blessed with seven diverse agro-ecologies, however, cashew can only be economically cultivated in woodland-tall-grass savanna and rainforest ecologies. These cropable lands spread across 27 states of the country (Figure 2). The producing states are grouped into minor and major on the basis of current production level. The minor producers are concentrated in southwest, south-south and northern states while central and southeastern states dominated the major producers. The minor producing states combine cashew with other major commodity crops like cocoa, oil-palm, rubber and kola in the south and cereals and pulses in the north. However, major producing states adopt cashew as main commodity crop with average hectarage of about 20,000 ha or more. Less than 20% of available cropable lands are currently being used for both food and cash crop in most of these states (CRIN, 1995, 1999 and Topper et al., 2001). This emphasis attempts to draw attentions of all stakeholders in cashew industry to the investment potential of the crop vis-à-vis sustainable agricultural development in Nigeria.

By 1995, total hectares of land under cashew cultivation in Nigeria, was about 40,000 with about 60% of holdings by small holders, 20% grow in the "wild", while 20% is in the medium-sized commercial plantation sector. Area of cultivation has increased to 320,000 ha by 2006 (FAO, 2007). Nut production has been on steady increase from 30,000 metric tonnes in 1990 to 636,000 metric tonnes in the year 2006 (FAO, 2007) (Table 1). This increase was found to be partly due to an increase in hectares of land cultivated to cashew, i.e. from 40,000 ha in 1990 to 320,000 ha in year 2006 (FAO, 2007) This significant increase has been due mainly to involvement of private entrepreneurs, federal and state governments, cooperative societies and affluent farmers in cashew cultivation.

![Fig. 1. Cashew nuts production in major producing countries 1990 - 2005](http://faostat.fao.org/site/336/DesktopDefault.aspx?PageID=336)
Increased number of nut processing outlets and the government’s liberalization’s policy on commodity crops has impacted significantly on the price and demand for raw cashew nuts in the recent past (Ezeagu 2002; Topper et al. 2001). With liberalization policy of in the country, Nigerian cashew is traded and exported by both local and foreign investors to India, Vietnam, Brazil and China. Ranking second in the world cashew production ladder (Figure 1), Nigeria offers one of the cheapest sources of raw cashew nuts. Reports have shown that Nigeria nuts have consistently served the Indian and Vietnamese cashew factories and in recent years have added the Brazilian market. Nigerian cashew kernels are well accepted in the United States and Western Europe because of high quality of the produce.

Figure 1: Map of Nigeria showing distributions of cashew cultivation in 27 states.

**Nigerian Cashew trees past, present and future prospects.**
As a reminder, cashew was principally adopted as a cultivated crop four centuries after introduction because of its potential for use in afforestation programme. Because of non-yield/afforestation focus of the earlier selected materials, the commercial plantings of the crop suffers severe poor yield with average yield of 0.1 t/ha recorded in the 1970s. Nevertheless, governmental intervention through a decade of systemic research on the production by Cocoa Research Institute of Nigeria raised the output level to 0.4 t/ha in the 1980s. Most of the planting materials were sourced from India and dominated by trees producing small nuts. Unfortunately, these nuts produced kernel of less quality grade in international markets and as such attracts poor premium. This era witnessed the collapse of first set of processing plants in the country and concomitant abandonment of cashew farms in many parts of Nigeria.

By late 1980s, another significant output of cashew breeding programme at Cocoa Research Institute of Nigeria led to the release of 25 half-sib cashew genotypes that combined relative high yielding with medium sized nuts. Ten years evaluation of these selections showed that the materials have yield potentials ranging from 1-3.5 t/ha. This constituted the bulk of materials
supplied to farmers from the late 1980s until mid 1990s. Unfortunately, optimum output was not achievable by farmers from these cashew varieties because of their failure to comply with the recommended husbandry practices of timely weeding, pruning and pest and disease management.

Erroneous impressions by farmers that, cashew is a hardy tree crop that can withstand all biotic and abiotic stresses often accounted for poor performance of the trees. Output per hectare in the country, remained stagnant at 0.64 t/ha for a period between 1988 and 1998. Poor pricing of cashew nuts also accounts significantly for the discouraging production in terms of expansion in land cultivation and output per hectare. Not until 1994 when liberalization policy on commodity crops was enacted by the federal government that the nut production sector starts to witness significant improvements in both commitments and investments (Table 1). This mid-late 1990s coincides with commencement of new breeding programme that involved Brazilian cashew genotypes that are characterized by large-jumbo nuts and potential high kernel to nut ratio.

To have a significant impact and sustain the tempo of the new emerging cashew economy, short-term strategy of farmers-researchers selection programme was carried out between 1998 and 2000. This effort has resulted in systematic release of cashew varieties that combine high yielding, high quality nuts and high kernel value to the farmers. Within five years of this programme, in addition to price appreciation, Nigerian cashew nut production sector has witnessed geometrical increase in land cultivation which jumped from 175,000 in 1996 to 320,000 hectares in 2006 (FAO, 2007) (Table 1). Output per hectare has also increased from

---

**Table 1: Cashew nut production in Nigeria 1990 - 2006**

<table>
<thead>
<tr>
<th>Year</th>
<th>Ann. Prod. '000 (tons)</th>
<th>kg/ha</th>
<th>Harvested area '000ha</th>
<th>Price/ton (N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>30.00</td>
<td>600.00</td>
<td>50.00</td>
<td>-</td>
</tr>
<tr>
<td>1991</td>
<td>45.00</td>
<td>600.00</td>
<td>75.00</td>
<td>10,700.00</td>
</tr>
<tr>
<td>1992</td>
<td>55.00</td>
<td>611.10</td>
<td>90.00</td>
<td>15,677.00</td>
</tr>
<tr>
<td>1993</td>
<td>75.00</td>
<td>625.00</td>
<td>120.00</td>
<td>24,753.00</td>
</tr>
<tr>
<td>1994</td>
<td>85.00</td>
<td>629.00</td>
<td>135.00</td>
<td>36,335.00</td>
</tr>
<tr>
<td><strong>1995</strong></td>
<td><strong>95.00</strong></td>
<td><strong>612.90</strong></td>
<td><strong>155.00</strong></td>
<td><strong>62,415.00</strong>*</td>
</tr>
<tr>
<td>1996</td>
<td>110.00</td>
<td>628.60</td>
<td>175.00</td>
<td>81,872.00</td>
</tr>
<tr>
<td>1997</td>
<td>125.00</td>
<td>514.40</td>
<td>243.00</td>
<td>88,601.00</td>
</tr>
<tr>
<td>1998</td>
<td>152.00</td>
<td>625.00</td>
<td>243.20</td>
<td>94,175.00</td>
</tr>
<tr>
<td><strong>1999</strong></td>
<td><strong>417.00</strong>*</td>
<td><strong>1,752.10</strong>*</td>
<td><strong>248.00</strong></td>
<td><strong>92,662.00</strong></td>
</tr>
<tr>
<td>2000</td>
<td>466.00</td>
<td>1,799.20</td>
<td>259.00</td>
<td>97,407.00</td>
</tr>
<tr>
<td>2001</td>
<td>485.00</td>
<td>1,830.20</td>
<td>265.00</td>
<td>124,698.00</td>
</tr>
<tr>
<td>2002</td>
<td>514.00</td>
<td>1,882.80</td>
<td>273.00</td>
<td>150,636.00</td>
</tr>
<tr>
<td>2003</td>
<td>524.00</td>
<td>1,891.70</td>
<td>277.00</td>
<td>180,011.00</td>
</tr>
<tr>
<td>2004</td>
<td>555.00</td>
<td>1,900.70</td>
<td>292.00</td>
<td>-</td>
</tr>
<tr>
<td>2005</td>
<td>594.00</td>
<td>1,922.30</td>
<td>309.00</td>
<td>-</td>
</tr>
<tr>
<td>2006</td>
<td>636.00</td>
<td>1,990.0</td>
<td>320.00</td>
<td>-</td>
</tr>
</tbody>
</table>

0.63 to 1.99 tonnes. This current output of about 2ha/t is below the potential of 3.0 - 4.0 tonnes of the newly selected varieties under breeding evaluation at Cocoa Research Institute of Nigeria. Available statistics suggest that country output per hectare can be stepped up to 3.0 tonnes. Vietnam in 2003, achieved 3.6 t/ha, although dropped to 2.7 tonnes in 2006 (FAO, 2007).

Current production level in Nigeria could be because of mixture of old and new plantations across the growing regions. It is a known fact that the most of the old cashew fields were planted to traditional landraces and unimproved cultivars with wide variations in nut yield (Sanwo, 1980). Studies have shown that about 20% of the trees planted from unimproved seed lots were found producing 80% of the yield from an hectare of such cashew farm (Martins and Kasuga, 1995; Barros et al. 2000; Aliyu, 2004). This has resulted in low output per hectare and poor incomes for the cashew growers in the producing countries.

INVESTMENTS OPPORTUNITIES IN NIGERIAN CASHEW INDUSTRY

Cheap and Organic Cashew Production.
Nigerian cashew nut production has a significant advantage over other producing countries of the world because of low unit cost of production and as such, the country nuts are classified as the cheapest in the world. The reduced cost of production in Nigeria is as a result of combined factors of cheap labour and low pests and diseases incidence. The latter factor, in addition to zero level of chemical fertilizer application, confers opportunity for ORGANIC CASHEW production that is practically impossible in most other countries with low soil fertility and highly infested plantations and mandatory chemical control measures. This quality parameter endears Nigerian cashew nuts to foreign and local processors.

Value Addition through Cashew Kernel Processing
Most significant area of investment potentials in Nigerian cashew is in the value addition in terms of local processing of nuts for exports and local markets. Currently, 75-80% of cashew nuts produced in Nigeria are exported to Asia and few processing plants within neighboring West African countries like Ghana and Benin Republic. The enormous available raw nuts have continually attracting investments and new private processing plants are currently being established, while old public ones that were abandoned in the past are been reactivated and privatized for efficient and profitable management. The recent injection of more funds into Nigerian cashew processing industry has been hinged on improved quality of the nuts and acceptability of her kernels in European and American markets. The industry has made entry into Brazilian market in the recent time.

Product Packaging
Local processing of cashew nuts into kernel will stimulate further investments in product packaging for both local and foreign markets. This very grey area requires expertise and new investment to make Nigerian cashew product more competitive in the global market.
Processing of Apples into Juice and Wines
Other fertile areas of the industry that remain untapped include processing of the cashew apples for juice and wine productions. However, Ghana has made some investment impacts in this area and the products have been accepted in local and European markets.

Raw Nuts Productions
Vast cropable land areas for cashew in Nigeria and availability of improved planting materials that guaranteed investment returns have been major boost for investment in the nut production sector in the last five years. The investment is increasing annually and more opportunities still exist for further investments by smallholders, medium scale entrepreneurs and large scale investors. Policy trust of the federal and state government and arrays of incentives ranging from infrastructural supports and facilitation of credit facilities for a non-oil sector of Nigerian economy have created enabling business friendly environment for profitable investments too.

CASHEW INDUSTRY WEAKNESSES
The cashew business in Nigeria is not without constraints. These include though not limited to:
- Lack of adequate working capital for farmers, Local Buying Agents, exporters, and processors.
- Poor finance intermediation by financial institutions, leading to inadequate access to finance for farmers to rehabilitate and replant.
- Poor funding of research work and inadequate dissemination of research results to needing stakeholders.
- Poor access of improved planting materials to teeming smallholder farmers due skewed spreading of seed gardens/nurseries across producing states.
- Poor access to information and knowledge on global quality requirement for cashew nuts and kernels products for export.
- Low yield of plantations due to existence of aged trees that have exceeded their prime. Many of the unimproved varieties also produced only small size nuts.
- Poor post-harvest handling of cashew product causing a loss of about 40 - 50% of average annual production.
- Poor products packaging result in poor prices, which result from discount pricing above 20% of international benchmark.

SOLUTIONS TO THE WEAKNESSES.
All the weaknesses highlighted are not peculiar to Nigerian cashew industry, but weakly compare to other producing countries. However, four areas of country’s strength (political and economic stability, government policy trust, research and development and stakeholders partnerships) if properly harnessed could turn these weaknesses to investment opportunities.

Political and Economic Stability
Restoration of democracy in the last eight years has not only brought stability, but also steady growth to the Nigerian economy. Further growth will create more opportunity for investments
and infrastructural development, and improved smallholder’s welfare. Leaderships and citizens should continue to strive in their collective efforts to deepen democracy.

**Government Policy Trust**
Government support for price liberalization, rural cashew markets, poor infrastructures, poor access roads, market information on cashew price, public-private partnership, transfer of improved technologies are areas to be given further immediate attention to strengthen the industry. Policies on sustainable partnership between government and finance institutions to reduce interest rate on credit facilities for the non-oil sector will attract more investments. Despite increased effort to make market information on cashew prices available at regional level by notable non-governmental organizations like African Cashew Alliance and National Cashew Association of Nigeria at Africa-wide and nation-wide levels, dissemination is still far from sufficient to make farmers aware of better marketing opportunities. Government policy that will strengthen partnership between NGOs, farmer’s cooperative societies, state and local government is very crucial in surmounting this problem. Honestly, commodity crop growers must be encapsulated in the context of whole-farm perspective, especially in conjunction with food crop production and never in isolation. Policy that will enhance cashew productivity should go along with food productivity to achieve a desirable goal.

**Research and Extension**
The role of national and international research and development organizations are very crucial to the sustainable growth of cashew industry in Nigeria. Cocoa Research Institute of Nigeria has played a very significant role in this sector despite paucity of funds and inadequate research facilities. The development of new varieties and adaptation of others, require funds for infrastructures and scientific research and training. Furthermore, research findings on improved technologies and alternative management practices need to be disseminated to stakeholders regularly. This requires a functional and reliable extension service network that can reach farmers with the right message. Synergy of private and public partnerships is the only effort that can have the desired impact on smallholder’s state of knowledge in cashew production across the nation. This requires a coordinated effort and a long-term institutional commitment from the government with strong support from commercial companies (marketing and processors), donors, and NGOs. Regional and international research collaborations will not only guarantee adequate funding and expertise, but further shorten breeding cycle for development of newly improved cashew varieties. Research and development is the spine of capacity building of the cashew industry and as such be supported by all stakeholders

**Stakeholders Partnership**
National Cashew Association of Nigeria (NCAN), African Cashew Alliance (ACA), Sustainable Tree Crop Programme (STCP) and other partnering organizations have demonstrated their supports to assist farmers to form cashew producers’ associations / cooperative societies at rural levels. These private organizations in partnership with public institution like Cocoa Research Institute of Nigeria (CRIN) have helped in training smallholder farmers on improved cashew technologies. This effort is currently translating into improved outputs in both quantity and quality at farm gate level. Synergies between public institutions and private enterprises (figure 3)
is the only remedy that can cure the industry inefficiency and must be strengthened to achieved desired goal of sustainable growth in the industry.

Figure 3: Stakeholders Analysis in Nigerian Cashew Industry.

CONCLUSIONS / RECOMMENDATIONS:

1 **Market security:** Nigerian cashew farmers are organized into various groups of cashew farmers associations under the auspices of NCAN. Market security for their pooled cashew nuts at reasonable prices will permanently put them in the production sub-sector for the exporters and processing industries home and abroad. NCAN with its subsidiaries in the production, processing and marketing (exporting) are enjoying protection by government policies.

2 **Capacity building through stakeholders’ driven / farmers’ participatory research:** Cocoa Research Institute of Nigeria has since embarked on innovatory stakeholders-research approach on cashew, with a view to bring developed technologies to the doorstep of farmers and other primary stakeholders; and give priority to their problems in the research planning. Unfortunately, paucity of funds has hindered wide spread of this down-sector capacity building approach to all cashew-producing states. Funding supports in this respect will not only ensure continuous supply of cashew nuts to the International markets, but will also alleviate poverty among rural women who constitute bulk of labour during harvesting of cashew nuts.

3 **Appropriate government policies / legislations to ensure high premium for ORGANIC CASHEW from Nigeria:** Such policies, besides further discouraging the use of chemical fertilizers, herbicides and synthetic chemical protection method, will ensure expected commensurate income for the farmers for adopting
environmentally friendly methods on their farms and for being conscious of the health of the eventual consumers. Currently in Nigeria, the use of chemical fertilizers to increase nut production of cashew trees, is at zero level. Protecting Nigerian cashew from serious disease infection, are the appropriate government policies that restrict importation of cashew nuts from such endemic countries. This affords Nigerian cashew acceptability in the global markets especially, United State of American, European, and Asian markets.

4 Investments in value addition: In addition to the processing of cashew nuts into kernel (for consumption) and Cashew Nut Shell Liquid (CNSL) (for industrial use), millions of metric tones of cashew apples are wasted annually. Painfully, these apples are produced under zero applications of both synthetic chemicals and chemical fertilizers (organic conditions) and cashew apples have been reported to be 300 times higher in vitamin C content than citrus orange (Ohler, 1979). Legislative, technical, and financial supports to entrepreneurs for investment in production of quality cashew juice would further broaden markets, employment, and income from the industry.

This review provides insights to the strength of public-private-partnerships as requisite for sustainable growth of cashew industry in Nigeria. Therefore, the government as a major stakeholder in poverty alleviation of rural populace should enact laws that will foster this relationship and direct all her relevant agencies to collaborate with other stakeholders in the industry to jointly addressed areas of weakness in the industry for viable investments and wealth creation in this non-oil sector of the economy.

REFERENCES
African Coastal Environment Development Potentials and Management Implications

Etop Usoro, University of Uyo, Nigeria
Ekan Etim, University of Uyo, Nigeria
Tom Umoh, University of Botswana, Botswana

Beach environment represents one of the most valuable and highly changeable landscapes, presenting both opportunities and problems for its use. Human activities on this fragile environment often result in widespread impairment. Yet development on this environment is on the increase worldwide due to its attractiveness. Nigeria has about 1000km long coastline and its most pressing problem is the rapid rate of erosion and beach retreat. Any human activity on this fragile environment without proper management strategies is likely to accelerate its degradation. This paper looks at the geomorphic processes at work in the make-up and dynamics of Nigeria’s beachfronts, particularly the sand dune formation so as to evaluate the potentials and the problems of developing recreation and tourist facilities on them without impairment.

INTRODUCTION

The attractiveness of coastal environment has long been recognized as places to live and enjoy. In many developed and some developing countries, use of these scenic areas for residential, commercial and recreational purposes has increased substantially in the last 50 years (Miller, 1993; Marsh 1997). The last two decades have seen a great increase in the nature and magnitude of marine recreation and ecotourism activities, which have generated billions of dollars in economic activity (WTO, 1996). However, economic development of coastal areas has inadvertently brought widespread alteration to this fragile environment valued so highly by many for ecological and aesthetic reasons.

A delicate balance typically exists in coastal environment between sand loving plants such as dune grasses, and beach features, such as sand dunes, barrier beaches and backshore slopes. Left undisturbed, the coastal vegetation provides protection between the natural elements of the beach and the primary dune areas. However, development of any kind, such as access roads and other built structures for tourism and recreational activities on or near banks often leads to disturbance of the fragile equilibrium, resulting in loss of entire plant communities and some beach features, and setting in a degeneration of the coastal environment.

Apart from such impairment, problems of shore erosion, flooding and property damage may also set in. These problems do not arise because the oceans are behaving differently than they did years ago, but because of increase in human activities in the coastal areas. With recent global warming and prospects of rising sea levels, the problems are likely to get worse in the face of ever increasing activities along the coasts. The cost in material and financial loss can be very staggering as a result of this bittersweet relationship with the sea.
Nigeria has more than 1000km long coastline of white sand beaches that stretch along the Atlantic Ocean from Badagry in the west to the mouth of the Cross River in the east. The dominant feature is the Niger Delta, which forms a massive arcuate sedimentary pile along the coast. West of the Niger Delta, the coastal zone is characterized by coastal barriers consisting of large masses of unconsolidated sand with subordinate silts and clay deposits. The barriers enclose chains of coastal lagoons between Mahin and Badagry. East of the Delta, the coast consists mainly of white sand plains backed by beach ridges, which occur parallel to the shoreline.

The sand dune areas, which this paper focuses attention on, are presently under utilized for recreation and tourism activities, and are in many instances abused through defecation and sand mining. Even though these valuable scenic resources are presently not more than oceanfront slums, the beach and the sand dunes offer many opportunities for tourists’ delight and beach-based recreation. As interest in beachfront development continues to receive greater attention from public and private sectors in the country today, perhaps it is time to begin to consider the problems often associated with development of this fragile environment, and to develop management strategies that would avoid problems of beach development.

The intention of this paper is to examine the geomorphic processes at work in the make-up and dynamics of Nigeria’s beach features, particularly the sand dune formation so as to evaluate the feasibility of any development scheme that would preempt impairment of this sensitive and highly vulnerable environment. The approach is specifically an evaluative one of the dune environment for recreational development, highlighting the problems inherent in site management near shorelines.

GEOMORPHIC PROCESSES AT THE BEACHFRONT AREA
Beach and dune environment is one of the most changeable of landscapes. It can be there one day and gone the next. This instability relates to natural processes, presenting both opportunities and problems for recreation and tourism development and management (Inman and Brush, 1973). Also, the fragility of this environment where vegetation, sand deposit and slopes are so delicately balanced means that any slight alteration in one can lead to a chain of changes, such as renewed wind erosion, blowout formation and dune reactivation. In order to be familiar with the Nigeria’s coastal environment, it is necessary to understand not only the physical make up of the coast, but also the nature of the forces acting on it to produce such features as beaches and backshore slopes.

Perhaps the most pressing problem of Nigeria’s coast is the rapid rate of erosion and the resulting retreat of beaches. It is an established fact that worldwide, erosion on most seashores, built up of alluvial material, greatly exceeds accretion. This has been attributed to the slow rise of sea level (Brown and Alsce, 1962 in Bird, 1976), and an increased occurrence of storms, which are individually unpredictable but certain to occur from time to time. Marine erosion has been consuming the coast at an alarming rate, and any human activity on the beach environment is likely to worsen the situation. In Lagos, the erosion of the Victoria Beach has been attributed to the building of groins at the entrance to the harbour. In Cross River State of Nigeria, several coastal communities have been appealing to both Federal and State Governments to come to their rescue. All along the coast from Lagos to the mouth of the Cross River, the seaward extension of the beach features are being eroded at a rapid rate.

The Nigerian government in response to the growing demand for the protection of the coastal environment against the natural onslaught has enacted several Acts that provide for the protection and judicious management of the country’s environment, including coastlines. One of such provisions is the
identification and classification of the country’s coastlines according to their relative stability, including flooding and erosion control programme. In order to be familiar with the Nigeria’s coastal environment, it is necessary to understand not only the physical make up of the coast, but also the nature of the forces acting on it to produce such features as beaches and backshore slopes.

**WAVE EROSION AND WAVE TRANSPORT**

Ocean waves are one of the key forces acting in the coastal zone. They are responsible for much of the erosion, sediment movement and deposition. These processes together create and shape the beaches, sand dunes and related features, which in turn provide the settings within which the dramatic interplay between human activities and the ocean takes place (Davis, 1977).

Most wind waves, which drive the processes of erosion along the shore, are generated over the ocean where they are incapable of causing erosion, as the motion of the waves does not reach bottom. These waves propagate toward the coast, traveling across the ocean with little loss of energy until they reach the coast where they are concentrated and eventually dissipated. On reaching shallow water near shore, they not only touch bottom, but they exert considerable force against it. Initially, this force may not be very powerful but as the waves near the shore, the wave form changes radically and new water motion is developed in form of powerful surges and currents capable of performing erosive and transportational work.

In times of storm, when enormous waves break and throw greater amount of water against the shoreline, erosion becomes rapid. When the shear stress of this force, exceeds the resisting strength of the exposed bare rock along the shore, dislodgement of particles takes place. The products of this dislodgement are sorted according to size. While fine particles are carried to the sea where they eventually settle in the deep quiet water to form silt and clay layers, sands and gravel remain close to shore to form beaches and bars. The ability of waves to erode and transport these sediments is dependent upon the wave size and the size and availability of sediment. The Atlantic waves that wash the Nigerian coast have the size, large wind velocity, wind duration and fetch to erode and transport.

In other for the waves to modify shoreline, sediment must be picked up and moved from one place to another. For this to happen, the force exerted by the motion of the waves must be strong enough to dislodge particles. On the outer edge of the shallow water zone, particle movement is slight, particularly with sand- sized sediment, and is limited to a to- and- fro motion with the passage of each wave. Nearer shore, particularly where waves are breaking, particles are carried into the water column on a foamy turbulent ride up the beach slope as swash. These powerful surges are responsible for landward movement of sand and gravel on the beach. When the force of the swash has been expended against the slope of the beach, the return flow or backwash sweeps much of the sand and gravel back to the sea. Even though the individual movements of particles can be in any direction, the net direction of movement after the passage of many waves is usually parallel to the shoreline.

**SEDIMENT SOURCE AREAS**

Rivers discharging into the Atlantic Ocean are the main sediment source for long shore transport, providing more than 70 percent of the total sediment supply. Where river sediments are abundant, virtually all available wave energy may be expended in transporting the sediment along the coast.

However, where river sediments are less, the body of beach sediments is often small and only a fraction of available wave energy is expended in moving it. Where this happens, erosion becomes the primary
process and the backshore can be severely eroded, making the shoreline to retreat landward. The resulting debris is incorporated into the long shore sediment system. Such coastlines are characterized by features such as sea cliffs, bluffs or wave-cut banks and are referred to as retrograding beaches, because over the long run they retreat landward as they give up sediment.

SAND DUNE FORMATION AND NOURISHMENT

An important action identified with the Nigerian shorelines is the formation of sand dunes. While wave erosion is mainly at work during storms, formation of beaches and sand dunes out of sand and gravel tends to take place in times of calm and moderate winds. Sandy deposits formed by waves and current action are highly prone to wind erosion. Once entrained by wind, the sand may be heaped up into dunes and driven inland for some distance. The fields of sand dunes that result represent a separate sub system in the larger sediment system of the coastal zone.

Sand dunes are a major and integral part of Nigerian coasts. Their formation and maintenance are an outcome of ample supply of erodible sand, and availability of wind energy to drive the sand landward. The principal source of sand for the dune formation is the beach in front of it. Broad sandy beach, which has little or no plant cover, is known to be the best source. This is what gives rise to the low-elevation dunes, which begin near the backshore and rise gradually landward.

On many Nigerian beaches, dune formation begins in the backshore zone, and as the ridge grows, blowouts form at selected spots from which tongues of sand migrate landward. These function as ramps for transport of sand wafted from the beach. The advancing edge of the dune deposit smothers vegetation, soil and sometimes wetlands as it moves inland. As the dune advances inland, it not only grows longer, but deeper as sand is added to the main body of the deposit.

However, where the available wind energy is insufficient to transport enough sand to overcome vegetation, the dune ceases to advance and plants take over the surface, trapping and holding the dunes together. If the process of dune formation is repeated many times along a segment of the coastline, the deposits tend to overlap and merge to form a complex dune ridge called a barrier dune, which generally marks the highest landward limit of the dune-field.

MOBILITY OF THE DUNE ENVIRONMENT

Beach environment is one of the most changeable of landscapes. It can be there one day and gone the next. This instability relates to natural phenomenon, presenting both opportunities and problems for its management (Inman and Brush, 1973). Also, the fragility of this environment where vegetation, sand deposit and slopes may be so delicately balanced means that any slight alteration in one can lead to a chain of changes, such as renewed wind erosion, blowout formation and dune reactivation.

What is often not clearly understood about coastal dunes is that they are themselves small sediment systems, made up of source areas, transportation zones and sediment sinks or deposition zones (Marsh, 1997). Nourishment of dune system is sustained by means of maintaining the source areas and the flow of air from source areas to deposition zones.

Often, when development takes place in dune fields, source areas are usually reduced with the introduction of facilities, such as the planting of groundcover on barren surfaces as part of landscaping and erosion control measures. Also, dune transportation zones may be disrupted with the construction of access roads, pathways and building of structures, such as marine houses, viewing platforms and so on in
the backshore and lower dune areas. With respect to reductions in sand dune nourishment, the main problem may be the weakening of the formation and nourishment processes and the encroachment of vegetation over the dune field.

Successful erosion control programmes that stabilize source areas may so limit the supply of sand that the interplay between vegetation and geomorphic processes (which gives the dune-field much of its special character) becomes largely one-sided, making the dune-field to be overgrown with vegetation and inactive. In that case, the dune-field is transformed into sand hills or what are sometimes referred to as fossil dunes.

Management programmes that recognize wave erosion, sand movement and changeable landscape as the most desirable components of dune environment – in the same way that wave action and beach dynamics are viewed as attributes of attractive shorelines – may be most advisable in developing and managing Nigerian coastal areas for tourist and recreation activities.

**DEVELOPMENT AND MANAGEMENT OF THE BEACH AND DUNE ENVIRONMENT FOR RECREATIONAL USE**

Many beautiful dune areas of Nigeria’s coast are as follows: Bar Beach, also known as Victoria is the most popular of the beaches, located on Victoria Island and usually crowded with fun seekers, particularly during public holidays; Coconut Beach, located west of Lagos; Lekki Beach on the kekki peninsula, and Tarkwa Bay all in the South west of Nigeria. Others are the Calabar and Ibeno Beaches in the South east of the country. These beaches are used extensively by recreationists, mostly on foot but also for parking cars and in some cases for driving four-wheel vehicles or motorcycles. At Ibeno Beach, a golf course has been developed. Excessive pedestrian use, particularly around the car parks and beach areas and vehicular use in particular, have caused unacceptable erosion on many of these beaches. In some cases, the process of seaward accretion is inhibited by these recreation activities, where the organic nuclei for sand deposition are impaired. On these beaches, sand dunes are also affected by housing and industrial development, waste dumps on or adjacent to them and sand extraction.

The current development and management of these beaches are basically on an ad-hoc basis and the stabilization measures on these beaches such as sand fencing and grassing, for instance, at Lagos beaches, where drifting sand is perceived as a threat to holiday development, are not producing the desired result. While these stabilization measures are seen to counteract severe erosion, which in some places have threatened the existence of the dune formation particularly in the Bar Beach area, some of the engineered approaches are noticed to have reduced the biodiversity inherent in the natural dynamism of dune system and is causing sediment starvation down-drift. Moreover, the dunes suffer over-stabilization and poor representation of the mobile phases. The Nigerian government in response to the growing demand for the protection of the coastal environment has enacted several Acts that provide for the protection and judicious management of the country’s environment, including coastlines. One of such provisions is the identification and classification of the country’s coastlines according to their relative stability, including flooding and erosion control programmes.

Coastal sand dunes usually pose difficult land use and management problems because of their mobility and extreme attractiveness to residential, resort and recreational development by virtue of the open vistas, the juxtaposition of open sand, grass-covered and wooded surfaces, and of course, the access to the shore. They are, however, very fragile environment where a slight alteration in the ecosystem can lead to a chain
of changes, such as renewed wind erosion and dune reactivation. What is often not clearly understood about coastal dunes is that they are themselves small sediment systems, made up of source areas, transportation zones and sediment sinks or deposition zones (Marsh, 1997).

SITE PLANNING OF THE COASTAL ENVIRONMENT
The first thing to consider in planning of the coastal environment should be to examine the position of the site to be developed in relation to the larger sediment system and to evaluate the make up and dynamics of the coastline. This involves an inventory of the coastal features and an assessment of processes at work that highlight erosion transportation and deposition trends. It is of particular importance to map out landform indicators of the geomorphic trends of coastal change.

Within this framework, more detailed studies are undertaken for specific segment where the development is proposed. Central to such studies is an analysis of the sediment budget, which is the measurement of volumetric changes in the shoreline. The completion of the inventory and estimates of the sediment budget will mainly indicate two things:

- The dynamics and make up of the coastal system in terms of the amount of sediment movement and direction of movement, and
- The relationship among the processes, features and trends of the coast, such as sand dune development and its nourishment.

This information is then incorporated in evaluation of the feasibility of development schemes, testing of plans or guiding the formulation of coastal zone management plans. Among the common problems in coastal development is how to deal with the fragile environment, particularly the sand dune areas. The fact that coastal zone is so attractive for tourist development and that there is no way to stop it, underscores the necessity to highlight these problems in site planning strategies near shoreline.

SITE MANAGEMENT CONSIDERATIONS
At site management level of development, three management practices are applicable, namely,

1. Provisions for the management of the recreational development, especially, for appropriate sting of facilities and management challenges posed by ecotourism activities
2. Provisions to improve public access to the shoreline for recreational pursuits, and
3. Provisions to protect (or restore) coastal environment. The restoration efforts should aim at maintaining the recreational beaches by means of beach re-nourishments to combat erosion and to maintain amenity values of the beach areas.

It is necessary to assess impact of activities on or near the beach area. For instance, influx of large number of tourists and recreationists into the coastal environment has implications for sensible management in the following areas:

- Interference with natural processes, which may lead to destruction of the beach environment.
- Protection of certain sections of the coast against human interference
- Provision of vehicular and pedestrian access in terms of space and location in areas that will not interfere with natural processes or cause impairment to the features of the coastal environment.
- Provision of only those facilities for tourism and recreation that will minimize the wear and tear impact on the fragile environment.
- Control of activities at a level commensurate with the ability of the environment to accommodate such activities
• Programme of education and monitoring of activities to make users realize something of the natural processes on the coastline, for instance the effect of a change in wind and wave direction and effect of vegetation on the mobility of dunes. These issues may not be easily resolved but for recreational management to be effective, two basic strategies are usually available- manage the resources or manage the users or both (Lavery, 1974). But in the management of beach and primary dune areas, which usually attract a great number of users, problems always veer between protecting the fragile environment and providing a range of facilities and awareness to permit controlled public activities (Heatly and Zinn, 1985).

CONCLUSION
There is no doubt that coastal areas are attractive places to live and enjoy. They have a special appeal for recreational and tourism activities. Incidentally, they are an environment that is most vulnerable to both long-term and episodic hazards such as erosion, storms and floods, and nature has of course demonstrated time and time again its unsuitability to most form of human activities, particularly in these areas. This suggests that such terrain should best be left strictly for activity with minimal development or for special easement, nature preserves and parks. A sensible way to use the coastal environment is to approach any development and management on a broader scale, one that incorporates the larger sediment system, its sources, sinks and transport zones into shoreline management programs. There is much that the Nigerian government can do to ensure that marine recreation and ecotourism is conducted in a sustainable manner without impairment to the coastal environment and thereby ensuring long-term economic and environmental benefits for the country.

REFERENCES
Bascon, W.N. (1964) Waves and Beaches; Garden City, Doubleday, New York
Africa, Jatropha Seeds, and Biofuel

Baruti I. Katembo, Edward Waters College, U.S.A

Pearl S. Gray, Edward Waters College, U.S.A

Quantity depletion and harmful gas emissions associated with fossil fuels have caused scientists and global attention to focus on the use of alternative, eco-friendly fuel substitutes such as green energies (wind, solar, water, bio) as replacements. Africa, Jatropha Seeds and Biofuel will highlight Jatropha, a biofuel source seen by many as a conduit for cutting global dependence on fossil fuels as well as an emerging cash crop that can boost rural incomes, infrastructure, and development in poor countries. Jatropha (scientific name Jatropha curcas), a tree (known by more than 200 multi-language names) growing in abundance in Africa, Central & South America, the Caribbean, India and Southeast Asia, produces seeds which contain oil (37% average content per seed) that is convertible to a Diesel fuel substitute; it has many other attractive qualities, e.g. long seed production life (50 yrs.), drought-resistance, and multi-use seed oil applications (soap, pesticides, various medicinal cures such as malaria). Optimal use of Jatropha seeds as a biofuel are predicted to produce a cheap, abundant and eco-friendly fuel source for transport systems, electricity production, and the powering of cellular networks.

INTRODUCTION

Fossil fuels represent any number of combustible, hydrocarbon materials (e.g. petroleum or coal) used for power that are derived from the accumulated remains of ancient plants and animals (Fossil fuel, 2007). As the supply runs out and their continued use and mass-scale processing are deemed environmentally harmful (i.e. contributing to global warming and pollution) by scientists, global attention has now focused on the development of eco-friendly alternatives. However, very little attention has been given to the need to pay attention to the social and political ramifications of these changes. Despite the downfalls and hazards associated with fossil fuel, industrialized nations, particularly the U.S., Canada, Japan and the EU countries, have the economy, finances, and technical infrastructure to afford the high costs of crude oil imports and refining. However, developing nations, having fragile economies and infrastructures, are financially drained in the purchase of imported, refined petroleum oil. At present, refined oil as a commodity is a key component in generating electricity; subsequently, the availability of electricity facilitates a high standard of living and industrialization, e.g. agricultural irrigation, purification of water, improvement of food cleanliness, refrigeration of food & medicine, and telecommunications systems (just to name a few). Developing regions of the world, including Africa, can improve their future economic viability/status and maintain clean ecological environments by investing now in the use and production of green energy, i.e. enviro-friendly energy sources that are renewable and non-polluting, as cheap and available power sources (Green energy, 2007).

OVERVIEW OF MAJOR GREEN ENERGIES

The major green energies touted by scientists as viable and/or capable of meeting mass-scale needs are water (electricity derived from flowing or free-falling water), solar (power generated from the sun’s radiation), wind (electricity derived from wind), and biofuel (any power derived from biomass, i.e. recently living organisms, e.g. corn, sugarcane, timber) as cheap and available sources of power (hydroelectric power, 2007; solar energy, 2007; wind energy, 2007; biofuel, 2007). Africa, comprised of 53 nations, is the world’s poorest continent in terms of economic instability, inadequate healthcare
systems, vulnerable ecosystems, and technical infrastructure decay; thusly these deficits are all the more reason why its nations, as a matter of socioeconomic advancement, energy security, currency conservation and clean air initiatives, should vigorously pursue research on and optimal use of green energies. However, much more research will have to be conducted to make these alternative energy sources viable as replacements to petroleum and other fossil fuels because of some inherent limitations: water power use is restricted to environments with massive waterfalls and fast-moving streams, solar power use involves expensive equipment and is restricted to geographical areas with high sunlight abundance and intensity, wind power use via turbines needs to be operated in vast and/or unpopulated windy territories, and biofuel use is restricted to identifying oil-producing crops and/or organic waste which have quick regenerative growth, are cheap and/or are in great abundance. Optimal use of multiple green energy sources within regions should be used wherever feasible.

JATROPHA: ITS DESCRIPTION AND ECOLOGICAL QUALITIES

Africa, Jatropha Seeds and Biofuel will highlight Jatropha, a biofuel source with great potential that is now just beginning to be spotlighted; this plant is seen by many in scientific and industrial circles as both a conduit for cutting global dependence on fossil fuels and an emerging cash crop that can boost rural incomes and the economy as well as to alleviate high fuel costs associated with transport systems and power production in poor countries, particularly African ones. Linguistically, Jatropha (scientific name Jatropha curcas, family euphorbia) is derived from the Greek ‘jatros’ (doctor) and ‘trophe’ (food or nutrition), which implies medicinal uses; the genus Jatropha contains approximately 170 known species (Jatropha Biofuel, 2006; Center of Excellence for Jatropha Biodiesel Promotion, 2007). The tree is thought by many scientists and researchers to have originated in Central America and the Caribbean and spread by 15th - 16th century Portugese explorers to Africa and Asia via the Cape Verde Islands and Guinea Bissau; today, Jatropha’s widespread growth in many tropical regions is indicative of it being known by more than 200 multi-language common names worldwide, e.g. mbono (Kiswahili), purgante (Spanish), physic nut or Barbados nut (English), inhakuda (Zulu), pignon d’Inde (French), and bakrenda (Hindi), just to name a few (World AgroForestry Centre, 2007). It, like other biofuels, can be used to create a renewable biodiesel fuel, i.e. energy source derived from renewable organic matter like hydrocarbons (oils and fats) for use in an internal-combustion engine (originally designed by early 1900s German inventor Rudolph Diesel) not needing a large water supply and featuring fuel ignition via air compression, (biodiesel, 2007; diesel engine, 2007) as an alternative to conventional petroleum-based diesel; therefore, the fuel produced is cleaner burning, producing fewer harmful emissions than conventional diesel and is biodegradable (i.e. can be decomposed by biological agents), meaning that the environment is unharmed if fuel spillage occurs (biodegradable, 2007; Fitchard, 2006). Diesel is used widely as a fuel source for cars, aircraft, trains, boats, trucks, and agricultural/industrial machinery.

Biofuels are in part a solution to such issues as sustainable development, energy security, and a reduction of greenhouse gas emissions. Jatropha is a small tree or tall bush (up to 5 meters in height) which grows in abundance in Africa, Central & South America, the Caribbean, India and Southeast Asia; it, with a seed production lifespan of 50 years, is a fast-growing, drought-resistant perennial producing seeds having an oil content of about 37%. This shrub has thick glabrous branchlets, smooth gray or reddish bark masked by large white patches, large green to pale-green leaves (alternately arranged) and exudes a whitish-colored, watery latex when cut; additionally, a bunch of approximately 10 or more ovoid fruits are yielded per inflorescence, i.e. flowering (Society For Rural Initiatives For Promotion Of Herbals, 2007; Center of Excellence for Jatropha Biodiesel Promotion, 2007). In Africa, these crops, like others grown to produce biofuel, combat global warming in that planted fields absorb more carbon dioxide from the atmosphere than the vast stretches of eroded or barren land. The plant can grow on poor-quality land.
unsuitable for food crops and needs little water or fertilizers (Mkoka & Shanahan, 2005); they also thrive in rock crevices and in a variety of climates (i.e. tropical, subtropical, slightly cool, tolerant of light frost) and soils, i.e. gravelly, sandy, saline, stony, semi-arid, arid, (Grow Green, 2006; Jatropha Africa, 2006). There are other advantages as well: pest-resistance; high absorbency rate of carbon dioxide (CO₂) from the atmosphere; doesn’t cause any displacement of food crops in an intercropped arrangement; acts as a rodent-repellent and livestock buffer when planted as a fence; not eaten by animals such that seed oil production efforts are not compromised; exhibition of phyto-protective action against pests and pathogens, thusly providing additional protection to intercropped plants (BioKing, 2006; Jones, 2004).

**JATROPHA’S USE IN PRODUCTS, MEDICINE, AND BIOFUEL PRODUCTION**

The harnessing process for Jatropha oil is environmentally safe and cost-effective; moreover, the seed oil, once refined, can be used as fuel for transport systems and power. Other uses and by-products from the plant include soap, glycerine, candles, and an assortment of medicinal cures such as malaria, constipation, piles, dropsy, and snakebite poisoning, etc. (Mkoka & Shanahan, 2005; Ogwang, 2006). Additionally, from a phytochemical perspective, the plant’s seed oil, due to its composition of 10 sterols (mainly 24-ethylcholesterol and β-sitosterol) and 13 triterpene alcohols (mainly 24-methylene-24-dihydroparkeol and taraxasterol), is useful as an insect repellent/insecticide (particularly regarding and against grain-eating Bruchid beetles), a molluscide (particularly regarding and against snails and slugs), and a rodenticide (Adebowale & Adedire, 2006). Because of their shallow spreading root system, Jatropha trees reduce soil erosion and can be useful in reclaiming eroded land; additionally, their shed leaves enhance earthworm activity in the soil around their root-zones, leading to soil fertility improvement and the growth of food crops in close proximity (Jatropha Africa, 2006).

Not only is Africa’s climate ideal for cultivating Jatropha, but over 50% of that continent’s 29 million sq. km. in landscape is suitable for the plant’s growth (BioKing, 2006). Agriculturalists estimate that approximately 1660 million hectares of Africa’s land (about 57% of the total) are viable as growing regions for Jatropha (Parsons, 2005). If just 3% of this amount (about 49.8 million hectares) were optimally used in the growing and cultivation of Jatropha, 119.52 million tons (108.6 billion liters) of biodiesel would be produced annually along with an associated revenue of $38.25 billion if calculations are based on parameters of 8 tons of seeds harvested per hectare, an oil yield of 30% per seed (conservative rate), and an oil revenue value of $320 per ton (Parsons, 2005). 108.6 billion liters of biodiesel is at least 6 times the quantity needed to currently meet Europe’s annual 18 billion liter fuel demands (Jones, 2004). If a quarter of Africa’s Jatropha growing regions were optimally cultivated (about 415 million hectares), the biodiesel produced from Jatropha seed oil would be 238.9 billion gallons, an output matching the current annual oil consumption in the United States (Parsons, 2005). If Africa takes the lead in the production of biofuel, particularly from Jatropha, the Continent’s efforts in this endeavor will position it as an exporter of biodiesel, thusly increasing its economic and political leverage in the global society. Ironically, Jatropha's popularity is seeing money being pumped into African agriculture, but once again not for food, just for biodiesel production. The long-living plant is being viewed as the spark that can revive the African economy. Africa could potentially become the world's biggest supplier of biodiesel with many multi-national companies, particularly Norwegian, Indian and British ones, moving quickly to secure massive tracts of land on the continent for Jatropha plantations (Muldoon, 2007; Palmer, Feb. 19, 2007; Palmer, Feb. 21, 2007). As a result of global interest and potential foreign investment, many private and government-sponsored Jatropha mass-planting initiatives have begun in selected African nations, e.g. Benin, Egypt, Ethiopia, Ghana, Guinea, Madagascar, Mali, Mozambique, Namibia, Senegal, South Africa, Sudan, Tanzania, Uganda, Zambia, Zimbabwe (Global Facilitation Unit for Underutilized Species, 2007).
ADDITIONAL APPLICATIONS TO TELECOMMUNICATIONS

As an application of biofuel use, research, and innovation, wireless communication giants Ericsson, GSMA, and MTN are making plans to combine their expertise and funds in a partnership to use Jatropha, pumpkin, groundnut and palm seed oils as Diesel oil substitutes to power cellular network base stations in the developing world (Walko, 2006). A huge, untapped market of potential mobile users in these nations are in rural areas; however, these areas, from which most new mobile phone subscribers in emerging countries come, are often not connected to the electricity grid, therefore requiring that the network stations there be powered by generators (van Grinsven, 2006). Cell phone use is generally not affordable and accessible to the majority of the populations not living near metropolises due to the high cost of supplying/transporting fuel long distances across remote areas to base stations there where the frequent occurrences of poor roads and inhospitable terrain make access difficult. Use of locally-produced biofuels, i.e. those produced from crops grown in close proximity to a mobile base station, would significantly reduce the operating costs of rural cellular networks, thereby making cell phone usage rates affordable; an estimated 80% of the operational cost of a rural cellular network can be attributed to associated costs with fuel transport, security and protection (van Grinsven, 2006). D1 Oils, a UK-based oil production technology company, could be immensely helpful to the efforts of the tri-partners by supplying its self-designed portable biofuel refineries as part of the local oil production infrastructure; these refineries are easily transportable, produce minimal emissions, use virtually no water, and can be powered in remote locations by its own biodiesel (Jones, 2004).

The projected use of seed fuels as conceptualized by Ericsson, GSMA, and MTN, starting by 2008 in Nigeria as a forecast, will also be piloted in Rwanda, Uganda and Kenya, with eventual duplications all over Africa if the pilot analyses are favorable; essentially, Africa will become an international model and test case for commercial biodiesel production in powering cellular base stations. Because the model is to be centered around local biodiesel production, the tri-partners believe that their initiative will create rural area agri-business employment and simultaneously reduce costs and measures associated with transportation, logistics, and security; additionally, the clean-burning nature of biofuels extends the life of a base station generator, thereby contributing to further reductions in operation costs (Khan, 2006). The biofuel generators used to power the base stations can also be used to supply power, i.e. electricity, to surrounding areas (Fitchard, 2006).

The extension of mobile networks into rural areas will boost the socioeconomic level of the developing nations. The main reasons that many developing countries have shown great interest in the opportunity to get involved in commercially growing Jatropha as a biofuel source are: strengthening of domestic transport industry; domestic power generation capabilities; reduction in expensive oil imports; pollution prevention; conservation of currency; and biodiesel export capabilities (Jones, 2004). The early adoption of biofuel-powered cellular networks would place Africa at the forefront of a new wave of innovation that takes economy and eco-friendliness into consideration (van Grinsven, 2006).

CONCLUSION: A SOCIOLOGICAL PERSPECTIVE AND ANALYSIS

Jatropha biofuel has the potential to assist in any nation’s development because of its utility in giving mobile operators direct access to a sustainable power supply (Walko, 2006); anthropologists and sociologists such as James Henslin have said: “technology sets the framework for a group’s nonmaterial culture” (Henslin, 2007). If a culture’s technology changes so do people’s ways of thinking and how they relate to one another. In light of this, the implementation of widespread biofuel (and other green fuel) use (particularly into non-industrialized nations) must be tempered with sociological sensitivity, analysis, and
policy safeguards such that these new catalysts for industrialization do not generate negative (perhaps catastrophic) social consequences as a by-product, e.g. a “materialism above morality” attitude amongst the masses, an uncaring & unfriendly society, greed, “super materialism” mentality, corporate worker exploitation (i.e. no employment benefits, no health care packages, no vacation time, hazardous working conditions, and the creation of pseudo 19th century “sweat shop” environments, etc.), involuntary/forced removal of ethnic groups from indigenous lands, and many other ills. Technology inevitably changes people’s attitudes, habits, and views in a given society, but must not be allowed to proliferate at the expense of the indigenous people’s social ideas and moral fabric of that society and culture. Improved health, socioeconomic status, and the overall enhanced quality of life for a nation’s masses should be the major objectives for the people before the use of new mass technologies are introduced into a culture.

It is easy to only look at the benefits that Jatropha biofuel would bring to the world because, especially now when gasoline in the United States is expected to go over five dollars ($5.00) a gallon, there is a tremendous need to move away from fossil fuels. The introduction of new ways of doing things is all too frequently accompanied by a relaxation of the folkways and mores of the indigenous population. The introduction of new technology and highly technological ways of doing things must take into consideration how these new products and/or new ways of using old products will fit into the prevailing social structure. A great deal of thought must be given to how these new technologies will be incorporated into the existing social fabric. What we are suggesting is revolutionary because our advocacy suggests that the people who will be the beneficiaries of this “new way of doing things” must be consulted before the new way and/or ideas are implemented. This is typically never done; the scientists develop their new products and/or modify the old ones without thinking or asking the people.

One might say that the people can’t be consulted before a new invention is introduced due to time-consumption and expensiveness. Although this may be a long, cumbersome process, the people living in that country and who will be ultimately using the new technology should be consulted. If the consultation of the people is too difficult, then, at least, the behavioral and social scientists should be asked to think about and write their ideas about how the total culture will be affected by the new technology. This means that the academic, labor, spiritual, and economic communities must talk to each other about the new invention. This is probably never done. Scientists invent things in their laboratories and the people must adjust themselves to the new inventions. New inventions can harm and or completely destroy the social fabric of a culture. These new inventions can change the way people relate to each other and their environment. They can also cause deep rifts within families because the older generation will frequently want to do things in the “old way” while the younger generations will adopt the new way of doing things. These rifts within families will often play themselves out in more crime, abuse, and the other things that are classified as the “ills of society”. Paying attention to how new products and technologies will affect people before they are implemented may seem like a radical idea; however, it will save money, time, and human capital in the long run. If the society/culture receiving the new technological invention is not equipped to handle it, the invention will not fully meet the goals of the inventors or the governmental leaders supporting it. There must be acceptance, understanding, and cooperation by all of the parties involved if the new technology is to be successful.
REFERENCES


Development, Pan-Africanism, and the EAC Model

Baruti Katembo, Edward Waters College, U.S.A

The EAC (East African Community), created in 2001, is the umbrella organization overseeing a penta-nation trade bloc consisting of Kenya, Tanzania, Uganda, Rwanda, and Burundi. This confederation features a single currency, common language (Kiswahili), and shared regional initiatives (e.g. technology, research, education, and tourism, etc.). *Development, Pan-Africanism, and the EAC Model* discusses the EAC model as an extension of Pan-Africanism, its use as a prototype for economic integration in other African regions, and the reciprocal benefit of mutual cooperation with the African Diaspora. The paper also chronicles and highlights the challenges and the moments of triumph that have brought the EAC to fruition and functionality.

INTRODUCTION

The EAC, i.e. the East African Community, created in June 2001, is the regional intergovernmental organization of the Republics of Kenya, Uganda, Tanzania, Rwanda and Burundi with its headquarters in Arusha, Tanzania. These five countries (comprising the core of the East Africa region) are working toward the goal of consolidating, by 2013, into a geopolitical confederation, namely, the East African Federation (EAF). Kenya, Tanzania, and Uganda were the original constituency members of the EAC with Rwanda and Burundi being accepted as members in November 2006 (Guardian, 2006). An official ceremony and treaty signing for the inclusion of Rwanda and Burundi was held on June 18, 2007 (Cocks, 2007). This consortium, starting with the integration of Kenya, Tanzania, and Uganda, is actually a revival of the old East African Cooperation which collapsed in 1977, after a 10-year existence. As of June 2007, the penta-nation trade bloc is led at the presidential level by Mwai Kibaki (Kenya), Jakaya Kikwete (Tanzania), Yoweri Museveni (Uganda), Paul Kigame (Rwanda), and Pierre Nkurunziza (Burundi).

EAST AFRICAN REGIONAL INTEGRATION UNDER BRITISH RULE

To understand why the EAC concept had to be re-launched, the circumstances and issues affecting its demise and collapse must be revisited and accessed. In the 1890s, British colonial interest in East Africa (conceived as a region from a territorial perspective) can be traced back to accomplishing three major objectives: 1) securing control of the Nile headwaters as a conduit for protection of British position in Egypt and the Suez Canal, 2) monitoring of pre-World War I era German imperial plans in the region, and 3) opening up the Kenyan hinterland via rail transport to introduce lucrative large-scale farming. At this time, the East African region, colonized under British control, was comprised of Tanganyika (i.e. mainland Tanzania), Kenya, Uganda, and Zanzibar (an island off the coast of Tanganyika). In 1948, Britain set up the East African High Commission (EAHC), which oversaw a variety of common service initiatives for the region that is currently comprised of Kenya, Tanzania, and Uganda; e.g. regional university (namely, the University of East Africa), railways, harbors, airways, unions (postal and customs), and departments (telegraph and meteorology), etc.

The East African Common Services Organization (EACSO) was established in 1961 to replace the EAHC, which was deemed politically unacceptable, following that Tanganyika had attained
independence from Britain in the same year. It was to manage many of the integration services of the
region in the mode of the predecessor organization, EAHC. With Zanzibar and Kenya in 1963 and
Uganda in 1962 becoming independent from Britain, the presidential leadership of the newly independent
countries (Julius Nyerere –Tanzania (formed from 1964 geo-political merger of Tanganyika and
Zanzibar), Jomo Kenyatta - Kenya, and Milton Obote - Uganda) thought that political and economic
prudence called for engaging in the continuance of the common services initiatives, but under African
direction and customization (Kamanga, 2004).

THE 1967 TREATY
In 1967, the Treaty for East African Cooperation (aka the 1967 Treaty, for short) was signed; thusly, the
East African Cooperation was born. It, taking over nearly the entire range of joint services institutions
belonging to the former EACSO, was comprised of six major administrative organs: 1) East African
Authority, 2) Committee of East African Ministers, 3) Secretariat, 4) East African Legislative Assembly,
5) Ministerial Councils (five), and 6) East African Developmental Bank. Its service categories can be
delineated into two groupings: East African Communities Corporation (EACC) and General Fund
Services (GFS). The EACC provided services such as railways, telecommunications, and airways while
the GFS oversaw budgetary management, auditing, training, and research issues and expenditures. The
organization was headquartered (by consensus) in Arusha (Tanzania), a metropolitan hub geographically
centered amongst the tri-state capitals/governmental seats of Kampala (Uganda), Dar es Salaam
(Tanzania) and Nairobi (Kenya). During the era of British occupation of East Africa, the industrial and
economic center of the territory was Nairobi, which was quickly becoming a hub of White settlement.
Kenya, in comparison to the other East African component territories, was seen by Britain as the most
desirable development area for European emigration based upon abundant natural resources, ideal
climate, rich soil/farmland, all in one package. The economic marginalization of Tanzania, Zanzibar,
Uganda, and rural areas of Kenya outside Nairobi (i.e. the Black areas) exacerbated inter-territorial trade
imbalances, product marketing difficulties, and economic decay leading to friction and bitter complaints
from the African citizenry toward British authorities. At the time of independence from Britain, Kenya,
by default of events occurring during the colonial experience, was the most developed of the East African
countries from an economic, industrial, and infrastructure point of view. The decision to place the
administration of the East African Cooperation in a location other than Nairobi (and out of Kenya) was
envisioned as a correction to the British model and as a move to quell potential anti-Nairobi/Kenya
animosity from other member states stemming from colonial era sentiments. Additionally, these
administrative micro-units and adjustments, ultimately designed to efficiently carry out the organ
functions of the East African Cooperation, were established and distributed throughout the member states;
this move was seen as necessary to promote the importance of all regions within / toward integration
efforts (Kamanga, 2004).

DEMISE OF THE EAST AFRICAN COOPERATION
In summary, the East African Cooperation (1967-1977) crumbled from the administrative failure of its
leadership to resolve the collective impact of six major, on-going issues: 1) lack of political will, 2)
insufficient information distribution and confederation concept buy-in amongst tri-state rank & file
citizenry, 3) inequitable fiscal redistribution of gains, 4) inter-territorial imbalances in trade, 5) currency
system disharmony, and 6) constitutional impediments. Unresolved issues one through five are self-
explanatory; however, constitutional impediments will be explored further from a political, financial, and
institutional standpoint. Following divergent paths being taken by member states in terms of political
architecture, social laws, and civil liberties, Idi Amin Dada’s 1971 seizure of power in Uganda by the
overthrow of the Obote regime exacerbated regional tensions and strained political communication amongst the tri-partner governments. Adding fuel to fire, President Amin’s egomaniacal personality, bullying, confrontational theatrics, and open assertion that power in East Africa revolved around him created a hostile political climate for meetings of the East African Authority - the main body that helped keep the territorial administrative structure operational; as a result, the East African Authority ceased meetings and operation in 1971. On the financial end, sentiments of economic nationalism gave way to each of the partner states effectively withdrawing from a common currency and developing separate state currencies and central banks. This withdrawal from the common market approach created a decline in intra-East Africa trade levels, imbalances in inter-state remittance, and loss of foreign private investment over perceptions/concerns about economic instability. On the institutional front, micro-management of East African Cooperation business and affairs by officials from member state governments took place because different administrative committees took too long for decisions to be reached and many issues were thereby left dangling and unresolved, leading to organizational chaos and confusion. The demise of the 10-year old organization was culminated in June 1977 when the partner states withheld approval for the general fund services budget for the year beginning July 1, 1977. As previously mentioned, the service budget provided itemized financial allocations for training, auditing, management and research matter expenditures.

The re-launch of the integration idea and initiative under the new name of the East African Community (EAC) in 2001 was preceded by a series of forward-moving political highlights occurring after the East African Cooperation collapse in June 1977. The event highlights are:

1977 - (September) East African Finance Ministers sign a memorandum of Understanding in Washington, D.C., pledging to seek a solution with the aid of a mutually accepted mediator.

1978 - (December) The EAC Headquarters in Arusha cease to function. Dr. Victor H. Umbricht, a Swiss diplomat, is accepted as the Mediator.

1984 - Mediation Agreement (Agreement for the Division of Assets and Liabilities of the former East African Cooperation) is signed in Arusha by Nyerere, Moi and Obote. Article 14 commits them to “explore and identify further areas for future cooperation”.

1993 - Agreement for the Establishment of the Permanent Tripartite Commission (PTC) is adopted.

1996 - Secretariat of the PTC is launched.

1997 - Decision taken to upgrade into a Treaty the Agreement for the establishment of a PTC.

1999 - The Treaty Establishing the East African Community (TEAC), nicknamed the ‘3-M Treaty’ (coinciding with the first letters of the Presidents’ surnames), is signed by Benjamin Mkapa (Tanzania), Daniel arap Moi (Kenya) and Yoweri Museveni (Uganda) in Arusha.

2000 - Having been duly ratified by Partner States, the Treaty acquires the force of law.

Since 1977, many voices had called for a revival of the regional confederation concept, with multiple start-up efforts being attempted (as listed above) (Kamanga, 2004).

BIRTH OF THE EAC

Having taken steps to avoid repeating the old mistakes, the EAC, born in 2001, encourages regional resource pooling and regional free trade; this new trade bloc (703,842 sq. mi.) represents a practical, modern-era application of ujima (Kiswahili for collective work). With the acceptance of new members Rwanda and Burundi, the bloc's population and territorial space increases from 90 million to around 115 million people with an additional land annexation of 681,980 sq. mi. as a consequence (Business in
Africa, 2006). In this age where the challenges of globalization necessitate greater cooperation between countries to enhance socioeconomic development, the EAC initiative and concept is expected to boost the political and economic clout of the region – a territory which is also rich in various natural resources (e.g. forests, minerals, exotic wildlife, and water (just to name a few)). The main purpose of establishing the EAC is to strengthen regional cooperation, infrastructure and development via full political, economic and cultural integration of the member states. Some of the areas of cooperation include commerce, technology, health, environmental concerns, and tourism. The EAC also cooperates in political matters including defense, security, foreign affairs and judicial matters. Under the auspices of the EAC, the penta-nation region will feature a common currency, a common legislative assembly, a common language, and shared initiatives on research, regional transportation and resource usage (Africa Business Pages, 2003). By 2013, the EAC plans to have facilitated the creation of the East African Federation which will be a federal super state where all member countries will keep their own identities with national parliaments, presidents, and flags, but share a federal parliament & cabinet, a chief justice, a supreme court, and a super state president appointed by rotation from the member states (Peterson, 2005; Kasasira, 2007). As part of strategies and efforts to improve upon the limitations of the East African Cooperation developed under the 1967 Treaty, the EAC has gone to great lengths to promote its aims and policies as people-centered and to strengthen its infrastructure through developing administration, policy, management and organization structure for incorporating all major economic integration systems: Customs Union, Common Market, Monetary Union, and Political Federation; additionally, much attention and sensitivity (from a policy perspective) has been given topical issues such as the environment, gender, good governance (inclusive of rule of law, democracy, human rights, and social justice), and civil society (Kamanga, 2004).

In contrast to the functioning of the East African Cooperation, the EAC is also using Kiswahili in facilitating the fruition of the EAF from the vantage point that it sees a common language, over time, as tending to create loyalty, assimilation and cooperation among diverse groups (Mulokozi, 2002). For example, Kiswahili has proven useful as a peacekeeping tool in minimizing post Genocide Era (i.e. after 1994) flare-ups/conflicts between Tutsis and Hutus across both Rwanda and Burundi. In promoting Kiswahili, the EAC encourages its use as the regional common language for a variety of reasons: a) widely understood, b) ethnically neutral, c) relatively small learning curve needed for mastery, d) related to other Bantu languages in syntax structure and vocabulary, e) Pan-African appeal, and f) akin to a resource language. Having at least 120 million speakers, it is not only spoken extensively in the EAC countries and Congo but also with increasing significance in parts of the Horn of Africa, Malawi, Zambia, Mozambique, Zimbabwe, South Africa and the Indian Ocean Islands (i.e. Mauritius, Seychelles, and Comoros Islands).

In the 1960s and 1970s, Tanzanian President Julius Nyerere (aka “Mwalimu” – teacher in Kiswahili) advocated that Kiswahili should be adopted and promoted as a common language for Africa, particularly in East Africa, and as the national language for Tanzania. Tanzania, through outreach and invitation from Nyerere in the 1960s and 70s, became a haven for freedom fighter resettlement and associated military training from various anti-colonialist groups (e.g. Black Panthers; ANC; SNCC; PAC; ZAPU; Republic of New Afrika; etc.), thusly maintaining its image as a symbol of Pan-Africanism (i.e. the ideology promoting African/Black cooperation irrespective of ethnicity or geographical residence) in other parts of Africa and in the Diaspora. Because of the efforts, visions, and views of Julius Nyerere and many Pan-Africanists in the Diaspora (e.g. sociologist/Kwanzaa founder Maulana Karenga; scholar/Afrocentric theorist Molefi Asante), East Africa has garnered some appeal across the African Diaspora, particularly in
the U.S., from a cultural linkage perspective. In light of this, the U.S. Africa Diaspora (comprised of indigenous African-Americans and immigrant peoples from Caribbean and African nations) with a formidable cadre of intellectuals, skilled professionals and a combined annual purchase power exceeding $762 billion (2006 figures) should collectively form economic organizations and political lobby groups to facilitate use of their resources (money, intellect, technology skills, human capital) in assisting the EAC’s multi-faceted development (and by extension, Africa’s) and to broker future U.S.-EAC trade deals and relations (Ngambi & Katembo, 2006).

In general, as the business interests of international companies, America, the EU, and Asia (particularly China) increasingly become directed at partnering with African nations for trade, raw materials (oil, diamonds, coltan, titanium, etc.) and commercial ventures, African-Americans should position themselves (within an organizational scheme) as natural liaisons to broker Africa-U.S. business initiatives, e.g. a) 25% of the US’s crude oil imports is predicted to come from Nigeria in the next 5-10 years; b) cell phone giant Ericsson started pilot programs (2007) in various East & West African nations to supply money and infrastructure in harnessing seed oil from Jatropha plants and pumpkins as Diesel fuel alternatives to power cellular network stations; c) Delta Airlines has become the first U.S. carrier to offer direct flights to Africa, e.g. Ghana, Nigeria (in 2008), Kenya (in 2008), South Africa and d) Microsoft (Dec. 2005) officially launched its Kiswahili software products across East & Central Africa.

As a focus initiative, the U.S.’s African Diaspora must establish relationships with African diplomats and corporate executives who reside in the U.S. on government/national business. It must function as a resource in creating ties and linkages to Africa’s nations, international markets, and business sectors; this, in turn, benefits both African-Americans and African nations from an economic and geo-political leverage perspective. With the exception of African Americans, America’s non-White and immigrant populations (i.e. Caribbeans/Africans (to a small degree), Asians, Hispanics, ethnic Europeans, Jews, Arabs, etc.) use/develop economic, investment and political ties to their homeland countries/continents to facilitate reciprocal, multi-pronged group leverage within the U.S., i.e. to get their cut of the ‘American pie’. Slavery’s aftereffects have had much to do with Black disconnectedness from Africa. In application, (as one progressive idea and strategy) African-Americans can use HBCUs as major conduits to facilitate U.S.-Africa business and cultural linkages.

The “nappy-headed ho” comment (2007) directed at the Rutgers women’s basketball team by radio talk show host Don Imus may have been handled and perceived as an international insult to Africa’s nations from the United States if African-Americans were politically and economically connected to their ancestral homeland. In other words, Don Imus’ comments would have probably forced U.S. President George W. Bush to apologize on behalf of America to African countries & the Diaspora since the incident would have damaged trade relations w/ African countries in the context that the Imus comments would have been perceived to be not just directed at the Black women on the Rutgers basketball team but Africans everywhere. By extension, solidarity and Pan-African linkage increase economic and political leverage for Africans everywhere.

THE EAC AS A PROTOTYPE AFRICAN REGIONAL INTEGRATION MODEL

In Colonial East Africa, Germany (then Belgium) colonized Rwanda and Burundi under the banner of German and French, respectively, while Kenya, Tanzania and Uganda (the original EAC-constituency countries) were colonized by Britain under the banner of English; therefore the success of the EAC’s
goals represents African cooperation across colonial language zones and boundary lines. The EAC model promotes Pan-Africanism, technology and socioeconomic development – all of which are concepts and initiatives discouraged by or under colonialism. It, by default, facilitates the reversal of the impact and effects of the colonial system and experience which were designed to expropriate Africa’s natural resources (e.g. gold, rubber, coltan, titanium, diamonds, timber, etc.) for European profit/benefit and to simultaneously create disunity, racism and inter-ethnic hatred amongst indigenous peoples for control purposes via foreign-imposed literature, theology, and social policy. The African Union (AU) is an organization consisting of fifty-three African nations; interestingly, Africa contains 54 nations, though Morocco, the lone hold-out, has declined membership in the AU over its 1984 OAU withdrawal and political protest because of the disputed Sahara Republic’s admission and entry as the Sahrawi Arab Democratic Republic. Established in 2001 like the EAC, it was formed as a successor and re-launch of the Organization of African Unity (OAU). Eventually, the AU aims to have a single currency and a single integrated defence force, as well as other institutions of state, including a cabinet for the AU Head of State. The purpose of the union is to help secure Africa's democracy, human rights, and a sustainable economy, especially by bringing an end to intra-African conflict and creating an effective common market (African Union, 2007).

The AU can promote the EAC as a model that can be explored for customized reduplication to fit the needs of other African regions in optimizing economic development, resource management and good governance (BBC News, 2002). At present, the AU has six regions: North African, West African, East African (a larger conglomerate of countries than the five-member EAC), Central African, Southern African, and Diaspora (Panapress, 2006; Foote, 2004). In terms of structure, perhaps each of the five continental regions will constitute an economic bloc with the EAC serving as a prototype; essentially, the AU, in this scenario, would be an administrative and policy superstructure overseeing five economic blocs carved along geo-political boundary lines.

REFERENCES


Innovation Systems, Research into Use and Development

Emmanuel Cleeve, Manchester Metropolitan University, UK

This paper outlines the Innovations Systems approach of bringing research into use for the eradication of poverty in Africa. It describes the benefits that this approach can bring to the poor and that effective innovation process involves working with a wider range of actors, as it is important to strengthen all parts of this system, and to ensure that two-way communication between the actors balances supply and demand to ensure that research evolves to meet the real needs of practitioners. The Sierra Leone strategy outlines how potential research into use interventions in the country would be pursued in the period 2008-2011. Its overall purpose is to maximise the poverty-reducing impact of renewable natural resources research strategy and other research, and increase understanding of how the promotion and widespread use of research can contribute to poverty reduction and economic growth.

INTRODUCTION

Research by itself cannot bring about change in society and must be communicated the right way if new knowledge is to bring about improvements in the lives of the poor. Research must also be useful and accessible to people, who may require additional skills and capacity to enable this to happen. A top-down, linear approach to communication, where a homogenous group of end users receive information, is unlikely to lead to this change. Communication of research should be an iterative, interactive and multi-directional process that involves a wide range of stakeholders from planning, through to design, implementation and monitoring and evaluation. Now an innovation system approach is advocated by the research into use programme by DFID where the shortcomings of the linear model are widely recognised, and the question that is asked instead concerns research uptake: Why are some of the ideas that circulate in the research/policy communities picked up and acted on, while others are ignored and disappear? Or, how can we market our ideas so that they are noticed? What do we have to do to influence policy in a pro-poor and evidence-based direction? The innovation systems approach is believed to provide robust answers to these questions.

The Sierra Leone country assessment report outlined what this has meant in innovation system terms and implications for the search for suitable innovation platforms. Of great importance, the report emphasised, are the peculiar contextual circumstances in Sierra Leone caused by a civil war that virtually destroyed the country’s social, economic and institutional fabric (including its research sector). Major areas of rural society ceased to function economically, people migrated to the towns in large numbers (especially Freetown the capital) virtually halting agricultural production. Infrastructure like roads and energy supply were also destroyed. Corruption has become endemic and the private sector and investment climate are both very weak. The capacity of government to help resolve these issues is also limited.

The rest of this paper is presented as follows: In section 2, the concept of innovation systems is discussed with reference to the traditional, linear top-down approach. The research into use programme, which uses

---

2 Research for Poverty Reduction, Surr et Al 2002
the innovation systems approach to research uptake is reviewed in section 3. Section 4 discusses elements of the Sierra Leone strategy and section 5 concludes the paper.

INNOVATION SYSTEMS FOR DEVELOPMENT

The traditional mode of research output (knowledge production) occurs in relative autonomy from society and operated with little concern for what we might now refer to as applied or empirical. This mode “told” society and influenced society through the knowledge and products research generated. Here, problems are set and solved within the context governed by the largely academic interests of a specific community” (Gibbons 1994, p. 3). It fails to convey the process of knowledge production as a continuous negotiation between different stakeholders in time and space, its production contingent on the fulfilment of interests of various actors (Gibbons 2000, p. 31).

Not only does the participation of various societies, peoples, and agencies outside of academia stay unacknowledged, the close association of the traditional model to science and scientific knowledge in fact invalidates it. According to Gibbons (2000, p. 30), the socio-cognitive norms followed in the production, legitimating and diffusion of disciplinary knowledge relates to a distinct form of knowledge termed "scientific." These norms determine what constitutes significant problems, who shall be allowed to practice science and what constitutes good science. Furthermore, he notes that "forms of practice which adhere to these rules are by definition 'scientific' while those that violate them are not." (p. 3)

Students function not only within their immediate environment, such as the library or the academia, but also within a larger society. Here, they come across as many meanings of knowledge, research, information, and truth as ways to achieve them. In analyzing global concerns such as the environment and sustainability, development and underdevelopment, affluence and poverty, technological advancement and lag, they need to think beyond the singularity of the disciplinary model and understand multiple knowledge traditions and issues arising at the sites where they meet and create conflict. They also need to understand global disparities in knowledge production and use as differences in epistemic practices of different cultures. In providing students a range of models we present them with the critical framework that: “Knowledge is produced when people make sense of their world and knowledge is based on their experience as they construct tools, methods, and approaches to cope with the situations facing them. This meaning-making notion of knowledge production leads to an understanding of power imbalances in society” (Hill 1998, p. 4)

Although the structure and methods of the traditional model are based in science, it does not reflect the rapidly changing research landscape in the sciences. Gibbons’ (1994) Mode 2 model of knowledge production shows the changes that have been taking place in research practices. Not only does this model accommodate the commoditisation of research, commercial stakeholder interests, the involvement of social movements, activists and NGOs in the process, it also shows the fluidity of communication patterns and organizational structures in the context of globalization and the internationalization of research. Gibbons characterizes it on five points: knowledge produced in the context of application, multidisciplinarity, heterogeneity and organizational diversity, enhanced social accountability and, a more broadly based system of control. While Gibbons contrasts each aspect with its counterpart in the disciplinary mode (also referred to as Mode 1), the knowledge produced in the context of application, through the process of continuous negotiation stands out. He explains:
“In the former [disciplinary mode], the context is defined in relation to the cognitive, and social norms that govern basic research or academic science. Latterly, this has tended to imply knowledge production carried out in the absence of some practical goal. In Mode 2, by contrast, knowledge results from a broader range of considerations. Such knowledge is intended to be useful to someone, whether in industry, government, or society more generally and this imperative is present right from the beginning. Knowledge thus produced is always produced under an aspect of continuous negotiation, i.e. it will not be produced unless and until the interests of the various actors are included.” (p.31). This is summarised in table 1 below:

Table 1: Traditional (mode 1) vs innovation systems approaches (mode 2) to knowledge production

<table>
<thead>
<tr>
<th>Mode 1</th>
<th>Mode 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main objective is the production of new knowledge</td>
<td>Problem-solving is the main objective</td>
</tr>
<tr>
<td>Homogenous, hierarchical structure. Traditional mode of organisation in universities</td>
<td>Heterogeneous team and unstable social structure of production (task oriented network)</td>
</tr>
<tr>
<td>“Pure” disciplines are the locus of new knowledge, production and scientific recognition</td>
<td>Multidisciplinary in approach</td>
</tr>
<tr>
<td>Linear process of scientific development: from fundamental to applied research</td>
<td>Contextualisation of research and the localisation of research in new social spaces</td>
</tr>
<tr>
<td>Main target for diffusion of knowledge: Peer-reviewed journals</td>
<td>Diversification and de-institutionalisation of knowledge diffusion activities</td>
</tr>
</tbody>
</table>

Source: Gibbons et al., 1994

The various actors mentioned above form an innovation system, which is the “network of economic agents together with the institutions and policies that influence their innovative behaviour and performance”.3 From a developmental perspective, emphasis is placed on how such a system should be organised to improve the dynamics of economic production. For Clark (2001) the key is to understand why innovation and technological change can be so influential in the economic development of some countries and less so in others. He went on to highlight some of the influential factors, such as the increasing knowledge base of economic production, the role of learning interactions among different techno-economic agents and associated networking arrangements, the non-linearity of relevant knowledge flows, the significance of user/supplier contact, specially designed public policy regimes and other factors which may not be conventionally defined. Innovation systems, therefore, loosely describe broad relationships among relevant stakeholders whose activities affect innovation. In the national context the group of interconnected organisations whose activities and interactions give rise to the development and diffusion of knowledge is referred to as the national innovation system. “Innovation systems approaches view innovation in a more systemic, interactive and evolutionary way, whereby new products and processes are brought into economic and social use through the activities of networks of organisations mediated by various institutions and policies” (Hall et al., 2004).

---

3 See Lundvall (1992) and Edquist (1999) for a detailed discussion of this concept.
THE RESEARCH INTO USE PROGRAMME (RIUP)

The RIUP is the United Kingdom (UK) DFID's answer to facilitating the uptake of natural resource (NR) research - with a special focus on sub-Saharan Africa and Asia. The 5-year programme, which was launched in 2006, aims to maximise the poverty-reducing impact of previous research on NR, and, as a result, increase the understanding of how the promotion and widespread use of research outputs (knowledge, both formal and informal) can contribute to poverty reduction and economic growth. The main strategy for accomplishing this includes enabling and encouraging poor producers to articulate and channel their demand for knowledge, technology, and other resources, at the same time building the capacity of all partners in the science community, government, private sector, and civil society to work together in improved, more productive relationships.

This underlying strategy of the RIUP is an innovation systems approach that highlights the importance of partnerships, coalitions, and networks and the need for effective communication channels among the organisations and individuals that make up the system. As mentioned in the previous section, this process moves away from the traditional, linear R&D model, in which research is completed and the results are then passed on to end users through some form of extension service. Instead, users and suppliers of knowledge interact from the outset to ensure that innovation takes place. The emphasis is on nurturing the demand for knowledge and technologies not just among primary producers but among a range of actors, including equipment manufacturers and suppliers, product and service retailers, traders and processors, financial institutions, private companies and entrepreneurs, government policy bodies and non-government organisations (NGOs). This partnership is also reflected in the RIU programme's efforts to work effectively with national, regional, and international partners, and to promote the key lessons from the RIU to those who make and implement pro-poor policies.

The importance of participation in this platform is illustrated by RIU's endeavour to support the uptake of technologies by strengthening demand for them among the poor. This role will be taken on by "national innovation coalitions", which are composed of organisations already involved in renewable natural resources (RNR) innovation. In the first year of implementation, the RIU organised in-person workshops to validate the coalition approach, which also draws on public-private partnerships and their role in stimulating entrepreneurship. Through its investments, RIU will aim to build up a portfolio of private-sector partnerships in the agricultural sector of the developing world.

A key RIU strategic focus is to learn more about why NR research has not been used, why it is not more useful, and how a focus on use can speed up adoption and spread the benefits for the poor. Impact evaluation is another core emphasis; organisers claim that there is limited available evidence of the impact on poverty of past RNR research programmes. Monitoring and learning will take place across all RIU initiatives, with a strong focus on participatory monitoring and evaluation (though final authorship of evaluation studies will rest with independent experts). Evaluation-sharing activities will identify and engage with influential evaluation stakeholders at national, regional, and international levels. This reflects a belief that advocacy is necessary to move research into use; this is, according to RIU, "all about changing attitudes and behaviour, not only those of potential technical innovators such as farmers, but

---

4 Department for International Development
5 12 countries in Sub-Saharan Africa and Asia are involved, with 6 in SSA including. Malawi, Rwanda, Tanzania, Sierra Leone, Nigeria and Kenya.
also those of policy makers and other influential people." (RIU, www.researchintouse.com, accessed 14/01/08)

Participatory modes again come into play in the evaluation-sharing component of RIU, in the sense that "conventional approaches to communication, knowledge management and learning within structured organizations and well-defined audiences are of limited value here. Rather, communication has to support alliances and networks within a dynamic and sometimes chaotic innovation system." (RIU, www.researchintouse.com, accessed 14/01/08) Thus, the RIU works with its in-country partners to identify local communication gaps and opportunities, such as the use of information and communication technologies (ICTs), and drama and other cultural events. Part of this process involves mapping exercises that are designed to determine which segments of the community have a voice, which trusted institutions can articulate local people's needs, and whether other groups or individuals (e.g., shopkeepers) could serve as conduits of technical and other information. The intention is to determine how well poor farmers communicate with these "infomediaries", and to test the potential of communication tools for strengthening the voices of the vulnerable during innovation.(RIU, www.researchintouse.com, accessed 14/01/08)

THE RIUP SIERRA LEONE STRATEGY

This section outlines the shape taken by the main strategy document for potential RIUP interventions in Sierra Leone over the period 2008–2011. It summarises the overall purpose of the programme and component 1.2 in particular, states the overarching goals of the RIUP as a whole, outlines the key components that the strategy document will cover along side associated processes and timetables. It will be written by a team whose components are outlined below and delivered to RIUP management hopefully by the end of October. After management consideration and input this team will go on to draft a Sierra Leone Country Programme Document until its completion in 2011. Since this is only draft document we would appreciate any feedback from RIUP management as soon as convenient.

There are five basic underlying assumptions behind the Sierra Leone strategy. These are that programme interventions should:

i. focus on overall DFID goals of poverty reduction, community empowerment, gender balance and environmental sustainability
ii. seek modalities for improved use of and demand for renewable natural resources research strategy (RNRRS) and related research outputs as an inherent part of all interventions
iii. use an innovation systems approach to programme analysis and management. In doing so they would help test the underlying hypothesis that such an approach is superior to traditional linear approaches to research and interventions
iv. identify innovation platforms and windows of opportunity that maximize value for money
v. ensure partnership/coalition arrangements that encourage national capacity building and effective and accountable project management.

The main elements of the Sierra Leone strategy includes the following:

6 This section was drawn mainly from concept notes on the SL strategy by N. Clark and D. Suale (sept. 2007)
Of great importance are the peculiar contextual circumstances in Sierra Leone caused by a civil war that virtually destroyed the country’s social, economic and institutional fabric (including its research sector). The country assessment document outlined what this has meant in innovation system terms and implications for the search for suitable innovation platforms. This aspect will be explored in more detail in the final strategy document and will include an analysis of the enabling country environment, identification of potential “blockages” and show how the RIUP interventions will map on to wider activity in the Sierra Leone NR sector as a whole.

The RIU has indicated in background documents that suitable partnership arrangements need to be put in place to manage interventions. These could be national coalitions, institutional agreements or some mixture of each. In the case of Sierra Leone the issue will probably be one of starting with partnership arrangements with suitable local stakeholder bodies and then using these to build up more comprehensive national “buy-in” arrangements. Issues relating to enhancing local buy-in and links with national governance will then form part of the final strategy document.

A key property of the RIUP as a whole is the emphasis to be place on monitoring, impact and learning (MIL). Part of this activity will deal with establishing and documenting baseline conditions for proposed country interventions both at “innovation platform” level and at project level. These processes will then be used as vehicles for subsequent learning, output measurement and capacity building. The strategy document will consider relevant issues of methodology and implementation.

Access to information markets is quite significant for the success of RIUP. One of the problems likely to be faced in all countries is that of identifying suitable RNRRS research outputs that can be made accessible to national activities on the ground. In Sierra Leone a successful research fair was held but consideration will need to be paid to how to build on this strategically. This would include consideration of “information help desks” data banks and other suitable mechanisms.

The RIUP has placed significant emphasis on the need for capacity building as a necessary aspect that is integral to all interventions. The strategy team suggest that capacity building initiatives take different forms but chief among these is the capacity among stakeholder groups to interact and link productively. Mechanisms to achieve this will include regular workshops dealing with all funded projects. Capacity building will also include bringing the university and research sector up to international best practice standard. As noted above MIL work will place particular attention on these aspects. The SLRIUP will be responsible for ensuring that regular capacity building events take place.
In the Sierra Leone strategy it was proposed that emphasis should be placed on the impact on empowerment of disadvantaged groups such as women and youth; the added value expected throughout the value chain related to the intervention and the impact on employment and capacity building.

**CONCLUSIONS**

This paper has shown that the innovation systems approach to the RIUP seems promising in terms of its impact on the poor through its strong participatory focus. A network of actors; suppliers and consumers of knowledge, made up of the private sector, government, researchers, civil society form a partnership to achieve the common objective of poverty alleviation. Communication within the system becomes multidimensional rather than linear.

The Sierra Leone contextual situation was highlighted, which includes a decade of civil war, which in turn led to mass migration to the towns, destruction of the physical research and institutional infrastructure. The strategy document discussed some of these constraining factors as well as the enabling environment for RIUP interventions.

Fisheries and livestock enhancement were seen as initial entry points and these are being pursued in the Sierra Leone RIUP. It must be noted also that map on to each other quite closely, the difference lying in the main field of focus and perhaps on the most appropriate institutional entry point. This intervention should start at very basic levels, focus on operations within rural communities and concentrate on improvements in incomes, empowerment, employment and market access. They would also be advised appropriately by relevant UK scientific institutions.

**REFERENCES**


Local Economic Growth in Tanzania: Is it Wrong to Rely on Service Sector-led Growth?

Imani Silver Kyaruzi, University of Birmingham, UK

The aim of this paper is to initiate a debate on the most effective ways of stimulating local economic growth in Tanzania, a state whose economy is dominated by agriculture. The service sector has been examined as a potential driver of local economic growth. However, the “service sector-led economy” and “service firms” phenomena appear to be problematically treated as prescriptions for fostering economic growth in developing countries. There is a lack of blueprints for transforming an agrarian economy into a full service sector-led economy. Finally, the paper suggests the most important steps to follow in order to integrate fully and realise the possible benefits of a service sector-led economy.

INTRODUCTION

Tanzania’s economy is in rapid transition from a centrally-planned, government-controlled economy to a liberalised private sector-led economy. However, the establishment of locally-owned economic growth policies, private sector development and the creation of competitive economic environment have proved problematic. To address such weaknesses, the government has established a number of service sector-led growth policies at the national level in an attempt to integrate the Tanzania’s economy with the world’s economy. Such transition has suffered significantly due to the “local-specific factors” and infrastructural constraints. Therefore, the arguments presented in this paper seek to elaborate on the social, cultural and economic factors in relation to the service sector economy and how they impact on local economic growth initiatives in Tanzania.

First, there is a need to examine the current economic system and the local economic policies in order to assess their suitability in the local economic growth scheme. As Treichel (2005:4) puts it, “…Tanzania, unlike many other African countries, was a highly state controlled economy engaged in the pursuit of socialist objectives. As a result, it had an inflexible economic system that was characterized by monopolistic and heavily regulated production structures in all sectors of the economy. [Pre-structural adjustment programmes]. Therefore, the rigidity of the economic system and the number of policies that have been introduced following the failure of socialist policies necessitates the need to review the role of the state in the private sector-led economy where the service sector plays a major role.

Second, there is the need to question the role of the service-led initiatives to an agrarian economy like Tanzania. Due to globalisation pressures and the need for a more deregulated economic system, the government was compelled to introduce specific measures to support this move. This includes idolisation of the private and service-sector-led policies. As a result, the adoption of the private sector-led policies in the early 90s opened the doors to foreign investments and the influx of Translational Corporations (TNCs) such as high tech firms, telecommunication and large retailers, mainly from South Africa. Also, within the country, much was done to popularise the use of ICT in almost every aspect of the economy. The Tanzanian government still continues to show the desire to invest in ICT (Matambalya and Wolf, 2001). However, despite such initiatives, the government is faced with the challenge of translating the
outcomes of the service sector initiatives in the local economic growth. Is it too early to rely on a service sector-led economy?

This paper seeks to identify the significance and the processes behind the introduction and the application of the service sector to the agrarian economy of Tanzania. The paper is divided into three parts. First, the paper seeks to explore the adoption and application of the service sector-based economy in Tanzania. The approach is based on literature review and recent arguments on the subject. Second, we discuss the ways of integrating the service sector economy in the country’s economic growth initiatives. Finally, based on these discussions, a framework is proposed that shows the steps to be followed in order to integrate the economy and realise the possible benefits a service sector-led economy offers towards the national economic growth. The paper does not seek to provide definitive answers to Tanzanian economic problems, but to initiate the debate on the often wrongly perceived and generalised section of the economy. This is to be able to define the service sector economy, not by just appreciating its role in meeting foreign institutions’ demands, but to be able to see the service economy through its roles in local economic growth and through social and, economic well-being of the nation.

SERVICE SECTOR-led ECONOMY

In the past, Tanzania was a socialist country with excessive state control in major economic activities including the service sector. According to Temu and Due (2000: 684) past policies “are now widely blamed for the productivity downswing and macroeconomic imbalance”. Wobst (2001:2) argues that despite the introduction of macroeconomic reforms, policies and market liberalization, “many countries of Sub-Saharan Africa (SSA), of which Tanzania is one of the poorest, have experienced, only moderate improvement in their general social and economic condition”. Basic services such as telecommunication, infrastructure, power and water and the legal frameworks that support the private sector are not yet fully developed (Wangwe 1995:8).

Since 1986 Tanzania’s economy has undergone rapid economic changes. The WTO report (2000) suggests that the service sector has undergone significant liberalization including the telecommunications, insurance and financial service sectors which is a binding agreement under the General Agreement on Trade in Services (GATS). However, these initiatives have been plagued by inconsistency in economic policies and the poor state of infrastructure. In Tanzania, the agricultural sector dominates the economy and provide more than 50% of GDP, 75% of export and 85% of employment (Tanzania Economic Forum, 2006) while the service sector rank second in employment generation (Kweka and Kabelwa, 2004).

In recent years, the services sector has undergone significant liberalization. This can be seen through the government’s efforts to privatize a number of subsectors including telecommunications, insurance, and financial services. Among these, Tourism constitutes the largest component of services GDP and holds promise for continued growth (World Fact Book, WTO Secretariat, 2008). Services account for about 35% of Tanzania's GDP, and are characterized predominantly by public services and tourism, which generate around 30% of the country's foreign exchange earnings (WTO, 2007). Despite these promising figures, it has been noted that; “Tanzania’s services sector is still characterised by an inadequate regulatory and institutional framework and the regulations already in place need further restructuring. The sectors themselves are so underdeveloped that they cannot compete in the world economy” Kweka and Kabelwa (2004:15).
SERVICES SECTOR AND ECONOMIC GROWTH

The service sector and specifically the information and communication technologies (ICT) are rapidly transforming business practices in many parts of the world. However, the role of the widely documented “service sector-led economy” does not explain how the outcomes can foster local economic growth in least developed economies like Tanzania. One possible explanation for this, could be the fact that much of these literature on new service-sector economy come from the developed world where the infrastructures are well laid to accommodate such changes i.e. a move from labour-intensive to service sector-led economy. Also, countries like Tanzania are still in transition from command to a market-led economy thus still weighing out the options available, and specifically, searching for best ways of stimulating local economic growth (Kyaruzi, 2006).

However, despite the lack of common views on what exactly stimulates faster growth in Africa, there is some degree of consensus amongst authors of local economic growth in developing countries that to stimulate economic growth there are factors that are prerequisite. First, it appears that to achieve local economic growth the country needs a set of growth determinants (see Bigsten and Danielsson, 1999:3). The arguments presented by Bigsten and Danielsson (1999:3) suggest that there are three (possibly more) major factors that determine income growth in African economies. These are: 1) Factor accumulation and technological progress; here they argue that accumulation of physical and human capital, efficiency in resource allocation, and ability to acquire and apply modern technology are basic determinants of growth in any economy. 2) Institutions and transaction costs; an effective economic system requires an efficient set of institutions that can sustain low economic transaction costs. 3). Governance and politics; the views that the influence of politics (or policy interventions) on economics in African economies is of strategic importance to growth prospects.

To expand these arguments technological advancement, institutional arrangement and government policies in relation to service sector-led economy can be discussed as follows:

**Technology**

First, in an attempt to improve technological progresses amongst businesses and institutions, Tanzania has introduced the National ICT policy (2003) that recognizes the roles of knowledge management and human resource development in local economic growth. Also, the policy recognizes that “all forms of public utilities and services in Tanzania can be significantly improved and expanded by embracing ICT…[this can be achieved through]… appropriate use of information flows, leading to accurate decision-making, resource allocation, risk and operational control management” (ICT Policy, 2003: part 3.7). The policy has specific objectives including:

a) The establishment of an environment conducive for e-commerce transactions and competition.
b) To encourage more usage of ICT in financial services (banking, insurance, etc).
c) Promote the use of ICT to enhance efficiency, effectiveness and continuity in the provision of services and basic utilities from both private and public sectors especially in billing and payment systems.
d) Develop and deploy a nationwide e-Health system that supports medical facilities in the under-served areas.
e) Develop and deploy a nationwide e-Tourism system.
f) Encourage cyber-café owners to diversify their enterprises in order to build multiple revenue streams.
However, very few have been achieved since inception. For instance, the nationwide e-Health system and e-Tourism systems do not exist. Much of what has been achieved is seen in item (f) above where most cyber-cafes are still growing in number. Items a, b, and c are typical practices of developed economies whose applicability in Tanzania would take a few more years if not longer. For the cyber cafes (which seem to highlight the most achievement of this sector), their contribution to the services sector economy and economic growth has not been empirically tested. Therefore, we are unable to draw conclusions on such initiatives.

Despite the fact that almost 80% of Tanzanians reside in rural areas the ICT policy is silent and fails to establish the link between ICT, agriculture (which is the main economic activity) and local economic growth where majorities live. These figures are not congruent with the justification and prioritization of the service sector-led economy over other sectors. The rural community can benefit from the service sector-led economy by using technology to improve their productivity, exchange and improve knowledge on modern farming, participating and reaching foreign markets. However, there are many hindering factors such as; the low level of education, poorly developed infrastructures and low connectivity. All these factors militate against the effective introduction of such initiatives. Therefore, for this segment of the population to be able to rely on services sector-led initiatives these obstacles will have to be dealt with to ensure their participation and contribution too the nation’s economy. This is due to the fact that, the current Tanzania ICT situation requires urgent steps to enable Tanzanians to participate meaningfully in the knowledge economy, recognising that Tanzania has low levels of human capital development, local content creation; ICT infrastructure and access, which together lead to high costs of participation (ICT Policy, 2003). It is these high costs of participation that raises questions whether the country is right to over-rely on this sector for its economic development.

Institutions
Institutional reforms are essential in post socialist countries (Dawson, 2003). However, it is argued that the knowledge of how to transform institutions especially in the Sub-Saharan countries remains weak (Henisz, 2002). Most of the institutions in Tanzania were set up in the early 90s following pressures from bilateral and multilateral institutions. Dawson (2003) argues that “…market institutions could not have been developed in a laboratory setting and then transplanted into the economy”. This statement calls for locally-owned or cultural – specific institutions that focus on local growth rather than those that mimic the growth initiatives of developed economies. For instance, institutions should be pushing to establish how the service sector-led growth can be used to stimulate growth in agrarian economies. In rural areas, there are agricultural firms whose ability to utilise services such as insurance and telecommunication is hampered by poverty, low skills and poor education.

Also, in most private sector-led growth initiatives there is an emphasis of firms or Small to Medium-sized enterprises (SMEs). At the firm level, there are weak institutional and business support framework that are incapable of serving local businesses efficiently (Kyaruzi, 2006). These institutions are often under funded and suffer from skill shortages (ibid). Earlier, Wangwe (1997:13) noted that the capacities of local institutions were too scattered and this has had implications for institutional effectiveness. Majorities of services institutions are situated in urban areas closer to the 20% of the population thus locking those in rural areas. Also, since most firms in Tanzania are of survivalist nature and are mainly of single
transactions (Kyaruzi, 2006) and some are involved in unregulated informal business activities they have little or no access to organized markets, credit institutions, formal education and training (Maliyamkono and Bagachwa, 1990). These firms’ role in local economic growth through ICT adoption, knowledge transfers and service-based transactions are minimal. There are no specific policies to transform the rural economies using the service sector. It appears that the rural population exists to meet the needs of the urban population who seem to benefit more from service sector-led activities. The local institutions have been weak or inadequately prepared to address these structural problems.

**Government Policies**

Government policies have a role to play in local economic growth. Although the country is in transition to the private-led economy, the government still has a role to play in aiding this process. For example, by introducing policies that could aim at improving the infrastructure for the service sector, reducing the costs of doing business and minimising the effect of “dolarisation” of the economy. A certain degree of government intervention is required, as it has been argued that a poorly developed service sector can affect other areas of the economy. For instance, Wangwe and Rweyemamu (2002: 5) observed that: “…infrastructure is an important pre-requisite for successful industrialization. Expensive, sporadic and unreliable transport and communications are a serious impediment to industrial growth. High transport costs, poor infrastructure and constant power and water interruptions raise the costs of doing business and compound the problem of lack of information”. Similarly, the service sector economy relies heavily on the flow of information. Therefore, to have the type of growth the policy advocates, there is the need to improve the flow of communication and power supply which would minimise the costs of transactions and lead to rapid economic growth.

**A PROPOSED FRAMEWORK: SERVICE SECTOR-LED INITIATIVES IN AN AGRARIAN ECONOMY**

There is the growing attitude that “service sector” and “service firms” are essential for fostering economic growth in developing countries. These phenomena are often problematically treated as prescriptions for fostering economic growth in developing countries without assessing their impact at the ground level. Also the service sector-led initiatives have a few blind spots such as; their inability to address their usefulness and functions in the agrarian economies, a universalised concept that they could be easily absorbed by developing countries and the lack of blueprints of an agrarian economy that has managed to rely purely on service for its growth. Based on the literatures on the service sector-based economic growth initiatives in the Tanzanian context, a framework for fostering economic growth and development should therefore, have the following components; the role of the state, taxation and price system, and transformation of the education system to accommodate the service sector-led initiatives in the existing local economic growth models.

- The role of the state in improving the environment

Rather than focusing on how the service sector can improve people’s lives, emphasis should be on what should be done to improve the institutions to realise the economic outcomes of the service sector, in rural areas in particular. Since the country is still in transition, necessary steps are required to allow the private
sector to grow with less state intervention. There are other areas that need to be improved alongside the service sector. Odling-Smee (2002) believes that the key to unlocking the long-run growth potential of postsocialist countries is to push forward with structural reforms. These include: further reducing the role of the state; maintaining hard budget constraints on all enterprises; correcting price distortions, and fostering competition and a conducive business environment; improving the social safety net; developing financial markets; and building institutions to promote good governance (See also Dawson, 2003). A move to a full service sector-led economy is gradual and needs careful implementation. These institutions should seek to balance the outcomes of the service sector in both rural and urban areas. By doing so, they will be able to address the unequal distribution of income between the two sections.

- **Fair Taxation and Price System**
  In recent years the government imposed zero tax on the importation of ICT equipment. However this has not meant that majority of people (especially in rural areas) and SMEs have now invested in such technologies. It is the issue of affordability and the knowledge of how to turn this concept into economic generating opportunity. And for those who have managed to invest in ICT, their growth potential has not been empirically tested. It is for a few urban residents who form a small percentage of the whole population. Kweka and Morrissey (2000:1) present the views that “public expenditure, notably on physical infrastructure or human capital, can be growth-enhancing although the financing of such expenditures can be growth-retarding (for example, because of disincentive effects associated with taxation)”. Also rather than diverting our attention by investing heavily in the new concepts it is also important to seek to integrate services elements in the agricultural production systems.

- **Education system**
  The service sector industry needs people who are qualified to perform different sophisticated tasks. Therefore, there is a need to improve or revamp the Tanzanian education system [especially at higher levels] to reflect the needs of the current global economic situation. For instance Universities and incubators are seen as a strategy to diffuse technically feasible and economically viable technologies and they act as channels to provide services to SMEs Nanyaro (2003). Also, incubators can be used to nurture local business by providing them with knowledge required to compete in the global economy (Kyaruzi, 2006). Since the majorities live in rural areas, then, special educational such as an introduction of agribusiness incubators and education centers could bridge the knowledge gaps between the rural and urban communities.

This framework is specifically useful for realising the potential benefits of the service sector-led economy. The framework is not in conflict with other local growth models such as; the government expenditure and economic growth model (Kweka and Morrissey, 2000), business incubation and clustering (Kyaruzi, 2006) and import substitution model (Wangwe, 1997), but, it seeks to addresses how specific elements could be integrated within the existing models. All these elements will depend on the strength and structure of the institutions involved.

As indicated above, the institutions include; the government policies and the education system. The institutional arrangements are the most important factor for progress toward durable growth. It is argued that unlike certain liberalization measures, institution-building by its nature must be a gradual process (Dawson, 2003). We could agree with such views as Tanzania is still in transition and rushed programs.
that led to duplication of economic activities in the past could be avoided (see also Cooksey et al, 2001). Technology forms an essential part of the service industry. However for countries in transition the infrastructure is not well laid to support the ever-increasing demand. Lalkaka (1997) warns that in the post socialist countries, much should not be expected within a short period of time, he believes that “the process of technological transformation is even more complex and painful due to the legacy of systemic problems… [as a result]…these countries are in a situation of massive budget cuts, exodus of talented scientists, shortages of research equipments and supplies, absence of finance, regulatory barriers and painful process of reconversion.

CONCLUSIONS

In this paper, some arguments have been presented to show the significance of the service sector-led growth for the local economic growth initiatives in Tanzania. No one can claim to have a complete knowledge of how to transform agrarian economies into full service sector-led economies. This paper was an attempt to unlock such mysterious concepts behind the agrarian economies’ attitudes towards the adoption and over-reliance on services, which has been fashionable in most developing countries in recent years. Theories suggest that the service sector, although suffers a number of policy inconsistencies, poor infrastructural and cultural impediments, can still form an essential part of the drivers of local economic growth.

However, since the majorities (80%) live in rural areas where there is poor infrastructures, poor education and poor health systems it is wrong to over-rely on service sector-led economic growth initiatives for solving all economic problems. Other areas of the economy such as the agricultural sectors are equally important and the growths they create tend have longer effects on the economy. The agricultural sector can also be transformed and contribute to economic growth by adopting specific elements of the service sector-led initiatives. From such realisations, it can be suggested here that drivers of local growth have to be rooted within the culture of the place they seek to develop. This is essential as it could enable the Tanzanian government to identify and set up realistic economic growth targets based on what they have rather than idolising the successes of the services sector-led initiatives of the mature economies. From the literature different approaches can be identified that are likely to explain the factors behind the adoption of service sector-led economy initiatives. To stimulate economic growth in agrarian economies we need a set of proactive institutions, education and technological transformation.

Lastly, it is important for the policymakers to ensure that service sector-led growth initiatives are compatible with the other sections of the economy. And since there is a lack of blueprints and, our knowledge of how to transform an agrarian economy into a full service-sector-led economy remains weak. It would be wise for the economic policies to focus at what the economy and its people are good at while introducing service sector-led initiatives as opportunities rather than prerequisites. This is due to the fact that this type of growth is dependent on the development of other areas of the economy such as; the main resources, knowledge capital, education systems, institutions and technology. Having assessed developed these areas, and then it would be easier to weigh the options and provide a justification for prioritizing and relying on the service sector-led policies for economic development.
References


The Effect of a Liberalized Trade Regime on Agricultural Productivity, Exports, and Imports in Sub-Saharan Africa. A Review of Evidence on Uganda’s Experience

Geoffrey Bakunda, Makerere University Business School, Uganda

Uganda’s economy is heavily dependent on agriculture for exports, GDP and domestic employment. However, Uganda has implemented a liberalised agricultural trade regime since the 1990’s, reducing and in many cases eliminating tariffs, loosening administrative controls, removing import quotas, as well as implementing the MFN and National Treatment principles of the WTO. This led to Uganda being considered one of the most liberalised economies in Africa by 2005. Yet, Uganda’s experience seems to contradict recent evidence regarding import liberalization, economic growth and effective integration in the global economy, which suggests that liberalization should follow rather than precede sustained periods of economic growth and should be gradual and sequenced. Uganda has not followed that approach. This paper reports the findings of a study on Uganda’s experience with import liberalization of agricultural products and how this has impacted on agricultural value addition potential based on a review of existing evidence.

INTRODUCTION
Uganda’s economy is heavily dependent on agriculture for exports, GDP and domestic employment. Agriculture contributed 38% of GDP and over 60% of Uganda’s exports in 2006. Over 70% of Uganda’s population are still employed in the agricultural sector dominated by small scale peasant farmers who produce over 90% of the agricultural output (Government of Uganda, 2005). Uganda produces a range of agricultural products used as both cash and food crops. Uganda is also a major livestock producer. Crop products include traditional cash crops such as coffee, cotton, tea and tobacco, as well as non-traditional cash and food crops including root crops (such as potatoes, cassava and yams), grains (e.g. maize, millet and sorghum) and legumes (soya beans and beans), oilseeds (e.g. sesame, sunflower), fruits (such as pineapples, passion fruits, papaya, apples, bananas, avocados, mangoes and oranges) and vegetables (e.g. beans, okra), spices (such as vanilla, cardamom and pepper) and flowers (such as roses and carnations). Livestock produced in Uganda includes cattle, goat, sheep, poultry and pigs, and the livestock products cover live animals, meat, hides and skins and bones and horns. In addition, Uganda is a producer of apiculture products such as honey. The wide range of production is made possible by a favourable climate with a temperature range of 15-30 °C, annual rainfall of 750-2000 mm and fertile soils (Government of Uganda, 2005).

In the 1990s Uganda implemented a liberalised agricultural trade regime, reducing and in many cases eliminating tariffs, loosening administrative controls, removing import quotas, as well as implementing the MFN and National Treatment principles of the WTO. Both external and domestic market liberalization were implemented almost simultaneously thus grossly opening up the economy. By 2005, Uganda was considered to be possibly the most liberalised economy in Africa (Morrissey et al. 2003). But, Uganda’s experience seems to contradict recent evidence regarding import liberalization, economic growth and effective integration in the global economy.

According to Malhotra (2003), successful world economies today demonstrate, almost without exception, that trade liberalization most often follows rather than precedes sustained periods of national economic growth. In the case of Uganda, this was not the case. Secondly, effective liberalization is considered to be gradual and sequenced and is likely not to be the highest development priority for a country still in the early reform period. The experiences of China and India demonstrate the benefits of such a gradual and
sequenced approach to import and trade liberalization. Again the fact that nearly all of today’s industrial
countries embarked on their growth behind high tariff barriers, and reduced protection against imports
only subsequently offers additional insight (UNDP, 2005). Uganda has not followed that approach.

As a result of agricultural import liberalization, there has been a significant increase in the range of
agricultural products imported into the country. This has severely affected agricultural productivity by
creating stiff competition for urban agricultural market. It has reduced the competitiveness of value
added investments and has led to more than proportionate increase in the poverty levels in the sector.
Based on a review of existing evidence this paper reports the findings of a study on Uganda’s experience
with import liberalization of agricultural products and how this has impacted on agricultural value
addition potential.

OBJECTIVES OF THE STUDY
The objectives of the study were to:

a) Assess the response of agricultural imports to a liberalized trade regime in Uganda and determine
   the range of products imported and import growth rates.
b) Assess the extent to which Uganda imports agricultural products that are also produced locally
c) Assess the impact of liberalization of agricultural product imports on the domestic agro-
   processing capacity and
d) Draw any lessons for adjustments in policy reform for meaningful integration of Uganda’s
   agricultural sector into the regional and international economy

APPROACH TO THE STUDY
The study undertook to analyse Uganda’s trade data with two of her major agricultural trading partners-
the European Union (EU) and South Africa. While the EU was considered important because Uganda
under the East African Community (EAC) is negotiating an Economic Partnership Agreement (EPA) that
will bring with it further liberalization, South Africa was considered important because it already has an
EPA with the EU and EU goods are likely to find their way to Uganda through South Africa. Import data
on agricultural products was obtained from Uganda Revenue Authority (URA) and the Uganda Bureau of
Statistics (UBOS) which are authoritative sources of trade data in Uganda. To complement the analysis of
import data, three case studies of agricultural value addition ventures were undertaken to obtain first hand
evidence of the effects of a liberalised trade regime.

KEY FINDINGS FROM THE STUDY
A number of findings were derived from the review of evidence of Uganda agricultural trade with its two
major agricultural trading partners-the EU and South Africa as well as from case studies of agro-
processing ventures operating in Uganda.

Findings from Uganda’s Agricultural trade with the EU
Relative Decline in Uganda’s processed agricultural exports to the EU. Although the value of
Uganda’s agricultural exports to the EU increased over the period to 2004, there was a steady decline in
the value of processed agricultural exports to the EU, declining by 25.2% from 2000 to 2004.

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Processed</td>
<td>8,090,196</td>
<td>11%</td>
<td>3,252,900</td>
<td>5%</td>
<td>3,206,492</td>
</tr>
<tr>
<td>Unprocessed</td>
<td>67,820,533</td>
<td>89%</td>
<td>57,771,258</td>
<td>95%</td>
<td>90,560,318</td>
</tr>
</tbody>
</table>

Compiled by Author from UBOS statistics
While the data does not show the quantities involved but only values, the decline in the value of processed agricultural exports when the values of unprocessed exports is increasing suggests an increasing substitution from exporting processed to unprocessed products. Increased substitution of processed to unprocessed agricultural exports further suggests that processed agricultural exports are less competitive and not necessarily that agricultural output has declined. It further points to a possible decline in competitive conditions in the local supply market rather than the destination market (the EU) since both processed and unprocessed products are subjected to relatively similar market access and entry conditions in that market. According to existing evidence on international trade in commodities (for example see UNCTAD 2005), this scenario is likely to lead to further impoverishment of all the actors in the agricultural sector. The evidence suggests that primary export expansion (at the expense of growth in processed, value-added products) is associated with impoverishment. This is attributed to the fact that competitive producers in developing countries run up against trade policies in developed countries that protect their internationally uncompetitive producers. Also, the incomes of producers in developing countries are affected by declining or slow growth in demand, relatively low income elasticity and declining or volatile terms of trade.

**Significant increase in Uganda’s agricultural imports from the EU.** More than 150 items are currently imported compared to about 70 items in 1995, broken down as (a) primary products, 31% of the total and (b) manufactures or value-added products, 69%. Total annual imports grew by an average growth rate of between 5% and 6% between 1999 and 2004 and amounted to USD 24 million by 2004. The expansion in the range of agricultural products imported (which has more than doubled) and in the value of imports (which at the current rates are likely to double over the next 10 years) suggest a sharp increase in competition for Uganda’s agricultural producers. Uganda top 25 agricultural imports from the EU are reported in table 2 in Appendix 1.

**Findings from Uganda’s agricultural trade with South Africa**

**Significant growth in agricultural imports from South Africa.** Before 1995, Uganda agricultural imports from South Africa covered less than 10 tariff lines. By 2005, Uganda agricultural products from South Africa covered 294 tariff lines and have been increasing at a fast rate in value terms since 2000. Agricultural imports from South Africa increased from USD 3.86 million in 2002 to USD 13.27 million in 2006 representing an increase of 240 per cent over the period and an average annual growth of 60.8%. At this rate of growth, Uganda’s agricultural imports from South Africa will exceed USD 30 million by the year 2012. The range of products and their import response is presented in table 3 below.
Table 3. Uganda’s Agricultural Imports from South Africa 2002-2006

<table>
<thead>
<tr>
<th>HS CODE</th>
<th>DESCRIPTION</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Live Animals &amp; Fowls</td>
<td>165,895</td>
<td>251,399</td>
<td>28,911</td>
<td>109,873</td>
<td>90,831</td>
</tr>
<tr>
<td>02</td>
<td>Fresh &amp; Frozen Meats</td>
<td>33,358</td>
<td>10,880</td>
<td>76,362</td>
<td>15,444</td>
<td>6,390</td>
</tr>
<tr>
<td>03</td>
<td>Fresh &amp; Frozen Fish</td>
<td>5,874</td>
<td>10,768</td>
<td>14,460</td>
<td>3,591</td>
<td>2,547</td>
</tr>
<tr>
<td>04</td>
<td>Milk, Honey &amp; Edible Products of Animal Origin</td>
<td>191,325</td>
<td>329,617</td>
<td>223,252</td>
<td>242,173</td>
<td>185,279</td>
</tr>
<tr>
<td>05</td>
<td>Bovine semen</td>
<td>36,854</td>
<td></td>
<td>11</td>
<td>19,114</td>
<td>2,215</td>
</tr>
<tr>
<td>06</td>
<td>Other live plants, cuttings &amp; slips</td>
<td>821</td>
<td>4,071</td>
<td>602</td>
<td>155</td>
<td>2,146</td>
</tr>
<tr>
<td>07</td>
<td>Fresh &amp; Frozen Vegetables, Legumes</td>
<td>39,615</td>
<td>42,194</td>
<td>4,467</td>
<td>68,256</td>
<td>54,442</td>
</tr>
<tr>
<td>08</td>
<td>Nuts and Fruits &amp; their derivatives</td>
<td>115,356</td>
<td>181,230</td>
<td>235,753</td>
<td>374,564</td>
<td>406,307</td>
</tr>
<tr>
<td>09</td>
<td>Coffee and Associated Tea Spices</td>
<td>32,837</td>
<td>76,793</td>
<td>49,933</td>
<td>68,880</td>
<td>41,488</td>
</tr>
<tr>
<td>10</td>
<td>Agricultural Grain Varieties</td>
<td>664,334</td>
<td>1,046,092</td>
<td>129,734</td>
<td>98,650</td>
<td>128,501</td>
</tr>
<tr>
<td>11</td>
<td>Wheat flour &amp; Processed Grain</td>
<td>855,679</td>
<td>2,923,401</td>
<td>930,995</td>
<td>513,328</td>
<td>13,625</td>
</tr>
<tr>
<td>12</td>
<td>Plant seed varieties</td>
<td>45,232</td>
<td>208,281</td>
<td>143,519</td>
<td>427,301</td>
<td>950,760</td>
</tr>
<tr>
<td>13</td>
<td>Plant extracts</td>
<td>19,893</td>
<td>1,239</td>
<td>450</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Bamboos</td>
<td></td>
<td>23</td>
<td>91</td>
<td>183</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Plant and animal oils and derivatives</td>
<td>82,242</td>
<td>80,733</td>
<td>79,938</td>
<td>48,186</td>
<td>46,878</td>
</tr>
<tr>
<td>16</td>
<td>Prepared Animal &amp; Fish Meats</td>
<td>36,904</td>
<td>51,124</td>
<td>71,680</td>
<td>490,386</td>
<td>42,830</td>
</tr>
<tr>
<td>17</td>
<td>Sugar Cane and Associated Derivatives</td>
<td>10,018,439</td>
<td>5,966,395</td>
<td>8,551,604</td>
<td>10,756,368</td>
<td>7,669,547</td>
</tr>
<tr>
<td>18</td>
<td>Cocoa &amp; Derivatives for Instant Chocolates</td>
<td>83,390</td>
<td>60,414</td>
<td>44,263</td>
<td>86,601</td>
<td>66,973</td>
</tr>
<tr>
<td>19</td>
<td>Prepared soft and Children's foods</td>
<td>209,192</td>
<td>273,646</td>
<td>243,549</td>
<td>634,822</td>
<td>799,795</td>
</tr>
<tr>
<td>20</td>
<td>Fruit Varieties with Preservatives</td>
<td>232,336</td>
<td>296,617</td>
<td>383,999</td>
<td>608,924</td>
<td>506,571</td>
</tr>
<tr>
<td>21</td>
<td>Extracts, Soups &amp; Broths</td>
<td>560,816</td>
<td>684,913</td>
<td>951,714</td>
<td>868,695</td>
<td>938,951</td>
</tr>
<tr>
<td>22</td>
<td>Liqueurs and Non Alcoholic Drinks</td>
<td>477,788</td>
<td>491,723</td>
<td>1,523,616</td>
<td>901,825</td>
<td>1,220,285</td>
</tr>
<tr>
<td>23</td>
<td>Animal Feeds</td>
<td>25,593</td>
<td>34,475</td>
<td>31,068</td>
<td>62,688</td>
<td>94,047</td>
</tr>
<tr>
<td>24</td>
<td>Tobacco Varieties</td>
<td>30,439</td>
<td>87</td>
<td>12,248</td>
<td>168,053</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,862,384</td>
<td>13,026,090</td>
<td>13,732,149</td>
<td>16,567,967</td>
<td>13,270,591</td>
</tr>
</tbody>
</table>

Source: Source Data from UBOS

It is clear from table 3 above that Uganda imports a range of agricultural products from South Africa which are also produced locally. Agricultural imports from South Africa therefore are in direct competition with locally produced products that include coffee, fresh and frozen meat, raw cane sugar, cooking oils, fresh & frozen Vegetables, fresh fruits, and several others. Continued unrestricted importation of these products not only poses a threat to local value addition but in many cases directly competes with local farmers, such as in the case of honey, fresh fruits and vegetables. Because of infrastructural and other marketing constraints faced by local farmers, local farmers increasingly find it difficult to compete and unable to secure access to modern distribution outlets such as supermarkets and departmental stores. The livelihoods of small scale farmers will be completely eroded in the short term to medium term if this trend in agricultural imports continues unrestricted.

Dismal growth in agricultural exports and a near-absence of response from processed agricultural exports. When imports are compared to exports, Uganda’s agricultural exports to South Africa are still low and narrow in scope. All the agricultural exports were unprocessed except for some exports of roasted coffee which commenced in 2006. Although overall, agricultural exports to South Africa increased by an average annual growth rate of 34% between 2002 and 2006, agricultural imports from South Africa increased by an annual growth rate of 86% during the same period (see table 3 above).
Therefore, agricultural imports from South Africa grew three times faster than the growth in exports to South Africa. The imports were largely the processed ones with substantial value added which also tend to be of a higher quality. Apart from tobacco, all the other agricultural product exports that occurred registered dismal growth, in many cases declined during the period 2002-2006.

Table 4. Uganda’s agricultural exports to South Africa 2002 - 2006

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other live animals, nes</td>
<td>25,850</td>
<td>13,577</td>
<td>49,969</td>
<td>20,390</td>
<td>20,923</td>
</tr>
<tr>
<td>Fresh or chilled fish fillets</td>
<td>11</td>
<td>6,637</td>
<td>30,388</td>
<td>17,777</td>
<td>38,932</td>
</tr>
<tr>
<td>Bird Eggs, Fats &amp; Oils and Bones treated in Acid</td>
<td>15,960</td>
<td>64,882</td>
<td>7,151</td>
<td>9,049</td>
<td>308,863</td>
</tr>
<tr>
<td>Roses, Unrooted Cuttings &amp; Slips</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fresh cut flowers and buds</td>
<td>6,807</td>
<td>125,406</td>
<td>38,628</td>
<td>8,920</td>
<td></td>
</tr>
<tr>
<td>Beans, fresh or chilled</td>
<td>134,691</td>
<td>40,836</td>
<td>373</td>
<td>51,495</td>
<td></td>
</tr>
<tr>
<td>Coffee, not roasted or decaffeinated</td>
<td>4,329,518</td>
<td>8,759</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coffee, not roasted or decaffeinated</td>
<td>29,501</td>
<td>21,960</td>
<td>10,501</td>
<td>25,588</td>
<td>87,614</td>
</tr>
<tr>
<td>Grain sorghum of a kind used as agricultural seed for sowing</td>
<td>45</td>
<td>19,025</td>
<td>1,410,284</td>
<td>51,495</td>
<td></td>
</tr>
<tr>
<td>Tobacco, not stemmed/stripped</td>
<td>11,830</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11,830</td>
</tr>
<tr>
<td>Raw cane sugar, in solid form</td>
<td>35,260</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>25,788</td>
</tr>
<tr>
<td>Roasted coffee substitutes (incl. chicory), etc</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,188</td>
<td></td>
</tr>
<tr>
<td>Mineral waters and aerated waters, unsweetened</td>
<td>10</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Malt Beer &amp; Other non-alcoholic beverages,Tobacco</td>
<td>391</td>
<td>-</td>
<td>-</td>
<td>229,420</td>
<td></td>
</tr>
<tr>
<td>Tobacco, partly or wholly stemmed/stripped</td>
<td>2,844,917</td>
<td>4,253,921</td>
<td>10</td>
<td>4,086,999</td>
<td>6,519,155</td>
</tr>
<tr>
<td></td>
<td>3,098,467</td>
<td>4,441,835</td>
<td>4,621,033</td>
<td>5,630,870</td>
<td>7,375,339</td>
</tr>
</tbody>
</table>

The above scenario leaves Uganda to be a net importer of agricultural products from South Africa with an increasing annual negative trade balance, that increased from about USD 0.8 million in 2002 to USD 10.9 million in 2005. Yet, agriculture is still the backbone of Uganda’s economy employing over 70% of the population. In terms of Uganda’s national policy enshrined in the National Poverty Eradication Action Plan (PEAP) as well as the National Plan for Modernization of Agriculture (PMA), the foregoing scenario presents a contradiction. The PEAP under pillar II focuses on “enhancement of production, competitiveness and household incomes.” The focus on a sector is dependent on the share of the population employed in the sector and in each case, emphasis is to address supply and demand constraints. It is clear from the above review that unrestricted imports of agricultural products presents one of the demand constraints to local producers. The agricultural sector still employs the majority of the population and poverty levels still the highest. Clearly, there is need for policy review to ensure that Uganda does not continue to register unrestricted agricultural imports, when there is still great need to develop her agricultural sector.

Analysis of Agricultural Imports Vs Value addition Opportunities

Apart from posing serious demand constraints to local farmers, unrestricted agricultural imports, particularly the processed ones, are creating stiff competition to local value-added products and stifling local value addition potential. While there are tremendous value addition possibilities on most of Uganda’s agricultural products, see table 5 below, Uganda currently imports more value added agricultural products than it currently produces at an average ratio of 4:1 per farm product. Therefore, the imported agricultural value-added products directly compete with local value-added products as well as potential ones. It is clear from the table that continued import of value-added agricultural products will
significantly undermine the potential of increased value addition on locally produced agricultural products. The locally produced value-added agricultural products have limited competitive space and in all the cases have been swamped by imported ones.

Table 5. Summary of Value addition Opportunities and Competing Agricultural Products

<table>
<thead>
<tr>
<th>Farm Product</th>
<th>Total by-product possibilities</th>
<th>Current Bi-Products</th>
<th>Import Competing agricultural by-products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maize Corn</td>
<td>&gt;80</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>Hides and Skins</td>
<td>&gt;50</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>Honey and Beeswax</td>
<td>&gt;100</td>
<td>2</td>
<td>15</td>
</tr>
<tr>
<td>Fruits and Vegetables</td>
<td>&gt;50</td>
<td>8</td>
<td>25</td>
</tr>
<tr>
<td>Bananas</td>
<td>&gt;10</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Dairy products and birds’ eggs</td>
<td>&gt;50</td>
<td>4</td>
<td>21</td>
</tr>
<tr>
<td>Meat and Meat products</td>
<td>-</td>
<td>4</td>
<td>22</td>
</tr>
<tr>
<td>Other Cereals</td>
<td>-</td>
<td>7</td>
<td>14</td>
</tr>
</tbody>
</table>

Sources: UBOS database of agricultural imports into Uganda, 2007; various websites on agricultural value addition

Evidence from the Agro-Processing sector
As part of this study, selected case studies of agro-processors were conducted to obtain first hand evidence of the possible impact of import competition from agricultural imports. Through site interviews conducted with three leading agro-processors, it was possible to pinpoint some of the effects of competition from imported agricultural products. The summary of the case interviews below provide some emerging evidence:

CASE1: One of the major agro-processing firms in Uganda manufacturing fruit juices, biscuits and sweets form a range of local fruits such as mangoes, guava, oranges, passion fruits, pineapple and others. Import competing products are biscuits—a variety, juices—a variety, quencher, sweets—a variety. Countries of origin are Taiwan, Kenya, South Africa, Japan, China, and the European Union. While our market share and demand for our products in neighbouring countries of DR Congo, Sudan, Rwanda and Burundi is high, over 76%, demand in the local market is slow, in some cases declining. Imports are controlling an increasing share of the local market. Our local market share is currently around 47%. Profits are about Ushs. 1 billion per month (approximately USD 0.6 million) but fluctuating downwards.

CASE2: A local firm processing mainly cereals and oil seeds to produce flour, peanut butter, pasta and wheat products. “We are competing with products from the European Union, USA, South Africa, United Arab Emirates, and Kenya.” Competing products include pasta, peanut butter, and other cereal products. “Most of our raw materials are locally acquired…. Although recently we invested in capacity expansion, increased competition from imports is negatively affecting our ability to utilise that capacity and this affects purchase of local raw material…. Much as we would like to invest in creating strong linkages with local farmers through steady purchase of their output and good prices, increased competition from imports is increasingly posing a challenge to this.”

CASE3: A local milling firm specialising in processing mainly cereals and manufacturing a number of flour-based food stuffs. “Uganda should not be importing a lot of agricultural products. This will kill local agriculture for sure. We have invested in this plant but the government is not doing enough to protect us or at least allow us to first become competitive like our counterparts in Kenya and other countries…. “Our profits are going down… I can estimate that our profits have declined by about 50% over the last three years. Our sales are also going down too save for a few exports we make from time to time…. There is a shift in demand towards imports. Our local sales are declining by about 10-15% annually. This means in the next five to six years, we may be out of business…. “Of course we purchase less and less quantities and cannot risk on price offered. We offer a price that we know can sustain us in business… Given the high costs of doing business, currently prevailing, our margins are small… Local processors should first
be allowed to grow... The government needs to improve the business environment first and limit imports. Only then will the agricultural sector become vibrant again.”

From the case summaries above, it is possible to observe that; first, agro-processors face stiff import competition from virtually all the world. Agro-processors currently compete with agricultural product imports from the EU, Taiwan, Kenya, South Africa, China, Japan, United Arab Emirates, Egypt, as well as USA. Additional import competition originates from within the COMESA and the East African Community although at a small scale.

Secondly, although some agro-processors are experiencing increasing demand for their products from neighbouring countries such as the Democratic Republic of Congo, Sudan, Rwanda, and Burundi, steady decline in market share is currently being experienced due to the flooding of local supermarkets with imported products. Many locally produced products increasingly find it difficult to obtain supermarket shelf space.

Thirdly, agro-processors in Uganda at best are experiencing reducing margins, declining profitability, stagnating or declining capacity utilisation and reduced competitiveness. As the case summaries suggest, profitability has declined up to 50% in some cases while local demand and sales are also being experienced. Agro-processors generally suggested that the current conditions point to a direction of closure rather than to growth and expansion.

Fourthly, stagnating or reducing consumption of local agricultural produce seems to have had negative ripple effects on the agricultural supply chain. The declining market performance and profitability among the agro-processors has resulted into a stagnating or declining raw material consumption and capacity utilisation. The declining raw material consumption has translated into capped prices offered to agricultural produce suppliers (middlemen or farmers) that tend to disregard the suppliers’ costs and margins.

Lastly, the larger agro-processors such as Britannia Industries reported registering declining market shares in the established regional markets of Kenya and Tanzania owing to stiff competition in those markets and their reduced competitiveness at home.

CONCLUSIONS AND EMERGING POLICY IMPLICATIONS
A number of conclusions can be drawn from the above review results and case studies that:

i. As a result of agricultural import liberalization, there has been a significant increase in the range of agricultural products imported into the country. From the EU and South Africa alone, Uganda imports products over 150 and 294 tariff lines that have more than doubled and increased by more than 2000% respectively since 1995.

ii. While the composition of Uganda’s agricultural imports has been changing, the study shows that on average, Uganda’s agricultural imports by value are 31% primary unprocessed products, 69% value-added processed products and 14% food items. The large percentage of value-added imports poses a challenge to local value addition potential.

iii. While overall agricultural exports are increasing, of which flowers and vegetables are key, there is a steady decline in processed agricultural exports. Processed agricultural exports declined by 44.7% between 2002 and 2006 and this trend is likely to continue.

iv. Already, almost all potential value addition possibilities are being supplied by competing products imported with import levels likely to increase. Already, locally produced value-added agricultural products have limited competitive space and in many cases are already swamped by imported ones.

v. Agro-processing ventures in Uganda are faced with increasing competition from agricultural imports which has seriously threatened the potential for agricultural value addition. Existing agro-
processing investments have experienced declining demand and sales, market share, profitability, and competitiveness due to stiff import competition. This has already reduced the attractiveness of many agricultural value addition investments in Uganda.

Some lessons can be drawn from the results and findings of this study on some policy adjustments that may be necessary to among other things; reduce import competition, strengthen the competitiveness of agro-processing ventures, improve the attractiveness of agro-processing investments, improve the efficiency of the domestic agricultural marketing system and increase value-added agricultural exports. Some of the lessons include the need to:

i. **Review applied tariffs upwards to ensure that the agricultural sector is reasonably protected.** In order to stem the expansion in agricultural imports into an agricultural dependent economy such as Uganda, there is need to review applied tariffs on the majority of agricultural imports upwards to levels that will discourage further growth in imports but within the range of World Trade Organization (WTO) bound rates. Customs duties are bound for all tariff lines for agricultural products (WTO definition) for Uganda. The bindings are at ceiling tariff rates of 80% on most agricultural products, except for 60 lines with bound rates between 40% and 70% (WTO, 2001). Clearly, the tariff overhang [the difference between WTO bound rates and applied tariffs] is big [average 61.1% in 2005/06] and there is substantial scope for upward tariff revision to accord additional protection to the agricultural sector within the WTO limits.

ii. **Strengthen agricultural product standards and their enforcement.** Upgrading Uganda’s agricultural product standards to emphasize natural or organic production qualities, which characterize much of Uganda’s agricultural output, together with strengthening their application would help regulate agricultural imports, without contravening any international trade agreements. Most agricultural imports are largely constituted by conventional products.

iii. **Implement specific measures to make agro-processing ventures more competitive.** Apart from the need to minimize directly competing imports, possible measures that emerge from the study include the need to establish special incentives (as is done elsewhere) and improve the business environment in which agro-processors operate. These would need to include specific measures addressing the agricultural sector such as expanding agricultural marketing infrastructure; increasing the level and reducing the cost of investment finance and working capital; strengthening grassroots commercially oriented institutions capable of mobilising the production capacity of small producers; as well as expanding the agricultural information system to provide data on the agricultural sector.

iv. **Institute measures to stem the increase in poverty in the agricultural sector.** Critical measures to stem the increase in poverty in the agricultural sector dominated by small scale farmers include mainly stabilisation of farm gate prices, improving access to markets through strengthening the linkages between farmers and agro-processors, quality standardisation and rewarding higher quality to make small scale agricultural production more sensitive to local, regional and international market requirements. No agricultural liberalization regime should leave these elements open to market forces.
REFERENCES
   Ministry of Finance, Planning and Economic Development (MFED), Kampala
Malhotra, K. (2003). Inclusive Globalisation. UNDP Bureau for Development Policy,
   Geneva.
   United Nations Conference on Trade and Development, Discussion paper Series, October
   www.wto.org/english/tratop_e/tpr_e/tp182_e.htm
## Appendix 1

### Table 2: Uganda’s Top 25 Agricultural Product Imports from the EU in Terms of Value (USD)

<table>
<thead>
<tr>
<th>No</th>
<th>HS 4</th>
<th>DESCRIPTION</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1107</td>
<td>Malt</td>
<td>9,161,780</td>
<td>6,732,052</td>
<td>4,698,050</td>
<td>289,657</td>
<td>2,317,991</td>
<td>23,199,531</td>
</tr>
<tr>
<td>2</td>
<td>1005</td>
<td>Maize (corn)</td>
<td>946,865</td>
<td>1,198,003</td>
<td>5,938,335</td>
<td>2,592,589</td>
<td>1,072,244</td>
<td>11,748,036</td>
</tr>
<tr>
<td>3</td>
<td>1001</td>
<td>Wheat and meslin</td>
<td>0</td>
<td>2,102,136</td>
<td>1,167,153</td>
<td>4,196,765</td>
<td>1,783,862</td>
<td>9,249,916</td>
</tr>
<tr>
<td>4</td>
<td>1102</td>
<td>Cereal flours, (excl. Wheat or meslin)</td>
<td>105,002</td>
<td>2,520,867</td>
<td>2,088,084</td>
<td>1,630,178</td>
<td>934,277</td>
<td>7,278,409</td>
</tr>
<tr>
<td>5</td>
<td>2202</td>
<td>Waters (incl. Mineral and aerated), with added sugar...(incl. Sweetened)</td>
<td>9,246</td>
<td>1,880</td>
<td>4,414</td>
<td>13,192</td>
<td>6,870,379</td>
<td>6,899,110</td>
</tr>
<tr>
<td>6</td>
<td>0713</td>
<td>Dried leguminous vegetables, shelled</td>
<td>675,999</td>
<td>1,350,188</td>
<td>1,946,999</td>
<td>1,479,268</td>
<td>896,499</td>
<td>6,348,952</td>
</tr>
<tr>
<td>7</td>
<td>1701</td>
<td>Cane or beet sugar and chemically pure sucrose, in solid form</td>
<td>2,580,265</td>
<td>1,783,608</td>
<td>1,062,659</td>
<td>332,314</td>
<td>345,489</td>
<td>6,104,335</td>
</tr>
<tr>
<td>8</td>
<td>1516</td>
<td>Animal or vegetable fats and oils and fractions, hydrogenated, etc</td>
<td>179,908</td>
<td>1,479,491</td>
<td>1,658,447</td>
<td>1,602,992</td>
<td>492,452</td>
<td>5,413,290</td>
</tr>
<tr>
<td>9</td>
<td>0402</td>
<td>Milk and cream, concentrated or sweetened</td>
<td>665,151</td>
<td>591,272</td>
<td>159,480</td>
<td>746,836</td>
<td>872,336</td>
<td>3,035,076</td>
</tr>
<tr>
<td>10</td>
<td>1101</td>
<td>Wheat or meslin flour</td>
<td>720,962</td>
<td>908,938</td>
<td>619,878</td>
<td>300,751</td>
<td>361,534</td>
<td>2,912,063</td>
</tr>
<tr>
<td>11</td>
<td>2102</td>
<td>Yeasts; other single-cell micro-organisms, dead; prepared baking powders</td>
<td>434,380</td>
<td>442,763</td>
<td>378,541</td>
<td>835,690</td>
<td>752,591</td>
<td>2,843,964</td>
</tr>
<tr>
<td>12</td>
<td>1902</td>
<td>Pasta, such as spaghetti, macaroni, noodles, lasagne, etc; couscous</td>
<td>423,748</td>
<td>432,562</td>
<td>317,225</td>
<td>777,700</td>
<td>739,066</td>
<td>2,690,301</td>
</tr>
<tr>
<td>13</td>
<td>1901</td>
<td>Malt extract; food preparations of flour, etc , nes</td>
<td>794,221</td>
<td>644,901</td>
<td>665,439</td>
<td>267,497</td>
<td>60,694</td>
<td>2,432,752</td>
</tr>
<tr>
<td>14</td>
<td>1006</td>
<td>Rice</td>
<td>1,399,701</td>
<td>808,460</td>
<td>36,163</td>
<td>5,139</td>
<td>124,645</td>
<td>2,374,109</td>
</tr>
<tr>
<td>15</td>
<td>2208</td>
<td>Undenatured ethyl alcohol of an alcoholic strength &lt;80%; spirits, etc</td>
<td>84,973</td>
<td>84,264</td>
<td>96,689</td>
<td>1,861,401</td>
<td>2,127,327</td>
<td>8</td>
</tr>
<tr>
<td>16</td>
<td>2106</td>
<td>Food preparations not elsewhere specified or included</td>
<td>629,477</td>
<td>286,173</td>
<td>215,520</td>
<td>526,192</td>
<td>346,589</td>
<td>2,003,951</td>
</tr>
<tr>
<td>17</td>
<td>2104</td>
<td>Soups... And preparations therefor; homogenized composite foods</td>
<td>17,322</td>
<td>599,486</td>
<td>532,414</td>
<td>249,309</td>
<td>31,820</td>
<td>1,430,350</td>
</tr>
<tr>
<td>18</td>
<td>1210</td>
<td>Hop cones and lupulin, fresh or dried</td>
<td>530,160</td>
<td>192,544</td>
<td>176,963</td>
<td>287,776</td>
<td>205,084</td>
<td>1,392,527</td>
</tr>
<tr>
<td>19</td>
<td>1517</td>
<td>Margarine; edible preparations of animal or vegetable fats or oils, nes</td>
<td>712,964</td>
<td>884</td>
<td>440,613</td>
<td>37,949</td>
<td>1,192,409</td>
<td>2</td>
</tr>
<tr>
<td>20</td>
<td>1208</td>
<td>Flours and meals of oil seeds or oleaginous fruits (excl. Mustard)</td>
<td>1,013</td>
<td>99,358</td>
<td>16</td>
<td>105,720</td>
<td>922,919</td>
<td>1,129,025</td>
</tr>
<tr>
<td>21</td>
<td>1007</td>
<td>Grain sorghum</td>
<td>0</td>
<td>34,000</td>
<td>50,400</td>
<td>976,297</td>
<td>1,060,697</td>
<td>2</td>
</tr>
<tr>
<td>22</td>
<td>0602</td>
<td>Other live plants, cuttings and slips, mushroom spawn</td>
<td>130,316</td>
<td>605,533</td>
<td>108,723</td>
<td>127,417</td>
<td>26,942</td>
<td>998,931</td>
</tr>
<tr>
<td>23</td>
<td>0105</td>
<td>Live poultry</td>
<td>159,270</td>
<td>136,469</td>
<td>167,367</td>
<td>196,865</td>
<td>276,444</td>
<td>936,414</td>
</tr>
<tr>
<td>24</td>
<td>1511</td>
<td>Palm oil and its fractions</td>
<td>0</td>
<td>216,709</td>
<td>395,296</td>
<td>244,467</td>
<td>856,473</td>
<td>2</td>
</tr>
<tr>
<td>25</td>
<td>1702</td>
<td>Other sugars in solid form; sugar syrups; artificial honey and caramel</td>
<td>156,516</td>
<td>168,590</td>
<td>278,697</td>
<td>160,136</td>
<td>44,540</td>
<td>808,478</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>AGRICULTURAL IMPORTS FORM EU</td>
<td>22,603,152</td>
<td>24,592,911</td>
<td>24,644,284</td>
<td>18,598,402</td>
<td>23,954,716</td>
<td>114,393,466</td>
</tr>
</tbody>
</table>
The objective of this paper is to examine the determinants of inflation in Ghana based on the autoregressive distributed lag (ARDL) approach to cointegration. The paper uses modern econometric time series methods unit root, cointegration and error correction. Stationarity or otherwise of the series were determined using the augmented Dicky-Fuller (ADF) test for unit roots. All the series were stationary except real income and exchange rate, which were I(1). The results indicate that inflation is cointegrated with real income, money supply (M2), nominal exchange rate and nominal interest rate. The estimated coefficients of the variables in both the long and short run periods were all significant at 5% or 1% levels of significance and are thus important determinants of Ghanaian inflation. A successful anti-inflation policy should therefore include these real income, money supply, exchange rate and interest rate as intermediate target variables.

INTRODUCTION
Inflation is widely regarded as one of the most important macroeconomic indicators and is a major focus of economic policy. Yet, no single consensus theory of inflation has emerged. Moreover, the evidence from inflation studies shows that the causes of inflation are many and varied.

One of the requirements of joining ECOWAS common currency zone is single-digit rate of inflation. Unfortunately, inflation has been persistently remained above a single-digit mark in Ghana. The importance and the benefit of price stability provide rare agreement among economists. It is widely accepted that economies perform better in terms of growth, employment and living standards in a low rather than high inflation environment. The Bank of Ghana has made fighting inflation one of the key objectives of the monetary policy. A precondition for a successful anti-inflation policy is prior establishment of the root of the inflationary process in Ghana. What then are the causes of inflation in Ghana? This paper seeks to answers to this question.

Given the importance of low inflation for both improved resource allocation and financial stability, the main objective of this paper is to investigate the determinants of inflation in Ghana. By thoroughly analysing the country’s inflation pattern, this study intends to contribute to policy maker’s efforts in achieving and maintaining price stability. The paper uses modern econometric methods to estimate the empirical determinants of inflation in Ghana using annual time series data covering the period 1970 to 2002 due to data problems and financial constraints. The study applies cointegration and error-correction technique based on the autoregressive distributed lag (ARDL) modelling approach to cointegration.

The paper consists of five sections. Section 1.0 introduces the paper. Section 2.0 presents a simple theoretical model of inflation whilst section 3.0 presents the econometric techniques. Section 4.0 presents the results and analysis and section 5.0 concludes the paper.

THEORETICAL MODEL OF GHANAIAN INFLATION
This section of the paper derives a simple theoretical model of inflation determination. This is to help determine the impact of the different variables on inflation and how these variables could be influenced to reduce inflation.
Inflation is defined as a sustained increase in the general level of prices of goods and services. It is measured as an annual percentage change in the general price level. The general price level is the weighted average of the price of tradable goods \( P_T \) and the price of non-tradable goods \( P_N \):

\[
\log P_t = \theta (\log P_T) + (1 - \theta) (\log P_N)
\]

Where \( 0 < \theta < 1 \)

The price of tradable goods is determined in the world market and depends on the foreign price \( P_f \) and on the exchange rate \( E \). In domestic currency terms, \( P_T \) can be depicted by the following expression assuming purchasing power parity holds:

\[
P_T = E P_f \Rightarrow \log P_T = \log E_t + \log P_f \quad \text{(2.2)}
\]

As can be seen from (2.2), both an increase (depreciation) in the exchange rate and a rise in foreign prices will lead to an increase in domestic prices. Further, we also assume that the price of non-tradable goods is set in the domestic money market, where demand for non-tradables is assumed, for simplicity to move in tandem with the overall demand in the economy. This implies that, the price of non-tradable goods is determined by the money market equilibrium condition, which requires that real money supply \( M^s \) be equal to real money demand \( m^d \):

\[
\log P_t^N = \lambda (\log M_t^s - \log m_t^d) \quad \text{(2.3)}
\]

where \( \lambda \) is the scale factor representing the relationship between economy-wide demand and the demand for non-tradable goods. The demand for real money balances is also assumed to depend on real income and inflationary expectations. Typically, the money demand is also a function of interest rate, the opportunity cost variable. The money demand function is given by:

\[
m_t^d = f(y_t, r_t, E(\pi_t)) \quad \text{(2.4)}
\]

where \( y_t \) is real income, \( r_t \) is the nominal interest rate and \( E(\pi_t) \) is the expected inflation rate. Economic theory postulates a positive relationship between money demand and real income on one hand and money demand and expected inflation rate on the other hand. However, economic theory predicts an inverse relationship between the demand for real money balances and the interest rate.

There are variants of models of expected inflation. Following Ubide (1997), Laryea and Sumaila (2001), this paper uses following general formulation is for inflationary expectations in Ghana:

\[
E(\pi_t) = d(L(\pi_t)) + (1 - d) \Delta \log P_{t-1} \quad \text{(2.5)}
\]

where \( L(\pi_t) \) represents a distributed lag learning process for the agents of the economy. Assuming that \( d = 0 \) for the sake of simplicity, equation (2.5) reduces to:
\[ E(\pi_i) = \Delta \log P_{t-1} \]  

After doing all the relevant substitutions and rearranging, the price level can be expressed generally as follows:

\[ P_i = F(M_t, y_t, E_t, r_t, P_{t-1}, P_{t-1}') \]  

However due to data constraints problems, this paper uses a variant of equation (2.7), given as:

\[ P_i = F(M_t, y_t, E_t, r_t) \]  

The specific form of equation (2.8) takes the following multiplicative form:

\[ P_i = A y_t^\gamma M_t^\beta E_t^\alpha r_t^\delta e^\epsilon \]  

Log-linearising equation (2.9), we obtain the following estimatable equation for the static long run model for inflation determinants in Ghana.

\[ \log P_i = \alpha + \theta_1 \log y_t + \theta_2 \log M_t + \theta_3 \log E_t + \theta_4 \log r_t + \epsilon_i \]  

where \( \epsilon_i \) is the disturbance term, which is assumed to have zero mean, constant variance and not correlated with the regressors. The rate of inflation is expected to be negatively correlated with the level of real income, it is therefore expected that \( \theta_1 \) be negative (\( \theta_1 < 0 \)). An increase in real income leads to an increase in real money demand and via equation 2.3 results in a fall in the price of non-tradables and given the price of tradables, the general price level falls. In this paper we use the real GDP as a proxy for real income. However, economic theory postulates positive relationship between inflation and the other regressors, namely money supply (M2), the exchange rate and the interest rate, it is therefore expected that \( \theta_2, \theta_3, \theta_4 \) are all positive (that is \( \theta_2, \theta_3, \theta_4 > 0 \)). The paper uses M2 as a measure of money supply as the other measure of money supply (M1) was found not to be cointegrated with the other variables in the model. Increase in money supply leads to an increase in the price of non-tradable goods through equation 2.3 which leads to an increase in the general price level, all things being equal. Again, an increase in interest rate causes the price of non-tradable goods to increase via equation 2.3 and thus the general price level, cetris paribus. An increase in the exchange rate (depreciation) through equation 2.2 leads to an increase in the price of tradables and thus the general price level through equation 2.1, all things being equal.

The data for this paper is taken from the World Bank’s World Development Indicators (WDI) CD-ROOM, 2004. The paper covers the period 1970 to 2002 for which data was available on all the relevant variables.

**METHODOLOGY**

**Stationarity Tests**

The time series properties of the individual variables are first determined. The purpose is to determine the order of integration of each of the variables and the number of times that a particular variable would have to be differenced for the series to achieve Stationarity. A standard test for the presence of unit root based on the augmented Dicky-Fuller (1979, 1981) test is used to examine the order of integration of the
variables in used in this paper. The augmented Dicky-Fuller (ADF) test for unit root involves estimating the following equation:

$$\Delta y_t = \mu + \gamma^* y_{t-1} + \sum_{j=1}^{p-1} \phi_j \Delta y_{t-j} + \epsilon_t$$

The unit root test is carried out by testing the null hypothesis that $\gamma^* = 0$ against the alternative that $\gamma^* < 0$.

**Cointegration Test**

There are several methods available for conducting the cointegration test. The most widely used methods include the residual based Engle-Granger (1987) test and the maximum likelihood based Johansen (1988; 1991) and Johansen and Juselius (1990) tests. According to Pesaran and Pesaran (1997), the residual-based cointegration tests are inefficient and can lead to contradictory results, especially when there are more than two I(1) variables under consideration. Therefore, Johansen (1988, 1991) and Johansen and Juselius (1990) tests are used for multivariate case. All the above methods require that all the variables in the system be integrated of the same order. These methods do not include the information on structural break in time series data and also suffer from low power. Due to these problems associated with the traditional approaches to testing for cointegration, the OLS based autoregressive distributed lag (ARDL) approach is used in this paper.

The ARDL modeling approach popularized by Pesaran and Pesaran (1997), Pesaran and Smith (1998), Pesaran and Shin (1999) and Pesaran et al. (2001) has a number of advantages over the other approaches to testing cointegration. The main advantage of this approach lies in the fact that it can be applied irrespective of whether the variables are I(0) or I(1) (Pesaran and Pesaran, 1997). Another advantage of the ARDL approach to cointegration is that it is more statistically significant in small samples unlike the Johansen test, which is only robust in large samples. Another advantage of this approach is that the model takes sufficient numbers of lags to capture the data generating process (DGP) in general-to-specific modeling framework (Laurenceson and Chi, 2003). Moreover, a dynamic error correction model can be derived from ARDL through a simple linear transformation (Banerjee et al., 1993). The error correction model integrates the short run dynamics with the long run equilibrium without losing long run information.

According to Pesaran and Pesaran (1997), the ARDL procedure is represented by the following equation:

$$y_t = \mu + \sum_{i=1}^{p} \gamma_i y_{t-i} + \sum_{j=0}^{r} \beta_j x_{t-j} + \delta w_t + \epsilon_t$$

Equation (4.3) can be written in more compact form as:

$$C(L)y_t = \mu + B(L)x_t + \delta w_t + \epsilon_t$$

by defining polynomials in the lag operator,

$$C(L) = 1 - \gamma_1 L - \gamma_2 L^2 - ... - \gamma_p L^p$$

and

$$B(L) = \beta_0 + \beta_1 L + \beta_2 L^2 + ... + \beta_r L^r$$

The model in this form is denoted ARDL (p, r) to indicate the orders of the two polynomials in L. The specific model for this paper is equation (2.10). The ARDL framework for equation is as follows:
\[ \Delta \ln P_t = \alpha_0 + \sum_{i=1}^{n} \phi_i \Delta \ln P_{t-i} + \sum_{i=1}^{n} \varphi_i \Delta \ln y_{t-i} + \sum_{i=1}^{n} \Omega_i \Delta \ln M_{t-i} \]
\[ + \sum_{i=1}^{n} \delta_i \Delta \ln E_{t-i} + \sum_{i=1}^{n} \gamma_i \Delta \ln r_{t-i} + \theta_0 \ln P_{t-i} + \theta_1 \ln y_{t-i} + \theta_2 \ln M_{t-i} \]
\[ + \theta_3 \ln E_{t-i} + \theta_4 \ln r_{t-i} + u_t \]  

(3.4)

In the above equation, the terms with the summation signs represent the error correction capturing the short run dynamics, while the second part corresponds to the long run relationship. The null hypothesis is \( \theta_0 = \theta_1 = \theta_2 = \theta_3 = \theta_4 = 0 \), which implies that there is no long run equilibrium relationship among the variables and hence no cointegration.

The ARDL model testing procedure starts with conducting the bound test for the null hypothesis of no cointegration. The calculated F-statistic is compared with the critical value tabulated by Pesaran and Pesaran (1997) or Pesaran et al. (2001). If the test statistic exceeds the upper critical value, the null hypothesis of no cointegration is rejected. On the other hand, if the test statistic falls below the lower critical value, the null hypothesis is accepted. However, if the test statistic lies between these two bounds, the result is inconclusive.

**RESULTS AND ANALYSIS**

**Results of Unit Root Test**

In order to investigate the determinate of inflation in Ghana, the stationarity or otherwise of the variables in equation 3.10 are determined. The test is based on the augmented Dicky-Fuller test for unit roots. The results of the test are presented in table 1. The results show that all the variables are integrated of order zero (i.e. I(0)) and are thus stationary, except real income proxy by the real GDP and the nominal exchange rate, which are integrated of order 1 (i.e. I(1)) and thus have unit root. The implication is that shock to the real income and the nominal exchange rate variable will have permanent effect. However, effect of shock to the other variables will only be temporally since all I(0) variables revert to their respective means following a shock.

<table>
<thead>
<tr>
<th>Variable</th>
<th>ADF</th>
<th>Order of integration</th>
</tr>
</thead>
<tbody>
<tr>
<td>( P_t )</td>
<td>-4.227**</td>
<td>I(0)</td>
</tr>
<tr>
<td>( \ln yt )</td>
<td>-2.120</td>
<td>I(0)</td>
</tr>
<tr>
<td>( \ln E_t )</td>
<td>-2.654</td>
<td>I(1)</td>
</tr>
<tr>
<td>( r_t )</td>
<td>-4.398***</td>
<td>I(0)</td>
</tr>
<tr>
<td>( \ln M_t )</td>
<td>-1.439</td>
<td>I(0)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Table 1: Results of the Unit Root Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable</td>
</tr>
<tr>
<td>----------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>( P_t )</td>
</tr>
<tr>
<td>( \ln yt )</td>
</tr>
<tr>
<td>( \ln E_t )</td>
</tr>
<tr>
<td>( r_t )</td>
</tr>
<tr>
<td>( \ln M_t )</td>
</tr>
</tbody>
</table>

***,**,* denotes significance at 1%, 5% and 10% levels respectively.

**Results of Cointegration Results**

This section of the paper presents the results of the cointegration test based on the ARDL bounds test approach. The results are presented in table 3. The results indicate that there is cointegration relationship between the rate of inflation on one hand and real income, money supply, nominal exchange rate and the
nominal interest rate at 5% level of significance. With inflation as the dependent variable, the computed F-statistic is 4.4706 which is greater than the 5% upper critical bound of 4.150.

Therefore, the null hypothesis that there is no cointegration relationship is rejected at 5% level of significance. This implies that there is long-run equilibrium relationship between inflation and the other four variables, namely, real income, money supply, nominal exchange rate and the nominal interest rate.

Table 2: Results from Bounds Tests for Cointegration

<table>
<thead>
<tr>
<th>K</th>
<th>1 percent level</th>
<th>5 per cent level</th>
<th>10 per cent level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>I(0)</td>
<td>I(1)</td>
<td>I(0)</td>
</tr>
<tr>
<td>4</td>
<td>4.223</td>
<td>5.763</td>
<td>3.002</td>
</tr>
</tbody>
</table>

Dep. Var.

| FP(P | y, M2, E, r) | 4.4706** | Cointegration |
| Fy(y | P, M2, E, r) | 4.1342* | Cointegration |
| FM2(M2 | y, P, E, r) | 2.9114 | No cointegration |
| FE(E | y, M2, P, r) | 1.8574 | No cointegration |
| Fr(r | y, M2, E, P) | 3.0241 | No cointegration |

Notes: Asymptotic critical values are extracted from Narayan (2004a), pp. 26-28, appendices 1-3. k is the number of regressors.
** (*) indicate significance at the 5% and 10% levels.

When the other variables swap position inflation, one at a time, the results indicate no equilibrium relationship among the variables and thus accepting the null hypothesis of no cointegration at the conventional 5% level of significance. Even at 10% level of significance, there is no cointegration, except with real income as the dependent variable. When real income swapped role with inflation as the dependent variable, the computed F-statistic is 4.1342 which is less than the upper critical bound of 4.150 at 5% level of significance, but greater than the upper critical bound of 3.497 at 10% level of significance. Thus, the null hypothesis of no cointegration is only rejected at 10% level of statistical significance.

However, since the objective of this paper is to investigate the determinants of inflation in Ghana, the null hypothesis of no cointegration is still rejected at the conventional 5% level of statistical significance. This implies that there is long run equilibrium relationship between the variables in the inflation model.

Long Run Determinants of Inflation

Table for presents the results of the long-run determinants of inflation based on the ARDL approach. All the variables are in logs, except the inflation rate and the nominal interest rate, which cannot be logged since they are either computed as proportions or percentages.

All the variables have the right theoretical expected signs and all the estimated coefficients are all statistically significant at 1% level of significant, except the coefficient of the nominal exchange rate which is significant at 5% level of statistical significance.
Table 3: Estimated Long Run Coefficients using the ARDL Approach

<table>
<thead>
<tr>
<th>Regressor</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-statistic</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>88.7874</td>
<td>22.9349</td>
<td>3.8713***</td>
<td>0.001</td>
</tr>
<tr>
<td>Lnyt</td>
<td>-6.4317</td>
<td>1.7031</td>
<td>-3.7764***</td>
<td>0.001</td>
</tr>
<tr>
<td>LnM2</td>
<td>3.1154</td>
<td>0.76086</td>
<td>4.0946***</td>
<td>0.000</td>
</tr>
<tr>
<td>LnE</td>
<td>0.33535</td>
<td>0.14534</td>
<td>2.3074**</td>
<td>0.030</td>
</tr>
<tr>
<td>r</td>
<td>0.79150</td>
<td>0.25794</td>
<td>3.0685***</td>
<td>0.005</td>
</tr>
</tbody>
</table>

Note: ***(**) denotes significance at the 1% (5%) levels

The sign on the real income variable support the theoretical conclusion that real income is negatively related to inflation since the coefficient of real income in the long run model of inflation is negative and significant at 1% level of significance. This coefficient of -6.4317 indicates that a one-percentage change in real income will results in 6.4317-percentage change in inflation in the opposite direction. Thus, an increase in real income by one percentage point will cause 6.4317 percentage points fall in inflation.

The coefficient of money supply is positive and significant at 1% level of significance. This is in accord with the monetarist theory of inflation. According to Milton Friedman, inflation is always and everywhere a monetary phenomenon. The results also support the quantity theory of money explanation of inflation. The results indicate that a one-percentage point rise in money supply will results in about 3.1154 increases in the rate of inflation.

The results of the Error Correction Model

The results of the short run determinants of Ghanaian inflation are presented in table 5 below and the diagnostic tests in table 6. As can be seen from the bottom of table 5 and from table six, the model passes all diagnostics tests. All the estimated coefficients of the short run model of inflation determination are statistically significant at 1% level of significance except that of the nominal exchange rate which is significant at 5% level of significance.

Also all the variables have the right theoretically expected signs as in the long run model, except the money supply variable, which has wrong negative sign. However, the wrong negative sign on the money supply variable in the short run model is not surprising. In the short run, monetary expansion have a positive impact on output and real income through the monetary transmission mechanism and thus have a damped effect on inflationary pressures. The results of the short run model indicate that real income and money supply all have negative effect on inflation and are both elastic. An increase in real income by one percentage point causes inflation to fall by 5.0225 percentage points and 2.1006 percentage points for a
one-percentage point increase in money supply. A one-percentage change in the nominal exchange rate and the nominal interest rate, in the short run, causes inflation to increase by 0.26187% and 0.61808% respectively.

Table 4: Estimated Short Run Coefficients using the ARDL Approach
ARDL(1,0,1,0,0) selected based on Akaike Information Criterion

<table>
<thead>
<tr>
<th>Regressor</th>
<th>Coefficient</th>
<th>Standard Error</th>
<th>T-Statistic</th>
<th>Prob. value</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>69.3341</td>
<td>17.5773</td>
<td>3.9445***</td>
<td>0.001</td>
</tr>
<tr>
<td>Δlny</td>
<td>-5.0225</td>
<td>1.3069</td>
<td>-3.8430***</td>
<td>0.001</td>
</tr>
<tr>
<td>ΔlnM2</td>
<td>-2.1006</td>
<td>0.53381</td>
<td>-3.9351***</td>
<td>0.001</td>
</tr>
<tr>
<td>ΔlnE</td>
<td>0.26187</td>
<td>0.11097</td>
<td>2.3599**</td>
<td>0.026</td>
</tr>
<tr>
<td>Δr</td>
<td>0.61808</td>
<td>0.25794</td>
<td>3.0685***</td>
<td>0.001</td>
</tr>
<tr>
<td>ECTt-1</td>
<td>-0.78090</td>
<td>0.078269</td>
<td>-9.9772***</td>
<td>0.000</td>
</tr>
</tbody>
</table>

R2 = 0.84616
R2-adjusted = 0.80924
S.E. of Regression = 0.31389
Mean of Dependent Variable = -1.2272
Residual Sum of Squares = 2.4632
F-stat. F(6, 25) = 22.9182[0.000]
DW-statistic = 2.0990
Durbin's h-statistic = -0.31227[0.755]
Akaike Info. Criterion = -11.3779
Schwarz Bayesian Criterion = -16.5080

Notes: *** (**) denotes significance at the 1% and 5% levels.

Table 5: Diagnostic Tests for the ARDL-ECM

<table>
<thead>
<tr>
<th>LM Test Statistics</th>
<th>Auto. χ2 (1) = 0.32031[0.571]</th>
<th>Normality χ2(2) = 0.12794[0.938]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Functional F. χ2 (1) = 2.2482[0.134]</td>
<td>Hetero. χ2(1) = 0.61015[0.435]</td>
<td></td>
</tr>
</tbody>
</table>

The coefficient of the error correction term (ECTt-1) has the right negative sign and it is significant at 1% level of significance. This is an indication of joint significance of the short and long run coefficients. The results of the error correction model suggest the validity of the long run equilibrium relationship among the variables in the long run model of inflation determination. The negative coefficient of the error correction term indicates that the model is dynamically stable. The estimated error correction coefficient is less than one (-0.78090) in absolute terms, indicating that the system corrects its previous periods disequilibrium error in more than one year to its equilibrium level following a shock. The error correction coefficient of -0.78090 indicates that about 78% of the previous period’s error is corrected during the current period.

The results, both the long run and the short run imply that inflation in Ghana is significantly influenced by changes in real income, money supply, the exchange rate and nominal interest rate. Therefore any successful disinflation policy should include real income, money supply, nominal interest rate and the interest rate as intermediate target variables. Policies that increase real incomes, reduces money supply,
interest rate and ensures stability of the external value of the cedi will go a long way to damp domestic inflationary pressures as far as the Ghanaian economy is concerned.

CONCLUSION
This paper investigated the determinants of inflation in Ghana using modern time series econometric methods of unit root and cointegration and error correction techniques. The paper employed the ARDL approach to cointegration and found that the rate of inflation is cointegrated with real income, money supply (M2), nominal exchange rate and nominal interest rate. The results indicate that real income; money supply, exchange rate and interest rate are important determinants of inflation in Ghana. Therefore, any successful policy of fighting inflation in Ghana should include these variables as intermediate target variables.

REFERENCES
The Anatomy of Corruption in Nigeria: The Role of a Tsar Agency in Fighting Corruption

Emmanuel Obuah, Alabama A&M University, USA

This paper examines the anatomy of corruption which is a complex and persistent phenomenon which bedevils Nigeria. In Nigeria, political, bureaucratic, corporate and electoral types of corruption are rife and have permeated the fabric of the society. Both elected officials of high echelon and public officers use their position of authority to actively engage in corrupt activities. It is estimated that corruption accounts for 20 percent of the GDP of Nigeria. In 2002 the Nigerian Government created a corruption tsar agency - the Economic and Financial Crimes Commission (EFCC) - to combat the menace of corruption which is a cog in the wheel of progress. The paper reviews the anatomy of corruption and the efforts by the Nigerian government via the EFCC to combat it by examining the types and forms of corruption and the various perspectives for understanding the causes of corruption and as well as the activities of the EFCC.

INTRODUCTION
Corruption is a complex and multifaceted persistent problem in Nigeria. The Nigerian political landscape is significantly littered with stories of corruption and graft in which elected officials, military officials, public officials and the private sector have squandered with impunity and reckless abandon the country’s wealth. Both military and civilian governments the stories and evidence abound of stealing, embezzlement, misappropriation, patronage, nepotism and cronyism involving leaders and individuals in high positions of trust and authority. Between 1966 and 1999 it is estimated that public officials in Nigeria squandered about $380 billion in stolen money from the state coffers. This is corroborated by the evidence that the EFCC was helping to combat an estimated £12bn which is annually stolen from state coffers (Independent Newspaper September 28, 2006). Transparency International (TI) 2005) estimates that corruption in Nigeria accounts for 20 percent of the Gross Domestic Product (GDP). These figures are staggering against the backdrop of a country where large proportion of the population suffers from abject poverty. There are also reports of corrupt Nigerian leaders, bureaucrats and politicians who have laundered ill gotten wealth accumulated through corrupt practices, into international banking and financial institutions overseas. Corruption has become a way of doing business. It is massive, widespread, and pervasive at all levels of the government and society (US Department of Defense 2004). Corruption deters investment because it is a disincentive to potential investors; it distorts public expenditure, increases the overheads of running business, and can divert resources from poor countries/regions to rich countries/regions.

Corruption has been defined differently by various scholars and organizations (Nye 1978, World Bank 1997, UNDP 2004) but suffice it to say that corruption is an inappropriate or illegal behavior of the public sector official (politician or public officer) by misusing the entrusted power for private gain of the person or related people (TI, 2002). It is usually an activity that is outside of constitutional government process, which involves the sale of publicly produced goods and services by government employees for payment or bribes not sanctioned by the government. Corruption is a characteristic of a failed state and indicative of the failure of government institutions and a lack of capacity to manage society by established social, legal, political and economic frameworks. It involves the violation of established rules for personal aggrandizement and profits.
This paper focuses on Nigeria for many reasons: Nigeria is the largest and most populous country in Africa with an estimated population of 140 million and about 250 ethnic groups; its economy is dependent on oil as the main source of revenue; it is poor with a per capita income of $1158; and corruption is endemic and systemic. Over the years various Nigerian governments have articulated polices and measures designed to fight and combat corruption. For examples, General Murtala Muhammed’s crusade of confiscation of assets illegally acquired by Nigerians; Shehu Shagari’s ethical revolution to combat corruption through the introduction of code of conduct for public servants, General Buhari’s operation war against indiscipline, General Ibrahim Babaginda’s ethical and social mobilization crusade etc. These efforts have been largely cosmetic attempts to address an endemic and systemic problem that is deep rooted in the fabric of the country. In its effort to fight corruption and create credibility to attract international investments and redeem Nigeria’s image, the Obasanjo-led Government among other things established the Economic and Financial Crimes Commission (EFCC) Act 2002. The EFCC is the first corruption tsar agency charged with wide-ranging responsibilities within the context of preventing, detecting, investigating, and prosecuting all cases of economic and financial crimes in Nigeria. Since its establishment, the EFCC has been in the forefront of the fight against corruption.

The purpose of this paper is to examine the anatomy, scope and severity of corruption in Nigeria and the attempt by the government to combat corruption through the creation of a corruption Tsar. To this end, the paper examines the various types and forms of corruption activities in Nigeria and the different theoretical lenses for explaining the causes of corruption. Finally, the paper reviews the role and activities of the EFCC and concludes with an examination of the implications of corruption activities to economic development in Nigeria.

TYPES AND FORMS OF CORRUPTION ACTIVITIES IN NIGERIA
Based on existing studies on corruption, the following types of corruption are discernable in Nigeria:

Political: According to Shleifer and Vishny (1993) it is the sale by government officials of government property for personal gain. It involves the use of public office by politicians both for financial gain and purposes of remaining in office. It is further facilitated by the creation of rent seeking projects.

Bureaucratic: This involves the use of public office for financial or pecuniary gain. It is common in Nigeria and many developing countries where the government play crucial roles in the development process, especially intervening in the domestic economy. It is also common where there is instability in government and lack of tenure which drive bureaucrats to engage in rent seeking opportunities for personal aggrandizement. Socio-economic conditions such as poverty and inequality, cultural norms and practices such as kinship loyalty not only impinge directly on public officials but shape their behavior.

Corporate: This occurs in the relationship between private business corporations and their vendors or clients. It can also take place within a corporation when officers use company’s resources for private aggrandizement, at the expense of the shareholders (Bhargava 2005).

Electoral: This occurs when people, whether endowed with political clout or not, illegally try to buy influence through illegal payoffs such as illegal funding of campaigns, illegal campaign contributions, bribes, buying of votes for cash or other inducements (i.e. paying voters to vote, thereby influencing their choices), promise of contracts or other favors etc. Electoral corruption may also take coercive forms, such as paying thugs to intimidate or threaten supporters of a candidate in order to compel supporters to vote for the candidate who employed the thugs or stop them from voting entirely. Electoral corruption can lead to outright rigging of elections, expectation of reward once victory is achieved, thereby encouraging quid pro quo deals, weak credible opposition politics, and the undermining of democratic values, especially where there is a conflict between the politicians’ interests and those of the public.
The types of corruption discussed above exist in different forms in Nigeria, such as what Shleifer and Vishny (1993) described as “corruption without theft” or “corruption with theft”. The former takes place when an official demands bribe but passes on the regular payment to the government. For example, if an immigration officer charges a bribe in addition to official fee for issuance of national passport, but passes the license fee on to the state treasury. The latter occurs when regular payments for goods or services are not made to the government. Example include, when a customs officer lets goods enter the country without paying the corresponding duties in exchange for bribe. Border stations in Nigeria are intersections were corruption among different government agencies is rife. Corruption activity may also take the forms of: extortion, subversion, defensive, investive, nepotistic, transactive (Alatas 1990, Gire, 1999).

Extortionary corruption occurs when a person seeking a government service is asked to pay a bribe for the service by an official who exercises monopoly power. Subversive corruption occurs when a public official facilitates a person engaged in an illegal act in exchange for bribe. For example, if the importation of a banned automobile is allowed into the country by a customs officer in return for bribe. Defensive corruption is where someone needing critical service is compelled to give bribe in order to prevent unpleasant consequences being imposed on his interest (Gire 1999). For example, in the late 1990s goods imported into Nigeria were usually assessed for purposes of duties by accredited agents on behalf of the Nigerian government in the originating countries. The understanding was that once a tax figure had been assigned after assessment that would be the tax figure to be paid in Nigeria. But this was not the case. Greedy customs officials usually asked for more tax after the initial tax had been paid into the government account through appointed banks. Either one paid the additional money, which was bribe or forfeited the goods. The briber gave the bribe in self-defense. Investive corruption occurs when an offer of gift is without a direct link to any particular favor immediately, but where there is anticipation that the favor may be returned or required at some point in the future. Transactive corruption occurs where two parties are mutual and willing participants in the corrupt activity to the advantage of both parties. For example, a corrupt firm willingly gives a kickback to a corrupt public official in order to win a contract bid. Finally, nepotistic corruption involves the offering of preferential treatment or unjustified appointment to friends, cronies or relatives of public officials, in violation of official guidelines.

CAUSES OF CORRUPTION IN NIGERIA
Corruption occurs when the action of individual(s), groups or firms in both public and private sectors influence the formation of laws, regulation, decrees, and other government policies to their own advantage by means of illicit and non-transparent provision of private benefits to public officials (World Bank 2000). It could also occur when changing and altering the implementation of existing laws, rules, and regulations to provide advantages to either state or non-state actors as a result of illicit and non-transparent provision of private gain to public officials. Based on existing literature on corruption, there are a number of perspectives for explaining the causes of corruption. However, for the purpose of this study, the following explanations would suffice: cultural relativity, low salary syndrome, imitation, institutional and rent-seeking (Kallon 2003, Gire 1999, UNDP 2004).

According to the cultural relativity argument the rapacity of corruption in developing countries and indeed Nigeria, occurs when gift giving becomes bribe resulting from new consciousness developed among students, military officials and others created by rapid industrialization whereby they are exposed to modern world. The cultural relativity school contends that confusion between bribes and gifts, the process of modernization, the burden of extended family system, and the lack or absence of public domain are responsible for corruption in developing countries (Mydral 1968, Huntington, 1968). As de Dardan (1999) pointed out, the absence of public property in traditional African societies is responsible for African leaders’ inability to distinguish between their public functions and property from their private ones. Although this may account for corruption in Africa, the notion that traditional African societies
lacked public domain is non sequitur because there are traditional structures in African societies, e.g. village farmland, lineage farmland, village squares, village huts, communal roads etc. which are communally owned and maintained. Secondly, as Kallon (2003) noted, even if the public domain argument were credible, it is still misleading, for those involved in corruption activities in Africa are well-educated people, many of who were trained in the western tradition which supposedly has long tradition of public domain.

Corruption in Nigeria can also been explained in terms of low-salary and strong kinship ties. This perspective opines that public officials in developing countries are corrupt because their salaries are so low that they cannot make ends meet by depending solely on their meager salaries. Furthermore, that strong kinship ties characteristic of these societies place nepotistic pressure on public officials. Accordingly, they resort to corrupt activities to make ends meet and help the relatives. While this might be plausible for the medium and low levels public officials, it does not explain why highly paid public officials in addition to other benefits accruing to their offices partake in corrupt activities. Although low salaries may not be a justification for graft, this perspective offers insight into the wide spread corruption and nepotistic activities in Nigeria.

Another explanation of the causes of corruption in Nigeria is derived from the theory of imitation arising from the proclivity of human beings to copy or imitate the lifestyles of individuals believed to have accomplished themselves in the society. Using A. H Maslow’s concepts of hierarchy of needs and A. Bandura’s observational learning theory, Gire (1999) suggested that corruption is prevalent and reproduced in Nigeria because of the imitation of the lifestyle and behaviors of other members of the Nigerian society who are or have been in positions of authority.

Furthermore, another theory of corruption is the UNDP’s institutional theory in which corruption arises when public officials have wide ranging authority, little accountability and perverse incentives or when their accountability responds to informal rather than formal forms or regulation (UNDP, 2004). For institutional theorist of corruption, the causes of corruption occurs because of a failure of state institutions and a lack of the capacity to manage society by means of framework of social, judicial, political and economic checks and balances (UNDP 2004) or where there is monopoly control of public officials wielding discretionaty powers in the absence of accountability systems. This is pertinent in order to understand the wide-spread and depth of corruption among governors and chairpersons of states and local government areas (LGAs) in Nigeria since 2000.

Finally rent-seeking has been used to explain the incidence of corruption in Nigeria. According to this argument, corruption occurs because of too much government intervention in the economy which creates rent-seeking opportunities. Rent-seeking is a redistributive activity that takes up resources. Corruption therefore results from rent-seeking when someone has monopoly over good or service and has discretion to decide who receives, when to receive it and how much the receiver gets (Klitgaard, 1988 and 1991). Rent-seeking through corruption by public officials can hurt innovative activities and since innovation drives economic growth, public rent-seeking can distort and hamper growth even more severely than production (Shleifer and Vishny, 1998). Public rent-seeking include, but not limited to the following: taking bribes for issuance of license to business, permits, taxes on documents, taking bribes to obtain import licenses, taking bribes to influence bids for privatization of state owned enterprises (SOEs) or for government contracts etc. Shleifer and Vishny (1998) noted that these forms of rent-seeking are more likely to hurt innovation because innovators need these government-produced services and goods. These services are inelastic to business; hence they become primary targets of corruption. If therefore innovators do not have money to pay bribes to get licenses and permits, for example, they would therefore not be
able to enter the market and innovate. Nigeria is replete with corruption activities emanating from rent-
seek involving various governments.

THE NATURE AND SCOPE OF CORRUPTION IN NIGERIA
Nigeria has been variously described as ‘failed’, ‘failing’ or ‘fragile’ state in which there is a consistent
failure by the governments to honor the social contract entered with the people and in which kleptocratic
and “lootocratic” practices including corruption, have been identified as significant debilitating indicators
to its development (Foreign Policy 2006, World Bank IEP, 2006). Nigeria operates a fiscal federalism
with strong a central government that controls and distributes the main resources to the federating units --
the states and local government areas (LGAs). It has 36 states and 774 LGAs. Under the current
arrangement states and LGAs receive monthly appropriations from the federal government. According to
Human Rights Watch (HRW) 2007) this system leads to ‘decentralization of corruption’: a situation in
which corruption has become rampant and an organized crime. Some LGAs (in Abia, Bauchi, Kaduna,
Ondo and Rivers states) have been accused of reckless spending and misappropriation of funds to the tune
of N1.6 trillion between 1999 and 2007 (Ribadu, 2007).

The scope of corruption in Nigeria has expanded significantly since the administrations of Generals
Ibrhahim Babaginda and Sani Abachi. For some scholars corruption in Nigeria has moved from
prebendalism to predation in which office holders and public officials try to repay their supporters, family
members, cronies, ethnic group members etc. with sums of money, contracts or jobs (Lewis 1996). Corruption
is blamed for the downfall of the first republic 1960 – 1966, and the second republic 1979 -
1983. Part of the reason for the burgeoning of corruption is the reliance of the economy on oil which
encourages rent-seeking and corruption activities. A US Senate Kerry Report (1993) noted a link between
oil and corruption in Nigeria. For example the reported among other things noted that under- or over-
 invoicing of imports and exports was common practice, especially in the Nigerian National Petroleum
Corporation (NNPC). Contracts are inflated because public officials factor in kick-backs in the contracts,
and these kick-backs are paid upfront before the completion of the contracts. Graft continues to prevent
the judiciary from functioning adequately. There is a widespread perception that judges are easily bribed
or ‘settled’. For example, there are long delays and frequent requests from judicial officials for small
bribes to expedite cases (US Department of State, 2005). In 2005, the court Chief Registrar of the Federal
Capitol Territory, Abuja was charged N37 million for fraud and money laundry (EFCC 2005). There are
numerous allegations that legislators both at the national and state levels accept bribes and favors from the
executive branch to facilitate the passage of bills favorable to the executive branch.

During the early months of General Sani Abacha’s regime, an official report indicated that an estimated
$12,200 million had been side-tracked to off-budget accounts from 1988 through 1993, when General
Ibrahim Babaginda was the Head of State (Lewis 1996). Using the BCCI as intermediaries, the US Senate
Kerry Report (1993) noted that in the 1980s, powerful Nigerian government officials were able to change
government currency reserves on the black market in order to finance their own election campaigns
(Bayart et al, 1999). Nigerian officials also colluded with BCCI officials to swap government funds for
currency and shared profits accruing from such transactions with the BCCI officials; and charged losses
to government account. The recent brouhaha between the president and the vice president over corruption
is indicative of how high corruption has permeated into the Nigeria society. Heads of states stealing
money is not new in Nigeria. TI’s Global corruption Report (2004) published the late Nigerian head of
state, General Sani Abacha (1993 – 1998) among the top ten presidents that had allegedly embezzled
between $2 – 5 billion. The TI has consistently ranked Nigeria very low. For examples, in 2006, Nigeria
was ranked 146 with 2.2 corruption perception index (CPI) score out of 163 and in 2007, it was ranked
148 with 2.2 CPI score (TI, 2006 and 2007). According to TI, low CPI scores is an indication that public
institutions are heavily compromised. The TI (2005) report also noted that in Nigeria, more than 50
percent of bribes were directly asked for, while 60 percent were offered to avoid problems with authorities; more that 40 percent offered bribe to obtain access to a service they were entitled to. In a different report by the Independent Advocacy Project (IAP) (2007), the most corrupt sectors in Nigeria were the Nigerian Police Force, Power Holding Company of Nigeria, Education ministry and the Customs and Excise Department.

Nigeria has been vulnerable to official venality. The most worrisome aspect is that corruption is deepening and taken new dimension, especially among the state and local governments in Nigeria. The September 2006 report of the EFCC indicated that corruption among states has reached a tragic stage where some state governors were stealing, looting state treasuries and fronting members of their families and relatives with state money to establish their own private businesses. The governor of Abia state, Orji Kalu was alleged by the EFCC to have siphoned government funds to the tune of N35 billion using his wife, mother, daughter, and brothers as fronts to establish business empire which included Slok Airline, Slok Pharmaceuticals, and newspaper house (The Guardian 28 September 2006, The Vanguard 28 September 2006, THISDAY 28 September 2006). In Rivers State the governor in 2006, spent $33.2 million for unspecified ‘grants, contributions and donations’; $77 million for unspecified ‘special projects’; $65,000 per day for transport and travel of governor’s office; and $11.5 million for purchase of new vehicles for government HRW (2007). State governors claim that the Nigerian Constitution provide them immunity from criminal prosecution while in office and as result the Tsar corruption agency is unable to prosecute them. This claim of immunity has resulted in abuse of power, extravagance and gross abuse of budgetary process.

THE CORRUPTION TSAR: ECONOMIC AND FINANCIAL CRIMES COMMISSION (EFCC)

In 2002, the Nigerian Government created a corruption Tsar agency with the mission “to curb the menace of corruption that constitutes the cog in the wheel of progress; protect national and foreign investment in the country, imbue the spirit of hard work in the citizenry and discourage ill gotten wealth; identify illegally acquired wealth and confiscate it; build an upright workforce in both public and private sectors of the economy and; contribute to the global war against financial crimes (EFCC 2007)”. The creation of the EFCC marked a significant shift from the rhetorical talk about fighting corruption to actually doing something and fighting corruption. Past efforts by previous governments to provide the legal frameworks to combat corruption included but not limited to the creation of the National Drug Law Enforcement Agency in 1989, the Money Laundering Act of 1995, the Advanced Fee Fraud and Related Offences Act 1995, the Banks and other Financial Institutions Act 1991, the Miscellaneous Offences Act 1985, and the Foreign Exchange Miscellaneous Offences Act 1995. Noble and desirable these efforts were, either they were strangled due to inadequate enabling laws and regulations or neglected for apparent lack of commitment on the part of stakeholders to fight corruption in high places (Ribadu, 2004). Furthermore, at the global level, by the late 1990s there was increased pressure by governments of industrialized countries and international organizations on developing countries to combat and reduce corruption which had become widespread and a bane to economic development. It was against this backdrop of failed efforts and international pressure that President Olusegu Obasanjo adopted a multi-prong approach to fighting corruption in order to redeem Nigeria’s image by creating the following agencies: the Anti-Corruption Commission, the Due Process Office in the Presidency, the Corrupt Practices and Related Offences Act 2000, and the EFCC 2003.

THE PURPOSE, POWERS AND STRUCTURE OF THE EFCC

The Purpose and Power

The Establishment Act of 2002 (as amended in the EFCC Establishment, Etc Act, 2003 and 2004, bestows on the corruption tsar the broadest and current laws against financial and economic crimes and terrorism in Nigeria. As a financial intelligent unit, the EFCC is mandated to coordinate the various
institutions involved in the fight against money laundering and enforcement of all laws dealing with economic and financial crimes, and terrorism (EFCC, 2004). Specially under its broad economic and financial crime and terrorism mandate the EFCC is charged with preventing, investigating, prosecuting and penalizing financial and economic crimes such as illegal bunkering, terrorism, capital market fraud, cyber crime, advance fee fraud (419 or obtaining through different fraudulent schemes), banking fraud and economic governance fraud (transparency and accountability) (EFCC 2004). The EFCC has extensive special and police powers including the power to: investigate persons and/or properties of persons suspected of breaching the provision of the Establishment of 2002; and enforce money Laundering Act 1995; the Advance-Fee Fraud and Other Fraud-related Offices Act 1995; the Failed Banks and Financial Malpractices in Banks Act 1994; the Banks and Other Financial Institutions Act 1991; the Miscellaneous Offences Act; and any other law or regulation relating to economic and financial crimes in Nigeria (EFCC, 2004). It also has enabling powers under the Establishment Etc Act 2003 to deal with terrorism and terrorist offences including: willful provision or collection of money from anyone, directly or indirectly, to perpetrate an act of terrorism; committing or attempting to commit, participate, or facilitate the commission of a terrorist act; and making funds, financial assets, or economic resources available for use by any person or persons to commit or attempt to commit, facilitate, or participate in the commission of a terrorist act (EFCC 2004).

The Structure
The EFCC is an independent federal agency headed by an executive chairman under the direction of a board. The chairman is supported by five directors – Financial crimes and intelligence, Advance-fee Fraud and Other economic crimes, enforcement and general operations, prosecution and legal counsel, organization and support, and training school. The executive chairman is the chief executive and accounting officer of the Commission. The tsar agency receives support from the presidency, the legislature and the judiciary branches of government. The agency also cooperates with like organizations from other foreign countries to uncover corruption and money laundering activities involving Nigerians. In terms of its structure and organization, the EFCC is committed to containing economic and financial crimes, generating and disseminating effective economic and financial crimes intelligence to assist law enforcement, and inculcating prudential and sincere dealing amongst Nigerians via transparent value system and preventive measure (EFCC, 2004). The organizational structure reflects the major broad activity areas of the commission, namely, economic and financial crimes intelligence, investigation and enforcement, prosecution, crime prevention through mass communication and advocacy, and proactive and reactive execution of anti-terrorism operations. To this end, the Commission has a versatile organizational structure made up of five operation units – investigation, legal and prosecution, research, administration, and training. The EFCC has offices in Lagos, Port Harcourt and Enugu with its headquarters in Abuja.

Activities of EFCC since creation
Within its short existence, the EFCC has made a significant start by challenging Nigerians to send any information on any government officials to it so that it can commence investigation. Nigerians have responded and those efforts are paying dividend. The EFCC swung into action by launching the “Operation Redemption” intended ‘to get all economic and financial criminals out of business and behind bars’ (Ribadu, 2003). Since then the EFCC has been involved in a number of investigations, arrests and detention resulting in indictments, recovering and returning of stolen money and imprisonments. The agency has been responsible for a number of high profile investigations such as those involving the former inspector general of Nigeria Police, Mr. Tafa Balogun who stole more than $121 million and was jailed for six months, fined $30,000, and property worth $150 million seized (BBC News 2005) and the arrest of Hon. Morris Ibekwe (Imo State) for allegedly obtaining under false pretences, the sum of $300,000 from a German national and head of the Munch System Organization Company (EFCC, 2003).
Others include the former governor of Lagos state, Major General Mohammed Buba Marwa, the former Chairman of the Nigeria Ports Authority Mr. Bode George, Alhaji Bashir Dalhatu, the bribery scandal and fraud involving National Assembly Committee members and the Minister for Education over budget, the former governor of Bayelsa state, Chief Depreye Alamieyeseigha; the investigation of all state governors and local government officials as of December 2006; and recent indictment and trial of former governors of Delta and Lagos states. The 2006 indictment of the serving Vice President, Atiku Abubakar for abuse of office, fraud and embezzlement by both the EFCC and Administrative Panel of Inquiry is indicative of how deep and pervasive corruption has permeated the Nigerian society. The list is in-exhaustive.

So far the EFCC has received 4,200 petitions on illegal corruption, investigated or investigating 1,200 cases and has 406 cases in the courts (Vanguard Newspaper September 2, 2006). After months of investigation of the petitions and allegations of corruption against 31 out of 36 states in Nigeria, the EFCC decided to indict 15 governors and gave a clean bill to only six state governors (THISDAY September 28, 2006 www.thisdayonline.com/view.php?id=59397&printer_friendly=1, Vanguard September 28, 2006 www.odili.net/news/source/2006/sep/28/399.html, The Guardian September 28, 2006. www.odili.net/news/source/2006/sep/28/48.html). The reports of the indictment and trial of some former state governors is indicative that high level public officials in Nigeria are willing to go to any length to exploit, loot, steal, misappropriate and launder public money for personal aggrandizement instead of improving the wellbeing of the people. Prior to the 2007 elections, the EFCC prepared a list of potential office seekers deemed corrupt and therefore unfit to contest any elected offices. This list was submitted to the political parties and the Independent National Electoral Commission (INEC). An analysis of the list of unfit politician with respect to spread among the major political parties showed that Peoples Democratic Party (PDP) had the highest number of unfit political office seekers of 53 followed by All Nigeria Peoples Party (ANPP) with 39, Action Congress (AC) with 28, Peoples Progressive Alliance (PPA) with 10, Democratic Peoples Party (DPP) with 5, and Alliance for Democracy (AD) with 1. With respect to spread among the states, Zamfara had 18, followed by Adamawa with 16, Taraba with 15, Abia with 12 and Bauchi with 10. (Analysis was based on information from www.nigeria-friends.com/forum/display_printer_threads.asp?ForumID&TopicID www.lists.mayfirst.org/pipermail/friends/2007-February/001541.html www.efccnigeria.org/index.php?option=comcontent&task=view&id=1233&Itemid=2).

In addition, the EFCC in its short existence has made some progress in the fight against corruption. Examples include the prosecution of notorious fraudsters, the recovery of billions of Naira from assets derived from crime; the confiscation of 40 oil tankers engaged in oil bunkering, and the increase in revenue to the federal government from failed contracts (THISDAY 2007. Ribadu 2004, EFCC 2007a and 2007b).

In cooperation and collaboration with other state global actors such as the Federal Bureau of Investigation (FBI), the UK’s Office of Fair Trading (OFT) and Metropolitan Police; international actors such as the World Bank, IMF, Egmont, Microsoft etc, the EFCC is not only significantly contributing to the fight against corruption. The EFCC is also involved in salvaging the hitherto negative image of Nigeria in the international arena. Nigeria’s image has been synonymous with corruption. EFCC is working hard to change this image. For example, in May 2007, Nigeria became a member of the internationally acclaimed Egmont Group of Financial Intelligence Units (FIUs) (Nwajah 2007). The EFCC faces some major challenges such as the claim of immunity from criminal prosecution by state governors, the unreasonable delays in the legal system and the web of the corruption network. Many state governors in Nigeria claim that under the section 308(2) of the 1999 Nigerian constitution, they have immunity from criminal prosecution while in office. This institutional and legal argument makes the job of the agency difficult.
IMPLICATIONS AND CONCLUSION
The implications of corruption on the Nigerian economy are serious and multifarious. Corruption has been partly responsible for the collapse of the first and second republics. Corruption may produce barrier to entry, especially for new businesses that may not be able to pay bribes associated with licenses and entry documentations. Corruption activities can lead to inefficiency and unfairness where government contracts, privatization programs and subsidies are not allocated to most efficient bidders or deserving end users. Systemic corruption might undermine the legitimacy of a democratic government where there might be a perception that the government is for sale to the highest bidder. It might lead to civil unrest, instability and military coups. For example, corruption in Nigeria contributed significantly to the demise of First Republic (1960 – 1966), and the second Republic (1979 – 1983). In both case, the coup juntas cited pervasive corruption as the justification for overthrowing the democratically elected government. Corruption can create unnecessary delays and red tapism. Business costs may acrrete due to delays and unnecessary requirements introduced by public officials as a means of inducing kickback from people. Roadblocks and checkpoints have become common in Nigeria. For instance, trucking firms and other commuters incur additional costs resulting from delays from unnecessary checkpoints and roadblocks established mainly to extract kickbacks. Rent-seeking from construction inspectors may unnecessary extend the completion date of the projects. The cumulative impact of corruption can lead to both stagnation of development efforts, and the unequal distribution of development in the economy.

It has been the purpose of this paper to examine the anatomy of corruption in Nigeria. Corruption in all ramifications is severe and has permeated the Nigerian society. The prevalence and preponderance of corruption activities in Nigeria dates back to the early independence period but it has since the 1980s burgeoned to unprecedented proportion. Corruption occurs primarily when there is a failure of established institutions and the lack of capacity by these institutions to manage frameworks of social, judicial, political and economic checks and balances. In trying to understand the ramifications and severity of corruption the paper noted that a clinical understanding of the anatomy of corruption in Nigeria requires an application of all the perspectives on the explanation of the causes of corruption. The paper further noted that corruption has a wide-ranging effects and implication on the economic, social and political development of Nigeria. In Nigeria, major political parties continue to top the list of unfit or corrupt office seekers while elected officials, political appointees, the police, the customs and other public sector servants use their offices and positions to participate in corrupt activities.

The EFCC was created against the backdrop of failed previous frameworks to combat corruption, and the need to repair Nigeria’s image to attract foreign investment. The EFCC as an investigative and prosecutory tsar agency has made some inroads in the fight against corruption among public officers. But its challenges will lie in the coming years, especially, the current political landscape that emerged after the general elections in 2007. Although the EFCC has continued to investigate allegations of financial and economic crimes against former state governors and other public officials of the Obansanjo era, the next few years will be a litmus test on the war against corruption. The challenges will be: whether EFCC will continue to enjoy the support of a new presidency and national legislature in the campaign against corruption; whether the EFCC will succumb to the allegation (by a minority) that it only picks a few, especially those with serious political ambition, as scapegoats and abandon its strategies; and whether the EFCC will be able to expand its adversarial investigative strategies to include the private sector, and more importantly, those who served in the previous military administrations of General Ibrahim Babaginda and General Sani Abacha: a period that witnessed the massive looting of the country’s wealth by its leaders. These and others are the challenges that face the EFCC, and its future will depend on the political configurations of post 2007.
REFERENCES
______ (2005) [www.efccnigeria.org](http://www.efccnigeria.org)
______ (1997) [www.gwdg.de/~uwvw/Research_area/klitgaard.htm](http://www.gwdg.de/~uwvw/Research_area/klitgaard.htm)
______, ‘The role of EFCC in sanitizing the Nigerian economic
environment in a democratic setting’, A paper presented at the Adamawa Economic Conference and
____ (2003) Address presented by the Chairman, Alhaji Nuhu Ribadu to the Press on, Ikoyi, Lagos,
www.efccnigeria.org/ May 16.
Rose-Ackerman, S (1996) ‘The political economy of corruption – causes and consequences’, Private Sector, the World Bank
Note#74 www.rru.worldbank.org/Documents/PublicPolicyJournal/074ackerm.pdf
_____ (www.transparency.org/layout/set/print/policy_and_research/surveys_indices/cpi/2005
www.state.gov/g/drl/rls/hrprt/2004/41620.htm
www.state.gov/g/drl/rls/hrprt/2004/41620.htm
World Bank (1997) Helping Countries combat corruption: The role of the World Bank. Washington, DC,
The World Bank, pp. 8.
The World Bank.
World Bank Support to Low-Income countries under stress, The World Bank, Washington, DC.,
www.worldbank.org/ieg
Why select and remain in my University: Re-examining Higher Education in South Africa

Johan de Jager, Tshwane University of Technology, South Africa
Gbolahan Gbadamosi, University of Worcester, UK

Tertiary institutions have a major role in providing relevant education that best meets the needs of the various constituencies served. To meet these needs an assessment of factors that influence their choices becomes imperative. As a result of the governments’ policy to transform higher education in South Africa and the challenges brought about by globalisation and internationalisation, tertiary institutions are facing new challenges. Attracting quality students in a highly competitive education environment is crucial as the numbers of students’ dropping out especially call attention to wastage in government funding. This paper examines some of the criteria used by South-African students, when choosing or evaluating a tertiary institution. The main findings include a significant positive link among trust in management, satisfaction with transport, perception of readiness for change and overall satisfaction with the university. These variables have indirect relationship with satisfaction with transport and living arrangement of students. Practical implications, limitations and suggestions for future studies were articulated.

INTRODUCTION
Prospective higher education students normally undertake extended decision making during their process of application for course study. The decision process with regard to a course or a specific institution can be very complex. In addition universities and other institutions of higher education are competing to recruit students. An increased understanding of the potential higher education student decision-making process would enable Higher Education (HE) institutions to market their courses in a more timely and effective way (Moogan, Baron & Bainbridge, 2001:197). Consequently institutions of higher education should be well aware of what aspects students value most in order to make a final decision with regard to a specific institution. Institutions of Higher Education are restricted by numbers of students and consequently it is obvious that they will compete for the best students who have a better chance to complete their studies in the shortest possible time frame.

Measuring service quality at higher education institutions worldwide is a common phenomenon (Aldridge & Rowley, 1998; Athiyaman, 1997; Oldfield & Baron, 2000). The aim of this paper is to investigate the importance of key attributes when assessing tertiary institutions and making a choice. Tertiary education in South Africa has been subjected to some transformation during the last couple of years and South Africa also experiences a high level of unemployment like many developing countries. For this study, students were selected at two universities in South Africa in order to evaluate their initial expectations of the services provided by their selected institution of higher education. Challenges in the tertiary education sector and the marketing aspects thereof, with specific reference to the service quality associated with the service package provided to students, are reviewed.

THEORETICAL BACKGROUND

Global Challenges in the tertiary education sector in Africa
During the past decade and a half, the world has seen a slow, but constant transition from the ideological confines of the post World War II structures to a more interdependent global society and economy, yet divided into the developed and developing worlds. The fall of Apartheid in South Africa and the subsequent emergence of Sub-Saharan Africa from its colonial past and gradual transition to democratic
free market states have created a new dynamic where the competition for resources and strategic interests are fierce.

According to Michael (2004) the main challenge for developing countries lies in the mobilisation and equipping of their human resources with knowledge to exploit the advantages of globalisation. The information age has provided the developing world with a unique opportunity to play catch-up in a world where knowledge is the only endearing asset of any society. Adekanmbi (2004) is of the opinion that the terms globalisation and internationalisation of education are in fact one and the same as it would entail the freedom to apply information. It would seem that the developing world has arrived at a crossroad through globalisation. In the case of South Africa, Badat (2003) states that transition occurs in a context of globalisation and economic growth and is increasingly dependant on knowledge and information of its high priests, globalisation and integration into the global economy. The challenges faced by higher education in South Africa is compounded through the integration of equity goals of national policy as a means of redressing inequalities of the inherited educational system. Kargbo (2000) acknowledges that like in other developing countries, the African universities are a major element in development, at the apex of the educational system as a place for the pursuit and dissemination of knowledge and playing a pivotal role in the onward struggle for national development.

Over the past few years, higher education institutions in South Africa have experienced dramatic changes, in their structuring, funding and student numbers. The tertiary education sector faces many new challenges, including more recently various mergers and the transformation of Technikons into universities of technology. This transformation has not only brought about a change of status in these institutions, but also the mergers of intrinsically different institutions. The broadening of access to higher education in South Africa under the present government policy has also seen a growth in the number of applications to tertiary institutions (Bunting & Cloete, 2004). According to Cooper & Subotzky (2001), South Africa has experienced a “revolution” regarding the increase in proportion of black student enrolments in tertiary education where the majority have been black since the middle 1990s. This consequently calls for re-assessment of the needs of current students in higher education.

Tertiary education has experienced a dramatic decline in government subsidies and an increase in student fees in countries such as the United Kingdom and Australia (Palihawadana, 1999; Soutar & Turner, 2002) that have similar educational systems to South Africa. This is due to various changes in the respective environments. In South Africa the decline in funding from subsidies is also a direct consequence of the trend of falling pass rates (Naidoo, 2003). It appears as if tertiary institutions face increasing market and financial pressures in various countries. The result has been a more competitive educational environment. Mutula (2001) states that the decrease in subsidies affects the quality of teaching and research and has lead to overcrowding in many universities, deteriorating physical facilities and a lack of resources for text books, educational materials, laboratory consumables and maintenance. The perceived quality has also had an effect on the choice of institution by eligible candidates.

**The role of marketing in the tertiary education sector**

The increased level of competition in the education environment has led to institutions of higher education employing managerial techniques to improve the efficiency and quality of their provisions (Palihawadana, 1999) and switch from a passive to a more active market approach (Naudé & Ivy, 1999). If universities are to satisfy student's requirements they must be aware of their own offerings and how these are perceived in the market place. It is important for institutional policy makers to be aware of the influential factors and the associated impact on potential students (Moogan, Baron & Bainbridge, 2001:197).
Higher Education Institutions should understand their own offerings and how these are perceived in the market place, because it could have important marketing and management implications. Various factors influence the choice of potential scholars to study at a specific tertiary institution, including location (Ford, Joseph & Joseph, 1999; Roberts & Allen, 1997), reputation of academic quality (Landrum, Turrisi & Harless, 1998; Ivy, 2001), course specifics (Ford, Joseph & Joseph, 1999) and career opportunities (Ford, Joseph & Joseph, 1999; Krone, Gilly, Zeithaml & Lamb, 1981). A recent study by the Human Sciences Research Council (HSRC) in South Africa has found that the most important influence upon choice of institution is its reputation followed by the geographical location. One of the reasons why location is important for students in South-Africa is because more than a third of all learners do not have suitable quiet place in their homes to study (Cosser, 2002) and might use library facilities to study.

Objective of the Study
The primary objective of the study is to investigate the relationship among some service quality variables dealing with higher education service delivery in South Africa. It also examines some of the criteria used by South-African students, when choosing or evaluating a tertiary institution. In addition, the study examines if there are significant differences between the two universities sampled as well as whether gender differences exist in the variables explored.

RESEARCH METHODOLOGY
The sample framework
A random sample of 391 South-African students in the Faculty of Management of two universities was selected (Tshwane University of Technology – TUT and Cape Peninsula University of Technology – CPUT). Sample elements were selected from a list of all courses (including numbers of students per course). The sample comprises 41% males and 59% females. The attitudes of the student samples were tested regarding the importance of pre-identified service quality variables related to academic and non-academic issues when assessing a specific tertiary institution.

Measuring instrument and reliability
In developing the research instrument the inputs of several related studies were used. Demographic information was sought, various aspects related to the reasons why and how a specific university was chosen as well as the attitudes of the students sampled were tested regarding the perceived performance of the universities in pre-identified service quality issues when selecting a specific tertiary institution. The list of variables was based on an extensive literature research and the findings of focus groups consisting of students and lecturers. The questionnaires were distributed to randomly selected students in predetermined classes. Structured questionnaires were used and included several variables related to service quality at a higher educational institution.

The following variables were measured with a single item fixed choice scale measure. They include academic performance, the main reason for study, living arrangement during school time, and satisfaction with transportation to the university.

- Overall satisfaction with the university was also measured by a single item: What is your overall level of satisfaction with the university where you are currently enrolled? Response was anchored on a 5-point scale from “very satisfied” to “not satisfied at all”.
- Intention to leave: was measured on by four items on a 5-point Likert-type scale from “strongly agree” to “strongly disagree”. Example item include: (1) I often think of quitting my present educational institution (reserved score) and (2) I plan to stay in my present educational institution to develop my skills and complete my education. We obtained a Cronbach’s alpha of 0.70 for the sample.
- Trust in Management and Support: was measured by five items on a 5-point Likert-type scale from “strongly agree” to “strongly disagree”. "Example item include: (1) I am convinced my educational
institutions treat me with respect (2) The management of my educational institution encourages ideas and suggestions about ways to make the institution better. We obtained a Cronbach’s alpha of 0.86 for the sample.

Perceptions of organizational readiness for change: was also measured by five items on a 5-point Likert-type scale from “strongly agree” to “strongly disagree”. Example item include: (1) Management takes action quickly enough when new opportunities could help the institution (2) My educational institution adapts well to changes in funding levels. We obtained a Cronbach’s alpha of 0.81 for the sample.

DATA ANALYSIS AND FINDINGS
Our analysis of the respondent profile produced the following results. Respondents were 59% female, about 43% were in their first year, 25% were within the 18-19 years age bracket, 31% were between 20-21 years; while about 18% were over 22 years. TUT had about 59% students participating. On academic performance, we found nearly 40% indicated a B grade average (60-69%) and 37% a C grade (50-59%). Only 2% scored lower than E (lower than 40%) and 12 in the A category (70-100%). Majority of the respondents indicated that they got aware of the University through friends (40%), family member (34%), Media (20%), the institution itself (27%) and teachers (17%). The major reason for study was for better job opportunities (48%), personal development (32%) and higher income (15%). Results obtained on the living arrangement revealed that majority were still living with their parents (41%), University residence (25%), and rented flats (12%). It is also interesting to note that over 60% of respondents were satisfied with their university.

Table 1: Means, Standard Deviation and t-Test of Study Variables (University)

<table>
<thead>
<tr>
<th>S/N</th>
<th>Study Variables</th>
<th>CPUT Mean</th>
<th>CPUT SD</th>
<th>TUT Mean</th>
<th>TUT SD</th>
<th>Levene’s Test for Equality of Variance F</th>
<th>Sig.</th>
<th>t</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Age</td>
<td>3.41</td>
<td>1.04</td>
<td>3.33</td>
<td>1.08</td>
<td>.84</td>
<td>.359</td>
<td>.654</td>
<td>388</td>
<td>.514</td>
</tr>
<tr>
<td>2</td>
<td>Gender</td>
<td>1.69</td>
<td>.50</td>
<td>1.54</td>
<td>.50</td>
<td>12.36</td>
<td>.000</td>
<td>3.047</td>
<td>341</td>
<td>.002</td>
</tr>
<tr>
<td>3</td>
<td>Current study year</td>
<td>3.03</td>
<td>1.00</td>
<td>2.73</td>
<td>1.11</td>
<td>10.63</td>
<td>.001</td>
<td>2.800</td>
<td>363</td>
<td>.005</td>
</tr>
<tr>
<td>4</td>
<td>Academic Performance</td>
<td>2.25</td>
<td>.77</td>
<td>2.64</td>
<td>.93</td>
<td>9.57</td>
<td>.002</td>
<td>-4.510</td>
<td>372</td>
<td>.000</td>
</tr>
<tr>
<td>5</td>
<td>Main reason for study</td>
<td>2.53</td>
<td>1.08</td>
<td>2.58</td>
<td>1.16</td>
<td>2.69</td>
<td>.101</td>
<td>.465</td>
<td>378</td>
<td>.642</td>
</tr>
<tr>
<td>6</td>
<td>Usual living arrangement</td>
<td>3.13</td>
<td>1.72</td>
<td>3.72</td>
<td>1.92</td>
<td>8.28</td>
<td>.004</td>
<td>-3.142</td>
<td>364</td>
<td>.002</td>
</tr>
<tr>
<td>7</td>
<td>Satisfaction with transport</td>
<td>3.45</td>
<td>1.50</td>
<td>3.34</td>
<td>1.49</td>
<td>.25</td>
<td>.614</td>
<td>.710</td>
<td>328</td>
<td>.478</td>
</tr>
<tr>
<td>8</td>
<td>Intention to leave</td>
<td>13.16</td>
<td>2.47</td>
<td>13.15</td>
<td>2.82</td>
<td>4.91</td>
<td>.027</td>
<td>.054</td>
<td>368</td>
<td>.957</td>
</tr>
<tr>
<td>9</td>
<td>Trust in Management &amp; Support</td>
<td>14.46</td>
<td>4.30</td>
<td>13.80</td>
<td>4.73</td>
<td>2.02</td>
<td>.156</td>
<td>1.383</td>
<td>383</td>
<td>.167</td>
</tr>
<tr>
<td>10</td>
<td>Perceptions of readiness for change</td>
<td>11.11</td>
<td>3.42</td>
<td>11.28</td>
<td>3.74</td>
<td>1.81</td>
<td>.179</td>
<td>-.458</td>
<td>386</td>
<td>.648</td>
</tr>
<tr>
<td>11</td>
<td>Overall satisfaction with the university</td>
<td>2.37</td>
<td>.87</td>
<td>2.44</td>
<td>.77</td>
<td>.75</td>
<td>.386</td>
<td>-.829</td>
<td>386</td>
<td>.407</td>
</tr>
</tbody>
</table>

N = 391, CPUT = 160, TUT = 231

As the table shows, Levene’s test for equality of variance shows significant variance between the two universities with respect to gender (p < .000), current year of study (p < .001), academic performance (p < .002), usual leaving arrangement (p < .004) and intention to leave the university (.027). However, the independent t-test revealed all these variables but intention to leave the university as significantly different. We also used Chi-square crosstab tables to find significance for each variable pair. There are significantly more males at TUT than Cape Town (Chi square P < 0.009). Higher academic performance
was reported at CPUT. Significantly more students at CPUT live with their parents than at TUT. With intention to leave, the independent t-test and our Chi-square were both not significant between the Universities.

Levene’s test for equality of variance shows significant variance in gender differences with respect to age p < .000, current year of study p < .033 and the University p < .000. However, the independent t-test confirmed these differences for the three variables. The females are generally older than the males. The significant inverse relationship found between age and gender (r = -0.107, p < 0.05) also confirms this. The female students are spread throughout the years of study while a higher number of the males seem to be in the first year? We also found a direct significant correlation between gender and current year of study (r = 0.451, p < 0.001). Also, there are significantly more females than males at TUT than CPUT.

<table>
<thead>
<tr>
<th>S/N</th>
<th>Study Variables</th>
<th>Levene’s Test for Equality of Variance</th>
<th>t</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Age</td>
<td>20.51</td>
<td>2.371</td>
<td>292</td>
<td>.018</td>
</tr>
<tr>
<td>2</td>
<td>Current study year</td>
<td>4.59</td>
<td>-2.737</td>
<td>309</td>
<td>.007</td>
</tr>
<tr>
<td>3</td>
<td>Academic Performance</td>
<td>.12</td>
<td>1.702</td>
<td>380</td>
<td>.090</td>
</tr>
<tr>
<td>4</td>
<td>Main reason for study</td>
<td>3.73</td>
<td>.962</td>
<td>377</td>
<td>.337</td>
</tr>
<tr>
<td>5</td>
<td>Usual living arrangement</td>
<td>.89</td>
<td>.742</td>
<td>386</td>
<td>.459</td>
</tr>
<tr>
<td>6</td>
<td>Satisfaction with transport</td>
<td>.33</td>
<td>-.002</td>
<td>327</td>
<td>.999</td>
</tr>
<tr>
<td>7</td>
<td>Intention to leave</td>
<td>.07</td>
<td>.425</td>
<td>387</td>
<td>.671</td>
</tr>
<tr>
<td>8</td>
<td>Trust in Management &amp; Support</td>
<td>.96</td>
<td>-1.096</td>
<td>382</td>
<td>.274</td>
</tr>
<tr>
<td>9</td>
<td>Perceptions of readiness for change</td>
<td>.20</td>
<td>.663</td>
<td>385</td>
<td>.508</td>
</tr>
<tr>
<td>10</td>
<td>Overall satisfaction with the university</td>
<td>.16</td>
<td>1.077</td>
<td>385</td>
<td>.282</td>
</tr>
<tr>
<td>11</td>
<td>University (CPUT or TUT)</td>
<td>28.87</td>
<td>2.872</td>
<td>351</td>
<td>.004</td>
</tr>
</tbody>
</table>

N = 391, Male = 158, Female = 232 (Missing = 1)

Intercorrelation coefficients were conducted among all the study variables. We found a direct relationship between age and current year of study (r = 0.451, p < 0.01) and between age and living arrangement (r = 0.132, p < 0.05). Current year of study is significantly but inversely correlated with the academic performance (r = -0.105, p < 0.05). This implies that as the student advances in their year of study the academic performance declines. Our Chi square crosstab analysis confirms this (F = 74.92, df. = 5, p < 0.000). Current year of study is directly and significantly correlated with trust in management (r = 0.176, p < 0.01) and perception of readiness for organisational change (r = 0.106, p < 0.05). Both of these variables increases and the student stay longer in the university. It is logical that people tend to become more loyal and trusting as they stay longer with a service.

We also found academic performance is significantly and directly correlated with overall satisfaction with the university (r = 0.108, p < 0.05). The higher the academic performance reported the higher the reported overall satisfaction of the students. Living arrangement, we found to be inversely but significantly correlated with satisfaction with transport (r = -0.213, p < 0.01), but directly and significantly correlated with perception of readiness for change (r = 0.111, p < 0.05) and overall satisfaction with the university (r = 0.195, p < 0.01). Students who live farther from the University tended to be more concerned with a convenient transport arrangement. It is equally interesting that the more acceptable the living arrangement is for the student the more positive they generally feel about the university.
Satisfaction with transport is directly and significantly correlated with trust in management ($r = 0.202$, $p < 0.01$) and perception of readiness to change ($r = 0.125$, $p < 0.05$). The significant positive link among trust in management, satisfaction with transport, perception of readiness for change and overall satisfaction with the university is also an important signal of the interwoven nature of the study variables. Again, satisfaction with transportation is a strong indicator of how positively the university administration is perceived by the students.

Perhaps another interesting finding is that intention to leave the university is inversely but significantly correlated with trust in management ($r = -0.151$, $p < 0.01$), perception of readiness for change ($r = -0.252$, $p < 0.01$) and overall satisfaction with the university ($r = -0.282$, $p < 0.01$). It is clear that students will generally want to stay in a University where they are generally happy and satisfied, believes that management of the University will continue to work in their interest hence trust management and that the University is ready and perhaps willing to change for the better overall interest of its stakeholders.

DISCUSSION, IMPLICATIONS AND CONCLUSION

Universities are educating those who will create and shape the future world as well as informing today’s world. This makes the role of education crucial in today’s rapidly evolving environment. Within this role, universities are responsible to many, including the students who are educated in this environment (Freeman & Thomas, 2005).

Overall, our findings identify some of the variables that contribute to high service quality in higher education. We found a strong link among trust in management, perception of readiness for change and overall satisfaction with the university. We also found that these variables have indirect relationship with satisfaction with transport and living arrangement of students. This highlights an important consideration that accommodation and convenient logistic in terms of movement to and from the university remains a major determinant of students’ satisfaction. The result again indicated that the longer the students stay in the University the more tolerant they perhaps turn out to be hence becoming less critical and more trusting of management as they also grow to appreciate the enormity of some of the problems being tackled by the authorities. Another finding that calls for attention is intention to leave which is lower with increasing trust in management, perception of readiness for change and overall satisfaction with the university.

One of the questions we may ask therefore is how ready the HE sector in South Africa is for the required changes and if indeed the management of HE can drive the change? The same question is however apt elsewhere because we expect HE to be changing according to their environment which is dynamic and always changing. Universities and funding sources must be able to meet and collaborate on the issues that are most relevant to the world as it operates (Freeman & Thomas, 2005).

There are a number of practical implications from the foregoing findings and discussion. Education has long been recognised as the means to achieve change, create new ideas, and initiate the new practices that move a country towards increasing prosperity (Wheatley, 2001). Given our finding there is need for management of HE is South Africa to flag variables like satisfaction with transportation and living arrangement for closer attention as these variables were linked with those that could ensure that Universities make a difference in their performance – trust in management, perception of readiness for change and overall satisfaction with the university. We also endorse the view of Freeman & Thomas (2005) who argued that there must be a new definition of concept of consumerism within education that endorses the rights of students to receive quality education that will adequately prepare them for the
workplace. In addition, we believe there is need to monitor and enforce management commitment in HE to these rights.

The findings of this study open a number of prospects for further research. By investigating the variables identified in this study further, it may be possible to explain a number of gaps in the management of service quality and students’ satisfaction in HE sector in South Africa. Follow-up interviews and focus groups discussion with carefully selected students and student groups may generate a wide range of rich additional information to what is obtainable with survey instruments with its several attendant limitations.

Finally, education has always been evaluated in terms of its practical value and in many parts of the world University education is highly revered and treasured because it has always been and may for a long time be available to very few people. The main purpose of this paper is to explore a few new service quality related variables in HE in South Africa. Our findings, albeit exploratory opens up a number of interrelated questions about the prospects of improving students satisfaction as well as opportunity for further research to advance our knowledge in this important area of higher education.

REFERENCES


Quality Assurance in African Higher Education: Environmental Perspectives

Peter Neema-Abooki, Makerere University, Uganda

This paper observes that quality and standards are imperative in the management of higher education. It advocates for environment for quality excellence in African universities. The cross-sectional survey based on a proportionate representation of administrators, academic staff, students and support staff – at Makerere University, Mbarara University, and Uganda Martyrs University – concludes that higher educational institutions in Africa tend towards a controlled school climate. While it is incumbent on management to engender an environment conducive to peoples’ satisfaction and eventual quality-performance, both the superordinates and the subordinates should commit to quality assurance (QA) as not only a programme but a continuous process.

INTRODUCTION

Quality Assurance (QA) in higher education is based on three pillars: documented policy and procedures for quality assurance of institutions and programmes, quality assessment of institution or programmes, and, continuous improvement. To demonstrate quality, not only is internal assessment needed but an external one as well (Rauret, 2005). How best to implement staff retention reforms, for instance, remains a question; as quality of tertiary education per se remains elusive (Association of African Universities, 2007). Moreover, QA in higher education is recognised as the planned and systematic review process of an institution or programme to determine the acceptable standards of education, scholarship, teaching, administration and infrastructure (The Statesman, 2007). Reinforced is the subtle mind of Seymour (1992) who, having aptly ruled that the responsibility for quality in higher education is not something that resides in special offices or with selected persons, holds in the affirmative, and so does Neema-Abooki (2006, 2006c; 2007c) subscribe, that causing quality requires the energy, commitment, and knowledge of everyone within the organisation. Nor can organisations, universities in particular, survive in today’s competitive world unless they commit to QA.

Since Africa’s tertiary education system is very diverse, no single model for reform can possibly be applied to all countries and institutions within them. Some cross-cutting themes are discernible that could nevertheless form the basis of a reform agenda. These are governance, financing, creation of a favorable climate for retention of qualified staff, forging stronger links with labour market, trade and investment strategies; and partnerships or regional collaboration, including strategies for leveraging Diaspora talent. Adjacent, a study in 1989 by the University of Dar es Salaam’s Faculty of Engineering revealed that the main cause of staff dissatisfaction and eventual departure for greener pastures was the unfavorable working environment, characterised by lack of management transparency, poor facilities for teaching and research, and low remuneration. By addressing these concerns, changing the approach to staff training, and allowing staff to use their skills in a transparent and managed manner to supplement their income and staff retention within the Faculty, improved impressively. Moreover, as enrollment increases rapidly, it outstrips local capacities to generate commensurate numbers of qualified academic staff. Increasingly, the aging academic staff in most universities is spread too thin. In some countries,
AIDS also takes its toll on the members of staff. Sending young staff for PhD training abroad is expensive and exacerbates brain drain. Adjaacently, the foregoing multi-observations do presuppose strong partnerships with other universities (both in the south and in the north) as capacity for local research and supervision is likely to be limited. (The Statesman, 2007).

This paper subscribes that paying more attention to the local working environment, even without large increases in salaries, can generate major dividends in staff retention; hence, the focus on the environmental perspectives of the respondents with a main objective zeroing the climate within higher educational institutions.

**METHODOLOGY**

A survey research design, cross-sectional type, was utilized, since survey results could be generalized to a larger population. Needless to explicate, a cross-sectional survey – unlike the longitudinal one – provides information collected from various categories of subjects within the same spell of time.

The sample included group-categories of administrators (90), academic staff (90), students (800), and the support staff (90) drawn from three institutions in Uganda, namely Makerere University, Mbarara University of Science and Technology, and Uganda Martyrs University. The first two Universities were chosen from the four public universities that include Kyambogo and Gulu. Uganda Martyrs University was purposively sampled to represent not only private but also universities whose establishment dates in the 1990s – a bracket which spells out the impact of Total Quality Management (TQM) – the overall umbrella of QA.

While the first and the second group-categories of respondents were selected purposively, the students were randomly selected as judgmental sampling was applied on the support staff. Since the students were generally in a youthful age-bracket, the purposive and judgmental Samplings of other respective respondents considered as well and endeavoured to balance the age-groupings. Gender and marital status were other demographics taken into account, as educational background was also a major factor of consideration among the support staff. These included both the intermediate staff and the group employees. Not rated was religious affiliation.

Respondents at Makerere University were contacted from the School of Education (Department of Higher Education, now East African Institute of Higher Education Studies and Development, and Department of educational Foundations and Management), Faculty of Social Sciences (FSS), School of Business Studies (MUBS) and Faculty of Economics and Management (FEMA). These were selected on the basis that they do offer management-oriented subjects. Other universities were targeted wholesale since the parent-population for each was relatively small even when compared with some particular Schools/Faculties at Makerere, the Primordial University in East and Central Africa.

The Instruments were selfsame for all categories of respondents; owing to triangulation purposes. A two-fold questionnaire was composed of a structured question and an open-ended question, and it was on these that the Interview schedule was also based. The Instruments as well provided an allowance for any other pertinent views and perceptions of the respondents. The structured question sought for views regarding the existential school climate at the universities. Accordingly, it limited the respondents’ opinions between the options of: Open school climate, Autonomous school climate, Controlled school climate, Familiar school climate, Paternal school climate, and Closed school climate (Musaazi, 1982). The rationale for adopting this strategy was owing to the realisation that the options stand adjacent to Hofstede’s Five Dimensions of Culture (http://www.mindtools.com/pages/article/newLDR_66.htm). The
Dimensions, which call for another paper perhaps with literature on organizational culture, are: Power Distance (PD), Individualism (IDV), Masculinity (MAS), Uncertainty/Avoidance Index (UAI), and Long Term Orientation (LTO). The question was, for ease of the respondents, phrased in a way that spelt out a tacit explanation with the technical terms in parentheses. For the sake of this paper, only the responses regarding “open school climate” and “closed school climate” are presented in the discussion. The other options are not discussed since they scored negligible percentages from all respondents at the three universities. Meanwhile, the open-ended question probed into the respondents’ views as to what kind of institutional climate would favour QA at the universities.

Two independent research specialists rated each item in the questionnaire and the Content Validity Index (CVI) claimed 0.78, hence, justifying the questionnaire as relevant. The CVI was arrived at by utilizing the formula: CVI = proportion of items highly ranked by experts (Amin, 2005); before a pilot testing was made at Uganda Management Institute (UMI) with twenty five (25) respondents. The Internal Consistency Reliability was computed using Cronbach Alpha Coefficient (α) and the resultant Coefficient was 0.96 spelling out the interpretation of ‘very high’ reliability. The formula is thus:

\[
\alpha = \frac{K}{K-1} \left(1-\frac{\sum SD_i^2}{SD_t^2}\right)
\]

where K = Number of items included in the instrument

SD_i^2 = Variance of individual item

SD_t^2 = Variance of all items in the instrument.

Quantitative data were analysed in terms of tabulated frequencies (f_o) and percentages (%) but, like qualitative data, subjected to descriptive form. While the latter data rendered cross-validation and interpretation to the former, and as such helped identify subsequent overlaps and/or contradictions, the interplay between the findings solicited by both the qualitative and quantitative data inspired the researcher to draw conclusions and subsequent and subsequent implications.

FINDINGS AND DISCUSSION

Existential School Climate at the Universities as Perceived by the Respondents

In their answer as to the climate prevailing at the universities, the respondents at Makerere University and Mbarara University revealed that the “open” option was wanting at their institutions. This stance was triggered by the comparatively far below cumulative percentages, as accrued from all categories of respondents, askance the “controlled” option; championed by 253 (50.6%) students at Makerere University and 122 (76.2%) of their counterparts at Mbarara University. These respondents as it were reinforced the perception that “such a scenario has an impact on the moral climate within the universities” (Coombs, 1985). Although 17 (34%) support staff of Makerere and 17 (85%) of Uganda Martyrs University were in unison with 11 (55%) administrators of Mbarara to subscribe to the “open” option, forensic analysis reveals that the younger the person is, the more likely for that person to entertain some kind of bias, justifiable or otherwise, on issues at hand. Women, in terms of both gender and marital status, also depicted the scenario. Meanwhile, the superlative percentage (85%) scored of 17 support staff at Uganda Martyrs University regarding the “open” option could perhaps have had a bearing on the varied education background of this respondent-category.

Notwithstanding, the Vice Chancellor (VC) of Makerere University was acclamed by one professor at the School of Education as one who, “treading the footsteps of his predecessor, has strength of open policy unlike some VCs, like in Kenya, who to see is harder than seeing a president”. The successor and
predecessor were therefore depicted as personalities that “provide opportunities for exchange of ideas and letting out steam which could otherwise have accumulated to facilitate a crisis” (Alele-Williams, 1998). However, according to one respondent, the merit imputed to the duo would be only euphoric if it were equated to some officers at Makerere University. Prudent as not to mention names and/or portfolios, this particular respondent substantiated that some Directors and Deans and even Heads of Departments were “braggadocians who give the impression that their Schools/Institutes/Faculties or Departments are their personal juridical entities”. All notwithstanding, Coombe (1991) and Mathieu (1996) – talking about the general milieu of universities – are categorical, and as cited in Neema-Abooki (2004b), that the situation at Makerere University bears striking similarities with that of many other African Universities. It is in the same circumspect that – while according to Domatob (1996), Makerere University symbolizes the tragedy – Tibirimbasa (1989) perceives the current moral climate of this university as set inextricably within the broader context of the current turbulent state of Sub-Saharan African higher education. The latter scholar explicates that the present macro-socio political and economic difficulties facing Makerere, and, should I add, her sister-universities, play a significant role in framing their internal “micro” environments.

Synoptically, the views of all respondents did rhyme and subscribed to the perceptions of the scholars above to suggest that the universities, Uganda Martyrs University depicting a significantly positive difference as seen from the comparatively low cumulative percentages, were but persuaded to a controlled school climate. Such a climate, according to Musaazi (1982), lacks openness and the group’s behaviour is prompted largely by single-minded attention to organisational goals, with little or no emphasis on the satisfaction of the social needs of the members.

Adjacent to the foregoing synopsis of views however, one wonders as to whether the stance at each university is perhaps consequent of the respective historical institutional-background. Needful to substantiate, Makerere and Mbarara Universities are government-founded while Uganda Martyrs University has a religious and catholic background. Notwithstanding, majority of the respondents subscribed that although the school climate did vary from university to university, none of the universities was myopic about satisfying some need. At least either of the needs, institutional and individual, was rendered in the offing; notwithstanding the obvious that this in turn also did vary from one institution to the other.

In contrariety, Bush (1995) describes open systems as the kind that encourage interchanges with the environment; adding that, “in education, open systems theory shows the relationship between the institution and external groups.” In line with the foregoing observation, Interview Results revealed that Uganda Martyrs University was involved in the development of her native Nkozi Village. This postulation was owing to the latitude that she has had an impact on some aspect of social, political, and economic development of the locality. However, the University was challenged to the effect that not only should she advance her “instruments of educative skills” but should also ensure that the organised and powerful bodies in the area do not, at any point in time, misappropriate the benefits of the development activities. Moreover the University should “discriminate in favour of the poor and homogenous groups, such as fishermen and landless labourers”; one philanthropist-interviewee observed. Nevertheless, job satisfaction on the side of most lecturers remained at stake. To paraphrase the observations of most lecturers there (65%), “it is job satisfaction that excites and incites an individual to perform.” This matched the perception of 70% of the counterparts at Mbarara University that “satisfaction persuades the sense of duty in the individual” Echoed was also the rationalisation of yet a high percentage (78%) of respondent at Makerere University that “even a good act of generosity presupposes some level ground.” The respondents heretofore advocated for “decentralisation and subsidiarity of management.” Imperative to note herewith is that the foregoing desired-ideal was said to

200
be evident at Mbarara University, citing a clear demarcation between the Hospital and the University as regards the roles of the Vice Chancellor (VC) and the Medical Superintendent (MS). On the other hand, whereas at Uganda Martyrs University some misgivings were enlisted regarding the stance of the two Deputy Vice Chancellors (DVCs), Makerere University was challenged to consider granting autonomy to the individual Faculties/Schools/Institutes for efficient delivery of services.

Overall, the absolute majority (85%) of the respondents at the three Universities underscored the need for a continued involvement and accommodation of the initiatives of the members of a given academic community. To this was added a concern for consensual decision-making together with flexibility and modification in the goals set by the leaders. According to them, such a multifold concern, when addressed, would motivate them more and more towards their incessant intent to being responsible partners towards quality performance. Succinctly, one respondent at Uganda Martyrs University articulated thus: “professionals prefer to be consulted.” With similar sentiments the respondents, questioned about the kind of school climate that would be conducive to QA at their respective universities, unanimously propagated for a situation that would spell out nomenclatures such as: collegiate, mutual, flexible, transparent, consensus-based; to summarize just their aspirations. Their contention was that “subordinates need to and should be involved in the day-to-day life of their particular institution and that both the superordinates and the led ought to be accountable of their actions.” This in essence advocated for satisfaction of existential needs. Within this circumspect, one interviewee at Makerere University, talking about universities in general, remarked: “Particular Universities will neither remain nor be on the map unless they employ styles that endeavour to produce desired results and satisfy human needs. All in all, the synthesis of a respondents at all the three universities was a subscription to Grobler (1998) who suggests that to prove an effective manager in an educational setting one should seek two key results, namely: task performance, and human resource maintenance.

MAJOR CONCLUSION AND IMPLICATION

The overall findings spell out the following conclusion and adjacent implication:
Higher Educational institutions in Africa tend towards a controlled school climate. The implication to this is that the administration largely determines the course of action, and, hence, satisfaction of the social needs of the members is minimal. It is therefore incumbent on management to engender a climate that is conducive to peoples’ satisfaction and eventual quality-performance. Nonetheless, both the superordinates and the subordinates should commit to QA as not only a programme but a continuous process.

REFERENCES


Sub Saharan Africa: The Tale of a Sleep Giant or Undiscovered Jewel

Norma Juma, Washburn University, USA
Eileen Kwesiga, Bryant University, USA

Current research on competitive advantages of nations has focused less on Sub Saharan Africa (SSA) region. This paper frames arguments using Michael Porter’s components of the ‘national diamond of competitive advantage’ within the context of historical and cultural lenses to possibly suggest why traditional economist viewpoints do not explain the state of affairs of the SSA region. The conclusions seek to situate these findings within larger political and practitioner debates concerning the present economic development context in attempt to understand the state of the SSA region. We posit that only by clearly evaluating the historical and cultural contexts of the SSA region then can one advocate strategies to propagate competitiveness of the SSA region.

INTRODUCTION

‘…the study of history in Africa with its implications for people in society is in fact an indispensable approach to the understanding of present realities…’

Basil Davidson, 1994

Scholars over the centuries have recognized competitive differences among nations. Michael Porter discusses the flawed thoughts of Classical economics in his seminal book on ‘Competitive Advantage of Nations’, Porter (1990). He argues that contrary to the common belief, national prosperity is created and not inherited. He systematically rules out large labor pool, interest rates, currency value and inflation rates as possible source of competitive advantage by citing nations that have prospered in spite of having poor indicators in regards to above mentioned factors. Michael Porter model of ‘National Diamond of Competitive Advantage’ has been applauded to be one of the most persuasive theoretical frameworks, Grant (1991). Grant applauded Porter’s attempt to span three level of analysis: firm, industry and nation. However Porter model analyzed economic aspects of 10 developed nations (United States, United Kingdom, West Germany, Italy, Sweden, Switzerland, Denmark, Korea, Singapore and Japan) but he did not focus on the less successful nations, such as the Sub Saharan region. Moreover, Porter did not analyze the historical and cultural aspects of nations as a vital component of competitive advantages, Srivardhana, and Cater (2006).

There is a stream of literature that has focused on cultural differences and well as historical context across nations and the impact of these differences on competitiveness, Hill (1995); Hofstede (1983, 1984, 1994); Franke, Hofstede and Bond (1991). To the best of our knowledge, none of these studies have address issues specific to the Sub Saharan region or a majority of the less developed regions. In this paper we will propose a conceptual framework that integrates the components of the ‘national diamond of competitive advantage’ and a historical analysis of sub Saharan Africa (SSA) in its present institutional context in attempt to understand the state of the SSA region. To embark on the endeavor of doing a historical analysis of the entire SSA is highly ambitious, given the sheer number of sovereign nations and the complexity of the subject matter. Therefore we will focus our attention to the cultural constructs as identified in other international studies, Hofstede (1983, 1984, 1994); Franke et al. (1991); Hill (1995).
THE THEORY
In this section we will highlight Porter’s arguments against some classical economists in regards to the possible sources of national competitive advantage. We will highlight aspects of the classical economic theories that have been used to explain the lack of competitiveness of SSA region as well as certain economic theories which may have arguably contributed to this phenomenon. We will conclude this section by highlighting the historic and cultural context of the SSA region and how the current institutions have evolved.

SOURCE OF COMPETITIVE ADVANTAGE OF NATIONS (CAN)
One traditional explanation of national competitiveness is based on the thought that labor costs, interest rates, exchange rates and economies of scale are the most potent determinants of competitiveness. This school of thought emphasizes the need to focus on improving financial performance, soliciting government assistance, seeking stability and reducing risk through alliances and merges. Alternatively, there are those who argue that national competitiveness is function of cheap and abundant labor. These arguments are lacking since Germany, Switzerland and Sweden have all prospered even with high wage and labor shortages (Porter, 1990). Conversely, SSA region has one of the lowest costs of labor worldwide as well as one of the lowest investment in education (see table 1). The pertinent question is do higher public expenditures on education mean higher achievement? A study undertaken by the World Bank established that there generally is a positive relationship between public expenditures on education (as a % of GDP) and higher math test scores. In this particular study Indonesia’s public investment on education was the lowest (0.95%) resulting in the lowest test scores (360) while Hong Kong received the highest test scores and spent 4.32%. Most of the highest test scores were a product of public spending on education that was above 4% of GDP. It is important to note the same study identified a few outliers such as Tunisia which spend 7.49% on public education and scored one of the lowest scores while Japan and Macau both spend less than 4% and still scored above scores of 525. The study attributed the abnormalities to the inefficiencies/efficiencies in education system and possibly corruption (http://web.worldbank.org). According to this study about 30% of nations with the lowest public expenditures on education are from the SSA region. We concur with Porter’s assertion that labor as a factor condition will only be a source of competitive advantage if the respective nation invests in training this labor pool. Cheap uneducated labor in the present knowledge age has very little competitive edge. Hence, the cheap labor available in some of the SSA nations has done very little in terms of creating a competitive edge.
Table 1: Nations Spending on Education.

<table>
<thead>
<tr>
<th>High Greater than 7%</th>
<th>Medium Greater than 4%-6.9%</th>
<th>Low Greater than 0%-3.9%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lesotho</td>
<td>Barbados</td>
<td>Rwanda</td>
</tr>
<tr>
<td>Botswana</td>
<td>Morocco</td>
<td>Sierra Leone</td>
</tr>
<tr>
<td>Cuba</td>
<td>Cape Verde</td>
<td>Oman</td>
</tr>
<tr>
<td>St Kitts &amp; Nevis</td>
<td>New Zealand</td>
<td>Tajikistan</td>
</tr>
<tr>
<td>Guyana</td>
<td>Ukraine</td>
<td>Benin</td>
</tr>
<tr>
<td>St. Vincent &amp; Grenadines</td>
<td>Belarus</td>
<td>Chile</td>
</tr>
<tr>
<td>Djibouti</td>
<td>Saint Lucia</td>
<td>Madagascar</td>
</tr>
<tr>
<td>Tunisia</td>
<td>Ghana</td>
<td>El Salvador</td>
</tr>
<tr>
<td>Maldives</td>
<td>South Africa</td>
<td>Lebanon</td>
</tr>
<tr>
<td></td>
<td>Eritrea</td>
<td>Azerbaijian</td>
</tr>
<tr>
<td></td>
<td>Senegal</td>
<td>Peru</td>
</tr>
<tr>
<td></td>
<td>Jamaica</td>
<td>Lao PDR</td>
</tr>
<tr>
<td></td>
<td>Aruba</td>
<td>Kazakhstan</td>
</tr>
<tr>
<td></td>
<td>Burundi</td>
<td>Pakistan</td>
</tr>
<tr>
<td></td>
<td>Kuwait</td>
<td>Mauritania</td>
</tr>
<tr>
<td></td>
<td>Colombia</td>
<td>Congo</td>
</tr>
<tr>
<td></td>
<td>Iran</td>
<td>Chad</td>
</tr>
<tr>
<td></td>
<td>Burkina Faso</td>
<td>Guinea</td>
</tr>
<tr>
<td></td>
<td>Mauritius</td>
<td>Zambia</td>
</tr>
<tr>
<td></td>
<td>Mali</td>
<td>Dominican Republic</td>
</tr>
<tr>
<td></td>
<td>Moldova</td>
<td>Cameroon</td>
</tr>
<tr>
<td></td>
<td>Thailand</td>
<td>United Arab Emirates</td>
</tr>
<tr>
<td></td>
<td>Hong Kong(China)</td>
<td></td>
</tr>
</tbody>
</table>


Some classic economists view national competitiveness as a macroeconomic phenomenon driven by variables such as exchange rates, interest rates, and government deficits. Porter clearly state that all these arguments are wanting because countries such as Japan, Italy, and South Korea have all enjoyed rapidly rising living standards despite budget deficits; Germany and Switzerland despite appreciating currencies; and Italy and South Korea despite high interest rates. While others argue that national competitiveness is embedded in the bountiful natural resources. Again, this argument does not hold in the case of Germany, Japan, Switzerland, Italy and South Korea, which have all succeed despite their limited natural resources. In the SSA region the bountiful natural resources is a curse as well as a boon. Alluvial diamonds became focal point of the civil strife in Sierra Leone and Angola, while petroleum led to similar political unrest in Nigeria and Angola (Nugent, 2004). Later in the paper we will argue that economic policies such as each nation producing and exporting its ‘comparative advantage’ cost the SSA countries dearly. Historically, with the exception of South Africa most SSA nations have a rather limited manufacturing sector. For this reason most SS nations established their comparative advantage in commodities trade. Commodity trade is highly vulnerable to price fluctuations and is often subjected to very low margins. Clearly, bountiful natural resources have produce mixed results at best to the region.

Most recently some traditionalists have viewed national competitiveness as being driven by government policy, targeting, protection, import promotion, and subsides. In Italy, the government intervention has been ineficilect yet Italy has experienced a boom in the world second only to Japan. Likewise, in Germany, direct government intervention in exporting industries is rare. Some traditionalists have viewed national competitiveness as being driven by differences in management practices, including management-labor relations. However, different industries require different approaches to management. The
successful management practices governing small private and loosely organized firms in one nation would fail if directly applied to a large high structured firm within the same nation or a different nation, Porter (1990). Since the above viewpoints have been found lacking as an explanation of nations’ source of competitive advantage, we would like to analyze the historic context of Africa as a possible reason for lack of its competitiveness. As depicted in table 2, between 1975 and 1990 the GDP per Capita in the SSA was higher than that of East Asia & Pacific region as well as the South Asia regions. However over the years these regions have overtaken the SSA region. The economic growth rate of the region looks bleak in comparison with other regions. A wide Variety of factors have been attributed to this phenomenon such as higher exposure to climatic shocks, changes in the international economic environment, governance issues and civil strife, Arbache and Page (2007); Guillaumont, Jeanneney and Brun (1999). However, other regions have had similar challenges and have emerged stronger over the decades. What is really going on with Africa?

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP Per Capita</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-Saharan African</td>
<td>1928</td>
<td>1844</td>
<td>1782</td>
<td>1648</td>
<td>1668</td>
<td>1768</td>
</tr>
<tr>
<td>East Asian &amp; Pacific</td>
<td>905</td>
<td>1227</td>
<td>1686</td>
<td>2407</td>
<td>3399</td>
<td>4595</td>
</tr>
<tr>
<td>Latin American &amp; Caribbean</td>
<td>6020</td>
<td>6295</td>
<td>6315</td>
<td>6450</td>
<td>6978</td>
<td>7205</td>
</tr>
<tr>
<td>Middle East &amp; North Africa</td>
<td>4179</td>
<td>4180</td>
<td>4055</td>
<td>4326</td>
<td>4651</td>
<td>5197</td>
</tr>
<tr>
<td>South Asia</td>
<td>1132</td>
<td>1268</td>
<td>1505</td>
<td>1745</td>
<td>2110</td>
<td>2530</td>
</tr>
<tr>
<td>Low &amp; Middle Income</td>
<td>2278</td>
<td>2560</td>
<td>2881</td>
<td>3045</td>
<td>3513</td>
<td>4219</td>
</tr>
<tr>
<td>Growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-Saharan African</td>
<td>-0.06</td>
<td>-1.6</td>
<td>-0.21</td>
<td>-1.64</td>
<td>0.79</td>
<td>1.79</td>
</tr>
<tr>
<td>East Asian &amp; Pacific</td>
<td>5.26</td>
<td>6.12</td>
<td>5.76</td>
<td>9.1</td>
<td>5.63</td>
<td>7.06</td>
</tr>
<tr>
<td>Latin American &amp; Caribbean</td>
<td>3.31</td>
<td>-0.95</td>
<td>-0.43</td>
<td>1.61</td>
<td>1.53</td>
<td>1.21</td>
</tr>
<tr>
<td>Middle East &amp; North Africa</td>
<td>-0.20</td>
<td>2.41</td>
<td>-1.20</td>
<td>1.18</td>
<td>1.91</td>
<td>2.78</td>
</tr>
<tr>
<td>South Asia</td>
<td>1.03</td>
<td>3.14</td>
<td>3.89</td>
<td>3.01</td>
<td>3.59</td>
<td>4.65</td>
</tr>
<tr>
<td>Low &amp; Middle Income</td>
<td>2.79</td>
<td>1.99</td>
<td>1.93</td>
<td>1.56</td>
<td>3.23</td>
<td>4.58</td>
</tr>
</tbody>
</table>

Source: World Bank

HISTORICAL AND CULTURAL CONTEXTS AND ECONOMIC DEVELOPMENT OF THE SUB SAHARAN ECONOMIES

According to Davidson (1994) we must reflect back on our history in order to have a holistic picture of the present realities. Franke et al. (1991) echoed similar sentiments. They argued that differences in cultural roots are likely to have greater effect on economic performance of nations than material and structural conditions. Their study identified several aspects of national culture that are likely to explain the variance in economic performance for a sample of 18 Western nations and 20 Eastern nations. Franke et al. (1991) criticized Porter’s diamond of national competitive advantage on the grounds that it failed to answer the question of why certain nations develop competitive advantage and others do not. We concur that a clear understanding of the cultural and historical development of nations is necessary to specify the sources of a nation’s competitive advantage and, perhaps, to predict its economic prospects. In this paper we will analyze the cultural values identified by Franke et al. in the historic context of the SSA region as depicted in figure 1.

The SSA is not a unified region with identical historical background and cultural disposition. However, there are common elements of the African cultures and historic phenomena that emerge across the region.
In terms of cultural values, Africans tend to have high power distance which led to the establishment of the political elite and a widespread corruption and social injustices, Beugré, and Offodile (2001). Arguably this cultural value creates a sense of complacence with the status quo even when confronted within blatant social injustice and rampant corruption. The second common thread among these nations is loyalty to kinsmen or tribe before nation which has led tribalism and nepotism. The resources as well as job opportunities are awarded based on tribal affiliations rather than credentials. The third common cultural value in the region is the tendency towards short term orientation with a great emphasis on respect for tradition, fulfilling social obligations and saving ‘face’. These tendencies translate to nepotism and/or favoritism for instance securing a job or a business contract for a relative irrespective of the recipient credentials. In fact securing job placement, business contract, etc… is considered as ‘moral obligation’ of the well placed member(s) of the family. Failure to meet to ‘moral obligation’ may lead to ostracism, Takyi-Asiedu (1993).

The SSA also shares some commonalities in terms of historic context. The entire region was colonized by western nations and therefore it is not unusual to find remnants of the colonial mentality of ‘divide, conquer and rule’. Politicians often use tribal politics to garner votes and create power base. This kind of approach has led to many civil unrest and even civil war, the 2007 general election in Kenya being a case in point. The paradox of poverty in Africa in the presence of resource abundance remains a mystery with infinite possibilities. We argue that lack of well developed economic structures and institutions have led to the SSA region being predominantly primary commodity exporters. The very abundance of natural resources has also led civil unrest due to inadequate distribution mechanism.

CONCLUSION
This paper presents a multidimensional model for national competitiveness, which contends that in order to understand the issues underlying the lack of competitiveness in the SSA region one must integrate the institutional factors with the historical context and the cultural values. The model also implies that, while the historical contexts and the cultural values help explain the events and lack of competitiveness in the region, African leaders as well as the citizens must work to eradicate limiting cultural values and remnants of historic baggage.
Figure 1: Multidimensional Model for National Competitiveness

Historical Contexts

- Colonial Mentality of Divide, Conquer and Rule
- Victims of National Comparative Advantage, Agrarian Society
- Cure of Abundance of Natural Resources

Factor Conditions

- Pop., total (millions) 752.6
- Pop. growth (annual %) 2.3
- Surface area (sq. km) (‘000s) 2426
- Life expectancy at birth, total (years) 47.2
- Mortality rate, infant (per 1,000 live births) 96.4
- Literacy rate, youth female (% of females ages 15-24) 64.3
- GNI (current US$) (billions) 594.2
- GNI per capita, Atlas method (current US$) 742.9
- Prevalence of HIV, total (% of pop. ages 15-49) 5.8

Source: World Development Indicators

The Regions Lack of Competitiveness

Cultural Values

- Short Term Orientation: respect for tradition, fulfilling social obligations, and protecting one’s ‘face’
- High Power Distance led to establishment of the Political Elite
- Loyalty to kinsmen/tribe before country led to tribalism, nepotism

Source: Original Conceptual Framework
REFERENCES


Improving participation of Black Minority Students in Class Discussion

Sola Adesola, Oxford Brookes University, UK

The subject of students’ engagement is becoming more problematic with the widening participation and cultural diversity of students across higher education. The objective of this paper is to seek to understand students' perception on participation, establish reasons for holding back and identify areas for improvement. In this preliminary research, multiple data methods were employed to help triangulation. These included survey questionnaire, observation and condensed focus group. The findings illustrate that both black minority students and lecturers have responsibilities in improving participation.

INTRODUCTION
The subject of students’ engagement is becoming more problematic with the widening participation and cultural diversity of students across higher education. The research was based on investigating participation level of Black Minority students in class discussions at The Business School, Oxford Brookes University. The primary purpose of the research was to understand students’ perception on participation, establish reasons for holding back in active participation and identify areas for improvement.

Whilst many universities are becoming culturally diverse in students’ population, yet the subject of students’ engagement is a growing problem, hence the focus of this initial research

PARTICIPATION IN CLASS DISCUSSION
While the positive effects that can accrue from collaborative learning have been well documented in the literature, in recent years the relational aspect of group work has been particularly emphasised (Keyton, 2000). That is the way students engage with each other in achieving the group’s task. Whilst collaborative group participation offers benefits, Sue and Lander (2003) questioned the effectiveness in practice and complications that arise when groups comprise members of mixed ethnicity. The authors further add that individual’s participation in any given interaction is shaped by his or her cultural orientation.

A number of studies have been conducted on Asian interaction. In a study of Asian students’ active participation in academic group discussions, Jones (1999) found that language difficulty, shyness, cultural background are significant factors inhibiting effective communication. Academic literature surrounding Black students’ participation in classroom is limited. The limited research material has focused on the representation or participation of Black students entering higher education. In a study conducted in schools and higher education institutions, Bird (1996) found that many black students felt that relationships with staff were made more difficult because of the lack of or under-representation of black staff in Higher Education. Bird’s study found that the lack of black staff was a central issue for black students even though some students obtained support from other black students.

A POSSIBLE APPROACH TO THE PROBLEM
This research attempts to contribute to progressive social change within Higher Education. Thus, according to Schratz and Walker (1995), ‘action research is not research for social change, or research on social change, but research as social change. We investigate reality in order to change it; we change
reality in order to investigate it’. The purpose of the study was to understand what actually happens when black students interact in class discussions. The project was clearly defined to focus on the involvement of black students in classroom discussion and aimed to create a blueprint for future study in the field.

In this preliminary research, multiple data methods were employed to help triangulate the research objective. The study employed two research instruments. Students were observed at different times interacting in class discussion and group discussion while engaged in a shared problem solving activity. The researcher acted as a non-participant observer, and further asked for observation feedback from staff colleagues. The use of questionnaire formed the second instrument for this study. For this study the sample of Black students (both home and international students) were taken from a number of programs at Undergraduate level. 25 students from different courses served as subjects.

These included females and males at different levels of courses such as strategy, research methods, international management, entrepreneurial business planning and personal tutees. The study was made up of students from Nigeria, Ghana, Guinea, Zimbabwe, and Somalia. The short questionnaire, administered by email to students and seminar leaders was designed to seek perception of participation. Out of the 25 questionnaires, only 6 responses were received. The researcher felt this was due to the wrong timing with examination.

A focus group was planned but due to lack of interest, the researcher was able to meet on-one on one with two students to share their concerns and experiences. However, it is important to recognize the limitations of this study and the research process. Poor responses were generated from the questionnaires; the one-on-one discussion with the students was prone to subjective viewpoints with the danger of bias. However, the additional information obtained served to support the questionnaire.

RESULTS
The responses from the questionnaire are outlined in this section. A rich picture of experiences and perceptions emerged from the questionnaire, observation and focus group.

On the question of how students would rate their individual level of participation to class discussion compared to that of English and Asian students, 3 out of 6 respondents felt their rate of individual participation was high in comparison to that of English and Asian student. 4 out of 6 students expressed offering ideas in class discussions occasionally. Responses vary when it came to students’ timing of contribution. Common pattern showed students contributed to class discussions when being asked questions or felt they know the subject. Other few examples of responses include the following:

‘Sharing what I know from previous experience’
‘Prove myself’
‘Give another way of seeing a given issue from my perspective, yet in an understandable and logical way’

Amongst other factors considered, the issue of paying school fee, talking too much or lack of knowledge appeared to have featured more to the question of silence, one student preferred to be silent unless ‘someone tries to look down on him, then he shows them he is smart’. There were mixed feelings on the need to improve participation level. Those students, who felt participation need no improvement, argued that current participation is satisfactory. There was strong emphasis on using case studies from Africa. Some students also felt that pressing black students to participate may lead to poor performance, some never return back to class.
The result showed that lack of participation may be attributed to students feeling embarrassed due to their command of language or accents. Students may feel intimidated, however it is a problem faced by other minority ethnic students. The survey also show that targeting black minority directly was difficult, arguing that communication in class discussions is a habit developed from primary schools.

Some suggestions for improving class participation include:

- teachers should be more “gentle” with the way they react to a false answer given by a black student or any other student since black and Asian in general are very shy even if it doesn’t show always’
- Lecturers should ask specific people to answer questions that can help, but at the end of the day, it lies with the individual’
- Create a relationship with the black minority student. Some black students might be part of a class but yet still feel they are not recognised.

The general consensus is that lecturers and tutors make attempt to involve black minority students, but that more effort is needed to increase the percentage of black minority students who still feel left out. Most students strongly felt that black students don’t have a problem with confidence to raise the special attention of the teaching team as this will open up unnecessary conflict of inequality and racism. Opinions differed though as to whether calling out specific names to answer questions would help. Yet another student felt that lack of confidence makes students feel they are not part of the class.

When asked to provide advice for future black students, some of the comments were “work twice as hard”
  ‘realise it is not a ‘black thing’”
  “don’t create a black student culture when things are not going your way”

The one-on-one discussion further confirmed the results from the questionnaire. Issues of culture, low command of English, confidence level, biased examples towards UK and Asian economies were featured from the discussion with students. Great concern was expressed over little or no examples of African economies as part of University program curriculum, adding to the general lack of interest in student participation. Observations of black students in class from the researcher and colleagues were also tilted towards the issue of culture (the way most students were taught back home is different from the western education), being conscious of accent, fear of embarrassment from asking questions which may be perceived as silly.

**DISCUSSION AND RECOMMENDATIONS**
A minority of students questioned the reasoning of addressing black minority students’ needs and not the whole of minority students’ needs. This study is not and does not attempt to be a comparative study. However, it opens up an issue that needs to be addressed. The research findings suggest that black student don’t generally have a problem, but pressure on them to talk in class can lead to poor performance. The findings also highlight the inhibiting factors such as culture, race and language. From the study, it is important to note the treatment of lecturers and tutors to false answers being given by the students. Students called for “gentle” treatment and the need to make them feel they are a part of the class. Furthermore, to generate more interests, lecturers should use African case studies.

**CONCLUSION**
This study has provided a preliminary study into the participation of black students in class discussions. The findings has confirmed previous study on Asian participation (Jones 1999) which concluded that
language, shyness, cultural background are inhibiting factors to lack of participation in class. This study agrees with Jones (1999) proposal for improving participatory skills that participation can only be achieved by enhancing the students’ awareness of how UK culture and the values and beliefs underlying group discussion differ from other cultures. Training students in the particular interactional skills is required for active contribution to discussion. The study also concludes that lecturers and tutors should take measures to increase their understanding of the black students’ cultural background and ways of learning and interacting in order to encourage participation.

REFERENCES

Dr Sola Adesola is a Senior Lecturer in International Management and Law at The Business School, Oxford Brookes University. She is also a Fellow of the Higher Education Academy. Her research is on investment and outsourcing to Africa and legal issues of global trade. E-mail: sadesola@brookes.ac.uk
The Process of Incubating Nascent Entrepreneurs for Economic Growth

Imani Silver Kyaruzi, University of Birmingham, UK

Lawrence Ogechukwu Obokoh, University of Wales, UK

This paper seeks to examine the processes of incubating nascent entrepreneurs. It is observed that despite the growing interest and large volume of literature on business incubation, theories have been silent on explaining the role of tenants or “incubatees” in this process. In most cases, the theories appear to treat the incubators and the business incubation processes as unproblematic institutions or policy tools for creating businesses and stimulating local economic growth through employment creation and taxes generated from new ventures. In an attempt to understand the mysterious concepts behind this one sided view, this paper examines the role(s) of nascent entrepreneurs within the incubation process. The conclusions suggest a need for more empirical studies on incubation processes and calls for new ways of treating nascent entrepreneurs to realise their potential contributions to local economic growth.

INTRODUCTION

“Incubation” is defined as a process of assisting new and growing businesses to become established and profitable by providing them with premises, support and advisory services, networking and access to finance. These are places where professionals offer organised resource-rich and support services dedicated to startups [and established businesses], to strengthen their development (Albert and Gaynor, 2001:2). Earlier, theories appeared to treat the incubators and incubation processes as unproblematic institutions or policy tools for creating businesses (Kyaruzi, 2006). The main focus of most theories has been on volumetric measures or outputs such as; number of businesses created, employment creation, taxes and regional economic growth (Aernoudt, 2002; Lalkaka, 2003). These measures are short of giving a clear indication as to whether the incubation process is there to nurture businesses (enterprises) or entrepreneurs (the human side).

These and other factors, necessitates the need to develop methods of studying the roles of nascent entrepreneurs. This paper seeks to explain the relationship that exists between the “incubation processes” and “business start-ups”. Also to answer the questions as to why we have firms (or businesses) in the first place which would shed light on what drives people to set up businesses rather than idolising the perceived economic outcomes of the incubation process(es). This is because one precedes the other since we cannot have incubators without entrepreneurs or tenants. Therefore, by understanding the nature of aspiring entrepreneurs pre-establishment is central to understanding the incubation industry; otherwise incubators could end up incubating wrong ‘eggs’ or those who should not be in the incubators in the first place.

To develop this argument, this paper seeks to question the significances of support programmes provided to nascent entrepreneurs and reviews theories of nascent entrepreneur and their contributions to the business incubation processes. It also seek to initiate new ways of researching the link between nascent entrepreneurship and the incubator process and then go further to suggest an approach suitable for provoking the assumed silent roles of nascent entrepreneurs within the incubation environment. The method employed in this study is purely review of extant literatures and deductive arguments that gives an insight to the understanding of the role of nascent entrepreneur and the factors that drives them to set up or to create new ventures.
NASCENT ENTREPRENEURSHIP

Nascent entrepreneurship can be defined as a process of planning, obtaining resources, networking, registration, and similar activities related to organizational emergence (Reynolds, 1997). However, it is possible that there are a few steps prior to these stages, which are our main concern. In other words, these are “firms in gestation” and in most cases the planning process is often preceded by the motivation for starting a new business, which are often universalised (ethnicity, environment etc). For instance, Stokes and Wilson (2006:37) expanded on this view by suggesting that motivations for setting up businesses can be categorised as; pull influences–factors that pulls people into self-employment and push influences – factors that pushes people into creating businesses. The pull influences include the desire for independence; desire to exploit an opportunity; turning a hobby or previous work experience into a business and financial incentives. The push influences have been described as; redundancy, unemployment (or threat of) and disagreement with previous employer.

On the other hand, entrepreneurship has been defined as a dynamic process. It is dynamic as this process takes place in a variety of contexts, it can exist in large as well as small economic units, in the public as well as the private sector” (Stokes and Wilson, 2006:34). They argued that small businesses do not have monopoly of entrepreneurial talents. The view as to whether entrepreneurship is dynamic or static seems to depend on specific conditions. For instance, the dynamic view- depends on the gross and net changes in the rate of business ownership while the static view- depends on the business ownership rate (Wennekers et al, 2005:299). The latter forms the main feature of most policy-supply-driven incubators in developing countries (Kyaruzi, 2006). Through such policies, any individual is seen as a potential entrepreneur regardless of whether they have got what it takes to run a business or not. As a result, a number of business support services and incubation programmes have been initiated and they are forming an economic agenda in developing countries. However, the challenge remains on whether these incubators support nascent entrepreneurs or any individuals as directed by policymakers. Recent researches on Tanzanian business incubation suggest that some incubators have been formed to support new ventures but in the real sense they are supporting well-established businesses (Kyaruzi, 2006). What is missing here is the knowledge of how these incubators are meant to filter nascent entrepreneurs from the rest of the population. Despite a large volume of research on small businesses and entrepreneurship, the knowledge of the roles and activities of those who are attempting to set up new businesses remains weak (Katz & Gartner, 1988). This is both pre-establishment and during the course of business transactions. Therefore, lack of this important knowledge can lead most incubators to incubate wrong or ‘cracked eggs’.

THEORIES

There are a number of theories for determining the entrepreneurship process; entrepreneurship and gender (Chell and Baines, 1998) entrepreneurship and innovation (Drucker, 2006), personality dimensions (McClelland, 1961), economic role of entrepreneurs, psychological traits and social behaviour (Deakins and Freel, 2003); macro and micro-environment (Stokes and Wilson, 2006); entrepreneurship and incubation (Allen, 1998; Lalkaka, 1998; 2001). Since we are focusing on nascent entrepreneurship our arguments will pay more attention to economic theories, social behaviours and the incubation environment.

**Economic theories and nascent entrepreneurship**

According to Deakins and Freel (2006:2) economic theories to entrepreneurship are based on the role of “an entrepreneur in economic development”. The authors used the neoclassical theory that maintains that firms exist to produce goods and services. The theory did not explain the process of entrepreneurship since the role of an entrepreneur is silent as “is noticeable only by its absence”. Simply, when there is little or no production of goods and services then there is no entrepreneurship. Recent theories have realised the “role of an entrepreneur” in economic development (Storey, 1994; Burns, 2001). However, these theories have been short in explaining these roles and it appears that what these theories and policies are interested in are the economic
“outcomes” of the entrepreneurship process (jobs and taxes). It is not known whether entrepreneurs go into business with the purpose of creating jobs or generating taxes and that the outcomes might be accidental (can be contested). We view entrepreneurship as a process of self-wealth creation. For this matter, we do not believe that nascent entrepreneurs approach incubators for the purpose of creating employment (this is during incubation or after graduation).

**Personality trait theory and Entrepreneurship**

These theories are based on the characteristics (psychological traits) of entrepreneurs. They aim to identify certain personality characteristics or “traits” in individuals that appear to be possessed by successful entrepreneurs (Deakins and Freel, 2003). This stems from an old argument as to whether entrepreneurs are born or made (Krueger and Brazeal, 1994; Schein, 1994). If they are born, then incubators will need a more complex scientific way of identifying individuals with such genes that we are not clear about. Also, if they are born entrepreneurs then do not need any support because they are born with all the necessary skills to succeed as entrepreneurs. Recently, the argument seems to have taken a new scientific twist as indicated below:

“...The debate has been going on for decades. Are entrepreneurs born, or are they made? What makes people comfortable leaving their jobs and venturing out on their own, with no idea of the end result? Some believe genes rule. Some think it's all about training, education, and environment...” (Rob May, 2006)

However, other authors have contested that entrepreneurs are made not born (Shefsky, 1996). Shefsky used stories of numerous entrepreneurs to indicate that entrepreneurs had to overcome barriers to achieve their dreams and also used business failure as a precursor to prosperity. A study by Naffziger et al. (1994) also suggests that the “born or made” argument has not been empirically proven. If it was, then it could have aided our attempt to justify whether we do incubate natural-born or made entrepreneurs. This could make a difference, as most incubator resources could be directed to people who need it most. In this case those born with little or no entrepreneurship skills at all would need to go through the incubation process. Despite this, most theories are in agreement with McClelland’s (1961) “big five personality dimensions”; namely need for achievement, need for autonomy (freedom to create own future), locus of control, risk taking and self-efficacy.

From the above theories, we can draw two specific arguments. First, there is a topical treatment of the term entrepreneurship and nascent entrepreneurs. Essentially, it has been argued that business creators are not necessarily entrepreneurial (Reynolds, 2001). This suggests that the incubation process does not necessarily create entrepreneurs but business owners. Second, the trait theory does not differentiate between nascent entrepreneurship and other forms of entrepreneurship as Stokes and Wilson (2006:43) maintain “managing teams may change at later stage of an organisation ... [However]...it is a nascent entrepreneur who has to grow the enterprise to the stage where it has the critical mass to survive as an entity in its own right”. Can such skills be incubated?

**Environment and Entrepreneurship: External influences**

The environment is believed to have an impact on entrepreneurship processes. According to Stokes and Wilson (2006:67) these external influences can be classified as Macro-environment and Micro-environment. The macro-environment consists of factors which tend to have an impact on all firms nationally and sometimes internationally e.g. economic conditions and technological change. While micro-environment refer to local factors such as; local socio-economic conditions, development and the potential of a local market, customer needs and the competitive environment. It is believed that this explanation could probably provide the answers to why entrepreneurship is easier in some regions and countries than in others. Also, this could explain why some entrepreneurs need more support in terms of nurturing and incubation than others.
CONCLUSIONS

Incubators have a potential to support and nurture nascent entrepreneurs. However, from the theories of incubation, the roles of nascent entrepreneurs are passive. It seems as if entrepreneurs are just there waiting to be nurtured. But, this is not often the case. Nascent entrepreneurs do not approach incubators with the purpose of creating employment once they gain skills and graduate from these institutions. This suggests that their roles in the incubation industry are different from the ones that are often documented. In our view, employment creation comes after personal wealth creation and other personal fulfills. Nascent entrepreneurs set up businesses with the purpose of making profits and personal wealth creation while additional outcomes of their intentions are also welcomed. Once they become competitive and successful, nascent entrepreneur then use their entrepreneurial skills to act as important agents for stimulating local economic growth. In other developing countries, entrepreneurs set up businesses as a means of survival [for survival firms] and thus their contribution to local economic growth can be contested (Kyaruzi, 2006).

On Policy, much has been covered, especially in developing economies, on the role of incubators in local economic growth without acknowledging the local skills of entrepreneurs, cultural specific issues within those places and the type of incubators suitable for the incubates. This could be explained by an existence of institutionally-enhanced incubators which are supply-driven rather than demand-driven. Entrepreneurship is not universal as indicated by recent incubator movements to cultivate entrepreneurs in developing countries since not all ‘eggs can hatch into viable chicks’. The incubation policies (especially in developing countries) need to initiate demand-driven support programmes rather than treating the whole societies as entrepreneurs. The economy needs a variety of skills, and, therefore those who cannot be incubated can form another significant part of the economy in other fields or sectors.

In this regard, there is need for more empirical studies on incubation processes in developing countries because of the important contributions of entrepreneurs to local economic growth as a result of their innovativeness. It is through the setting up of incubation systems that governments in developing countries can provide early necessary support to nascent entrepreneurs whose ideas can be nurtured and applied towards economic growth. Besides, other necessary institutional frameworks such as legal, administrative and infrastructures should also be in place to harness the gains of incubation process (es) without which the whole process will be a mere waste of time and resources.

REFERENCES

Burns, P. (2001), Entrepreneurship and Small Business, Palgrave, Basingstoke.,


The Nigerian government has been implementing various programmes meant to develop Small and Medium Sized Enterprises (SMEs) since 1986. This has formed one of the main parts of trade liberalisation that aims at creating competitive business environment for SMEs and Multinational Corporations (MNCs). Earlier, it was envisaged that liberalised trade will give SMEs the chance to explore international market opportunities. However, the result of this study reveals that the chances of SMEs exploring international market opportunities has been hindered by the excessive depreciation of the naira, absence of indigenous technology as well as institutional problems. The paper concludes that Nigeria needs to match various incentive programmes designed for SME development with the provision of infrastructure if manufacturing SMEs can make any meaningful impact both in the local and international market.

INTRODUCTION

The Nigerian government, since 1986 implemented various programmes such as exchange rate deregulation, removal of import and export licences and Small Scale Industrial Credit Scheme (SSICs), aimed at assisting the development of SMEs as part of trade liberalisation policy (Dawson, 1994). Part of the trade liberalisation policy was envisaged would pave the way for a competitive business environment for SMEs and Multinational Corporations (MNCs) in Nigeria. The liberalisation policy was aimed at making locally manufactured product more competitive both in the domestic and international market. While the removal of restrictions on imports was to allow free flow of goods and investments in order to make raw materials cheap and available to manufacturing SMEs (Vachani, 1994). The policy was also to encourage SMEs explore export opportunities that would help reduce government dependence on petroleum as the major source of foreign exchange. Despite these programmes, it has been observed that their impact on the performance of SMEs have been less than satisfactory (Manbula, 2002). This is attributable to some factors that governments and policy makers in Nigeria have failed to take into consideration in the design and implementation of SME development programmes. Most SMEs in Nigeria either remain small, moribund or shut down within few years of operation. In particular, this phenomenon has become more prevalent under the liberalised trade arrangements occasioned by Structural Adjustment Programme (SAP) (Ekpenyong, 2002; Rodriguez and Berry, 2002).

Small and medium sized enterprises (SMEs) are one of the principal driving forces in economic development because of their role in job creation, stimulation of entrepreneurial skills and private ownership of businesses (Udechukwu, 2003). SMEs due to their size and innovativeness are able to adapt to changes in market situations besides helping to diversify the economy through exports and international trade (UNECE, 2003). Udechukwu (2003) also asserts that SMEs development is an essential element in the growth strategy of most economies and holds particular significance for developing countries like Nigeria because they are flexible to market changes. It has been suggested that the increasing prevalence of the flexibility and specialisation of SMEs persuades many business analysts to believe in SMEs’ strategic role in the industrial structure of developing nations (Berry, 2002). But due to size and small financial base of SMEs, they are vulnerable to external shocks of the global market competition due to liberalised trade (Vickery, 2008). Therefore, given favourable policy environment there is reasonable assurance that SMEs can compete successfully both in the local and global market (Briggs, 2007). Base on this premise, the Nigerian government embarked on trade liberalisation with the
aim of allowing SMEs which are believed to be more efficient than large firms to develop and grow in a competitive business environment created by the liberalisation policy (Dawson, 1994).

This paper, which is part of an on-going PhD study, discusses foreign exchange and commodity market deregulation in addition to the development schemes introduced by the Nigerian government for SMEs development. This intends to answer the question why programmes designed by the Nigerian government under the trade liberalisation package have so far failed to achieve their purpose. It will also ascertain the factors responsible for these failures. In view of the factors responsible for SMEs’ programme failures; it will examine SMEs chances of exploring export opportunities in the international market under a liberalised trade regime. The study focuses on manufacturing SMEs and covers the period 1986 to 2006.

TRADE LIBERALISATION AND GOVERNMENT DEVELOPMENT SCHEMES FOR SMES
Trade liberalisation includes measures taken by the government to reduce anti-export bias, import controls as well as non-tariff barriers and exchange rate distortions (Santos-Paulino and Thirlwall, 2004: F51). The Nigerian government implemented trade liberalisation in order to create a competitive business environment with the removal of restrictions on international trade, capital flow and interest rates, deregulation of price control in the commodity market and the privatization of all government parastatal. The deregulation process proceeded simultaneously in all sectors of the economy with the exception of the labour market (Akinlo, 1996).

The dismay results of the series of government programmes for SMEs development and the inability of the manufacturing SMEs to sustain domestic market needs for manufactured goods in Nigeria became evident in the early 1980s following the fall in the international market price for crude oil. The drop in revenue from the sale of crude oil resulted in the inability of the Nigerian government to meet her import bills. This then led to a serious balance of payment deficit exacerbated by the absence of active private sector to provide domestic substitutes for imported goods (Adenikiju and Chete, 2002). The realisation of this vital role of the private sector (SMEs) necessitated the need for economic reform that cumulated in trade liberalisation.

The economic reform process commenced with the implementation of SAP in 1986 by the Nigerian government on the recommendation of the International Monetary Fund (IMF) and the World Bank (Okome, 1999). It has been argued that liberalisation is an unwritten requirement for economic integration which is the conditional lending policy of IMF based on adherence to SAP Aisbett (2003). The main objective of the SAP in Nigeria was to introduce locally manufactured products of SMEs to the international market through increased local output (Madeley, 2000). This programme led to the complete liberalisation of the Nigerian economy which prompted the government to remove all forms of protection for SMEs in terms of sourcing for raw materials, finance and foreign exchange. Before the reform, it was widely believed that the Nigerian economy was highly controlled by the government through import and export restriction, regulation of interest rates and exchange rates through the Central Bank of Nigeria (Akinlo and Odusola, 2003). The deregulation exercise was then envisaged would create a level playing ground that would enhance competition and eliminate wastage of scare resources.

Foreign Exchange Deregulation
The foreign exchange market was also deregulated in 1986 with the establishment of the first-tier and second-tier foreign exchange markets. The institution of the foreign exchange market made the exchange rate of the naira float against other major currencies and the value determined by the market forces. This made the government to do away with the discretionary fixing (adjustable peg) of the naira exchange rates (Akinlo and Odusola, 2003). The naira depreciated rapidly against other major currencies after the institution of the floating exchange rates system from the official exchange rate of N1.3294 to US$1 in 1986 to N11.3294 in 1991 and N132.8600 in December 2004 (CBN, 2005). This prompted an increase in
the cost of financing imported input which compelled SMEs and other local producers to source production inputs in the domestic market (Dawson, 1994).

The excessive depreciation of the naira was partly attributed to under funding of the market with actual funds supplied by the government falling short of expectation (Akinlo, 1996). Some analysts believed that the development was the adjustment of the naira to its misalignment to other major currencies because of the persistent depreciation after the deregulation of the foreign exchange market. Unfortunately, the high inflation rates that resulted due to the gap created by the floating exchange rate system between official and the parallel market weakened the impact of devaluation on the competitiveness of non-oil export products of SMEs. The gap between the official and parallel exchange rate then constitutes disincentive to export-oriented policy of the Nigerian government to potential exporters (Akinlo and Odusola, 2003; Briggs, 2007).

**Deregulation of the Commodity Market**

In 1986, the Nigerian government exempted raw materials and other related inputs that are basic to export production from the 30% import levy imposed on all imports but the levy was later abolished following trade liberalisation. Various export promotion incentives such as the abolition of export taxes and a comprehensive review of customs tariff were introduced in line with the trade policy under SAP (Ajibefun and Daramola, 2003).

The use of local raw materials by both SMEs and large firms in the manufacturing sector were encouraged by the government to save needed foreign exchange. A duty draw-back/suspension scheme that allows SMEs (exporters/producers) to import raw materials, spare parts and other related inputs for export production duty free was also approved by the government. Indirect taxes and other related charges on inputs materials were eliminated. Import control measures under the adjustment programme were generally less restrictive than those implemented before trade liberalisation (Egwaikhide, 1999). Exporting SMEs were given the incentive to retain 100% of their foreign earnings in domiciliary accounts and were allowed to convert the export proceeds held in such account to naira. The government established export credit guarantee and insurance scheme to insure exporting SMEs from political and other risks associated with exports (Akinlo, 1996).

Other development programmes for SMEs include the setting up of industrial estates, establishment of specialised financial institutions such as the Small Scale Industrial Credit Scheme (SSICs), Small and Medium Industry Equity Investment Scheme (SMIEIS), Nigerian Industrial Development Bank (NIDB), Nigerian Bank for Commerce and Industry (NBCI) to provide long-term credit to SMEs, the National Economic Reconstruction Fund (NERFUND) set up in 1990 to grant medium to long-term local and foreign loans to SMEs located in the rural areas (Anyawu, 2003; Briggs, 2007).

In the implementation of all these incentive schemes aimed at encouraging SMEs both for domestic and exports production, infrastructural facilities were left out of the scheme. It is obvious that the availability of infrastructure contributes positively to SMEs performance because it represents an intermediate input to production. Infrastructure quality affects the profitability of production, level of income, output and employment creation (Adenikinju, 2005). The responsibility for the provision of enabling business environment; hence infrastructure lies with the government. But this has changed in recent times with the governments’ adoption of the IMF/World Bank policy of SAP anchored on neoliberal economic policy. The policy precludes the government from direct participation in economic activities. This has resulted in the deplorable condition of infrastructure in Nigeria owing to poor budgetary outlays towards expansion and rehabilitation of existing ones (Lee and Anas 1992; Agboli and Ukaegbu, 2006). This state of infrastructure has adversely affected the profitability performance of SMEs.
It should be noted that trade and financial market liberalisation were pursued at the same time in Nigeria. McCulloch et al. (2001) observed that governments in developing countries pursued macroeconomic stabilisation and adjustment programmes simultaneously which contained different forms of liberalisation. The idea of exchange rate liberalisation in Nigeria was to make imports less attractive with the resultant low value of the naira. However, the import oriented consumption pattern of Nigerian population makes this unworkable. This is because the effectiveness of exchange rate deregulation in reducing import requires that the import elasticity of demand be greater than one which is contrary to the import demand in Nigeria. This coupled with the free flow of finished goods militated against manufacturing SMEs competitiveness after liberalisation.

REVIEW OF RELATED LITERATURE

Trade liberalisation is an important component of Structural Adjustment Programme (SAP), aimed at opening an economy to increased international trade by either reducing or eliminating protection for domestic industries (Jubilee Australia, 2006). The ultimate aim is to remove taxes on exports, restrictions on imports and the reduction of import tariffs. Sachs and Warner (1995) using a cross-country growth model argued that trade liberalisation leads to higher growth rates in poorer countries than in richer countries. Dollar (1992) linked outward-oriented economy with rapid economic growth. Greenaway, Morgan and Wright (2002) evaluated the impact of trade liberalisation on 70 developing countries and found a significant positive relationship between trade liberalisation and economic growth.

Weisbrot and Baker (2002) argued that trade liberalisation may not be the only key to rapid economic growth and development. They noted that the success of some countries that experienced accelerated growth did not follow a simple path of trade liberalisation because the government directed the economy through the use of subsidies, protection for favoured industries and restriction on capital account flows. These policies are opposed to proponents of trade liberalisation especially the Bretton Wood institutions. Rodrik (1998) asserts that the growth performance of those Asian countries that gained from open trade can be attributed to how they managed key macroeconomic shocks rather than trade policy alone. Shafaeeddin (2005) asserts that trade liberalisation is necessary when an industry reaches a certain level of maturity provided it is undertaken gradually and selectively. However, Bretton Wood institution’s methodology of liberalisation is likely to lead to the destruction of infant industries as well as hamper the emergence of new ones. This he believes will confine low income countries to the production and exports of primary commodities (Shafaeeddin, 2005). This assertion captures the prevailing situation in most countries in Sub Sahara Africa (SSA) especially Nigeria that implemented rapid trade liberalisation. This is because Nigeria has lost its competitive manufacturing edge and has become increasingly dependent on petroleum as the major source of foreign exchange (Albaladejo, 2003).

Winters (2004) pointed out that the methodological problems of previous studies linking liberalized trade to higher income creates some uncertainties because cross-country studies have difficulty in measuring openness, establishing causality and isolating the effects of trade liberalisation. He went further to state that trade liberalisation alone is not sufficient to boost growth but other policies such as the legal and business environment which affect investment should be given serious attention if liberalisation can translate to economic growth.

METHODOLOGY

This study used structured questionnaire survey administered to 500 manufacturing SMEs operating in Lagos State to achieve its objectives. A total of 369 valid responses were received which represent 73.8 percent. Interviews were conducted on 50 SMEs among the 369 respondents that granted the request to be interviewed in their questionnaires. The data obtained from this primary source was triangulated with secondary data from the CBN, while the presentation of data was purely descriptive. Given time and
budget constraints, the study limited the survey to SMEs operating in Lagos State. Lagos State was chosen for this study, because from CBN records it has the highest number of SMEs in Nigeria. It is pertinent to state here, that the emphasis in the survey is not to achieve a statistically representative result considering the size of Nigeria, but to give an idea of the obstacles to SMEs exploring opportunities abroad and the reasons for the failure of SMEs development programme under a liberalised trade regime.

DATA PRESENTATION AND ANALYSIS
The analysis of the survey indicates that 51.5% of the surveyed SMEs source their raw materials locally as against 6.2% that import theirs despite the concession on duty on imported raw material. 42.3% source their raw materials from both local and international sources. This study also found from the respondents that the depreciation of the naira increased their cost of sourcing raw materials from abroad which have impacted negatively on their cost of production and final product prices. They are then compelled to make use of local raw materials and in some cases re-cycle some input materials such as plastics and tins. Majority of the sampled SMEs experienced increase in production which represents 66.1% while 24% experienced decrease after the implementation of trade liberalisation. Those that experience decrease in production level attributes this to the fact that they were engage in the production of goods that were close substitutes to cheaper imports from abroad. In terms of selling their products in the international market, only 14.9% export their products to the neighbouring West African countries while 85.1% sell their products in the domestic market. Despite the fact that 66.1% experienced increase in production, 44.4% experienced decrease in turnover as against the 36.9% that achieved increase in turnover while 18.7% did not notice any change in turnover. The decreases in turnover are in congruence with the trend of reported decrease in profit level as 78.6% of respondents reported decrease in profit as against just 8.4% that experienced increase in profit. Those that did not notice any changes in profit level represent 13% of sampled SMEs.

<table>
<thead>
<tr>
<th>Item under consideration</th>
<th>No. of Firms</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Source of Raw Material</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local</td>
<td>190</td>
<td>51.5</td>
</tr>
<tr>
<td>International</td>
<td>23</td>
<td>6.2</td>
</tr>
<tr>
<td>Local &amp; International</td>
<td>156</td>
<td>42.3</td>
</tr>
<tr>
<td><strong>Change in Production After Liberalisation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase</td>
<td>224</td>
<td>66.1</td>
</tr>
<tr>
<td>Decrease</td>
<td>90</td>
<td>24.4</td>
</tr>
<tr>
<td>No Change</td>
<td>35</td>
<td>9.5</td>
</tr>
<tr>
<td><strong>Export of Products Abroad</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>55</td>
<td>14.9</td>
</tr>
<tr>
<td>No</td>
<td>314</td>
<td>85.1</td>
</tr>
<tr>
<td><strong>Change in Turnover After Liberalisation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase</td>
<td>136</td>
<td>36.9</td>
</tr>
<tr>
<td>Decrease</td>
<td>164</td>
<td>44.4</td>
</tr>
<tr>
<td>No Change</td>
<td>69</td>
<td>18.7</td>
</tr>
<tr>
<td><strong>Change in Profit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase</td>
<td>31</td>
<td>8.4</td>
</tr>
<tr>
<td>Decrease</td>
<td>290</td>
<td>78.6</td>
</tr>
<tr>
<td>No Change</td>
<td>48</td>
<td>13.0</td>
</tr>
</tbody>
</table>

Source: Field Survey 2007

It was revealed by the respondents that the increase in production was an attempt to take advantage of the increased market and availability of cheap labour following trade liberalisation. Unfortunately most SMEs were often faced with unsold stock due to low demand occasioned by the fall in real income of the population as a result of the depreciating naira. On the other hand, the cost of production also contributed drastically in eroding the profit of SMEs. The respondents linked this pathetic situation to erratic power supply since they had to channel some of their resources to generating their own power. In addition, the
absence of cheap indigenous technology that would have eased their production cost compels them to import production machinery at exorbitant prices. These machines due to high replacement costs are continuously used well over their economic useful lives.

**CONCLUDING REMARKS AND IMPLICATION**

The study found that part of the reasons for the failure of SMEs schemes and the inability of SMEs to achieve competitive export status are linked to factors such as SMEs: poor access to finance due to the inability of the legal and regulatory framework to protect creditors (Banks) against loan default from SMEs bad debt. This has prompted banks to request for collaterals beyond what SMEs can provide; inability of SMEs to seek professional advice or employ skill labour to handle specialised areas of their business such as book keeping due to their meagre financial resources; inability of SMEs to prepare feasibility studies which make some of them to venture into businesses without prior knowledge of the business or idea of the cost implications of operating in a particular location; inconsistency in the application of government policies for SMEs development besides the lack of information on the needs and operational difficulties of SMEs on the part of government agencies responsible for the design and implementation of SMEs programmes. Most of these programmes were often designed without putting into consideration the peculiar nature and level of education of entrepreneurs that are supposed to benefit from the programme.

It was also revealed from this study that the chances of SMEs exploring and competing favourably in the international market are very minimal in the absence of functional infrastructural facilities such as steady power supply, good access roads, telecommunication network especially in the rural areas and portable water supply. The depreciation of the naira with the resultant increase in the price of raw materials and imported production equipment coupled with the absence of indigenous technology make SMEs rely on imported capital equipment which further worsens their chances in the international market. This revelation supports the report of Albaladejo (2003) that Nigeria has lost her competitive manufacturing edge which makes it more dependent on petroleum as the major source of foreign exchange. Available record from the CBN (2004) indicates that export of petroleum products has persistently contributed to the lion share of Nigeria’s total export and stood at about 95% in the last quarter of 2004 while the non-oil export continues to trail behind with an all time low performance in 1994 of 2.6% of total exports since 1980. The government of Nigeria needs to match various incentive programmes designed for SMEs development with the provision of infrastructure if manufacturing SMEs can make any meaningful impact both in the local and international market. This would reduce the dependence on petroleum as a major foreign exchange earner for Nigerian.

**REFERENCES**


Aisbett, E. (2003). “Globalization, Poverty and Inequality: are the criticisms vague, vested, or valid?” a Paper prepared for the NBER Pre-conference on Globalization, Poverty and Inequality.


A Lack of an Entrepreneurial Mindset: The Bane of Entrepreneurship in South Africa

Samson-Akpan Ekaete, University of the Free State, South Africa

Benedict Henrie Olumide, University of Johannesburg, South Africa

In the course of the last decade, the South African government has identified ‘entrepreneurship’ as the answer to South Africa’s high unemployment rate. But despite the commitment of the government to create an enabling and sustainable environment for entrepreneurial activities, and the improved macro-economic conditions in the country, entrepreneurship seems to be failing in South Africa as there is a high failure rate of SMMEs and unemployment levels continue to rise. This paper seeks to explain the major reason why entrepreneurship is failing in South Africa, and what may be done to turn the situation around. Is it because the government is not doing enough in spite of its commitment? A series of case studies were conducted with SMME entrepreneurs who had received grants from various government departments. Two of these case-studies are examined. The findings of the study suggest that the government is indeed supporting the development of SMMEs but that most South African entrepreneurs do not have an ‘entrepreneurial mindset’ or rather have a confused concept of what entrepreneurship entails. This is what needs to be corrected.

INTRODUCTION

According to the Global Entrepreneurship Monitor’s (GEM) 2006 report, South Africa, identified as a developing country in the ‘upper middle income’ category, continues to rank lowly in entrepreneurial activities when compared to other developing countries such as Peru, the Philippines, Thailand, Chile, India and Argentina. The country’s Total Early-stage Entrepreneurial Activity (TEA) was found to be 5.29%; four percentage points below the average of 9.43% for all participating countries in the GEM study. The TEA rate estimates the percentage of people aged between 18-64 years who are actively involved in starting or managing a business which they wholly or partly own and which is less than three-and-a-half years old. This means that only five out of every 100 South African adults own or manage their own business, compared to other developing countries such as Peru, the Philippines, Thailand, Brazil and Argentina, where more than 10% of the adult population own or manage an established business (Maas et al., 2007:14-16; Anonymous, 2006:38).

The report also stated that of those South Africans who do start a business, their motivation is borne out of necessity, rather than opportunity (Maas et al., 2007:17-19). Opportunity entrepreneurs are people who start a business because they spot an opportunity in the marketplace, while necessity entrepreneurs are those people who start businesses because they cannot find work. While both may establish business enterprises, entrepreneurs who are motivated by opportunities in the environment tend to start a business because they want to contribute to society or make a difference in a cause that is important to them (Zimmerer and Scarborough, 2005:4; 6-7). The desire to contribute to society or make a difference ‘pulls’ them to explore the opportunities in the environment. These entrepreneurs are likely to establish viable business enterprises that create economic and social prosperity within societies through the creation of jobs and new innovations (Bolton and Thompson, 2003). Nwankwo (2005:128) explains that entrepreneurial motivations due to “pull” factors connote positive motivation such as the desire to seek independence, control of ones future, use of ones own initiatives and the desire to leverage personal skills and abilities.
In contrast, necessity entrepreneurs are motivated by ‘push’ factors which sometimes are as a result of unfortunate circumstances. Van der Merwe (2003:31; 36) states that many South Africans are forced to become ‘entrepreneurs’ due to job losses and job frustration. And most of the businesses established by necessity entrepreneurs border on survival and a business based on survival may not necessarily add to the economic growth of the country as their propensity to create employment or grow is limited, largely in part, due to a lack of skills, knowledge and resources.

In the 2006 GEM report, South Africa’s TEA opportunity index of 3.47% was far below the average of 6.82% for all participating countries, and still lower than the 9.65% average for developing countries. South Africa’s TEA necessity index was 1.51%, which was also below the average of 2.35% for all participating countries, and 4.93% for developing countries (Maas et al., 2007:17-19). This means that four out of every ten entrepreneurs in South Africa are necessity driven, compared to only one in every ten entrepreneurs in a country such as Australia (Anonymous, 2007:8).

Furthermore, the failure rate for SMMEs in South Africa is very high (van der Merwe, 2003:32). It is reported that between 30 to 80 per cent of all new businesses fail within the first two years of establishment (Pretorius, 2003:260). This high failure rate of SMMEs threatens the feasibility of entrepreneurship as a legitimate or desirable career choice in South Africa (Van der Merwe, 2003.31). Also, it threatens the creation of jobs and defeats the goals of poverty alleviation and wealth creation among South Africans (Von Broembsen, 2006).

Many reasons have been given for the failure of SMMEs and entrepreneurship in South Africa. The following are factors that have been found to limit entrepreneurial activity in South Africa: the legacy of apartheid (Kingdon and Knight, 2005:26); the South African education system (Maas et al., 2007:12); the inability of small businesses to secure start-up capital; failure to comply with regulatory red tape requirements; a general lack of business skills (Ledwaba, 2007:80); a lack of financial control in the business, poor debt collection and poor cash flow management (Perks, 2006:193; Pretorius, 2006:232-234); a lack of an entrepreneurial mindset as well as a desire to grow (Nieman, 2003:232); and a lack of government support, mentorship programmes and entrepreneurial education (Ledwaba, 2007:80; Maas et al., 2007:12). The purpose of this paper is to evaluate each of these factors and see what the government is doing about it and identify which factor has been the most binding.

**SOUTH AFRICA’S LOW LEVEL OF ENTREPRENEURIAL ACTIVITY: SOME RELEVANT FACTORS**

In this section, factors that may explain South Africa’s low level of entrepreneurial activities will be reviewed.

**The legacy of apartheid**

The low level of African (black) self-employment in South Africa has been blamed, to some extent, on apartheid. Restrictive legislation such as the Group Areas Act, harsh licensing, strict zoning regulations, and Bantu education, repressed and disempowered black South Africans and would have inhibited the development of entrepreneurial and social skills and of social networks- factors which are important for confidence in engaging in entrepreneurship (Kingdon and Knight, 2005:26). Thus, in present day South Africa, most Blacks tend to prefer to be employed, rather than take the risk to start their own business. This attitude though, is changing among the new crop of young South Africans who did not grow up under the repressive conditions of apartheid. The change in attitude is due to the government’s efforts to promote a culture of entrepreneurship and self-sustainability for the youths through initiatives such as the Umsobomvu Youth Fund (UYF). Established in 2001, the UYF’s main aim is to promote
entrepreneurship, job creation, skills development and skills transfer among South Africans between the ages of 18-35. It does this by providing finance and business support for youths from formerly disadvantaged groups to start their own business (Umsobomvu, 2008).

The South African educational system
The South African educational system has been accused of not preparing learners for entrepreneurship as a career choice. As a result, young people graduate from colleges and universities with the expectation that big businesses and government should create jobs, rather than believing that they can create their own employment. Starting one’s own business is therefore seen as something you do when you cannot find a job or do not have a profession (Shevel, 2005; Maas et al., 2007:12). Recently, however, that view is changing. At the beginning of the 1990s, some South African universities started to present modules on entrepreneurship as part of their business management course because they began to realise that new job opportunities are mainly created by small business. This gave rise to universities establishing centres for entrepreneurship and small business management where individuals can receive entrepreneurship and management training (Nieman, 2001:447-448).

Inability to secure start-up capital, failure to comply with regulatory red tape requirements, and a lack of business skills
The inability of entrepreneurs to secure start-up capital and the failure to comply with regulatory red tape requirements, and a lack of business skills has been largely blamed on a lack of government support, mentorship programmes and entrepreneurial education. Most entrepreneurs or SMME managers, though knowledgeable and experienced in their field of specialty and the running of their business, nevertheless lack necessary business management skills (Ledwaba, 2007:80-81; Maas et al., 2007:12). And as a result, their businesses are plagued with poor planning in managerial, marketing and financial issues. This can lead to a misunderstood positioning (market niche), in which the firm fails to correctly identify or satisfy the needs of consumers- hence leading to the failure of the firm (Perks, 2006:193; Pretorius, 2006:232-234).

Also, a lack of financial control (Perks, 2006:193) can cause cash flow problems. If money is misused in the business instead of being channelled towards the needs of the business, funds may run out and the business would fold up (Ledwaba, 2007:81). Therefore, support for the development and growth of SMMEs is vital as business support services give entrepreneurs the opportunity to develop and access certain networks beneficial to the survival of their business. Le Roux and Strydom (2006:253, 258) state that due to the challenges faced by entrepreneurs, and the problems affecting the growth and development of SMMEs, the government adopted the White Paper on National Strategy for the Development and Promotion of Small Business in South Africa (1995), which states that small enterprises need a supportive legal and regulatory environment; access to markets, finance, appropriate resources and technology; training in entrepreneurship, skills and management; and tax and other incentives. Despite this White Paper, the general perception in South Africa has been that there is not enough governmental support for SMMEs (Von Broembsen, 2006). Anonymous (2006:38-39) disagrees and argues that there is sufficient support for SMMEs but the problem is that entrepreneurs do not know where and how to access the relevant services they need. Thus, the government established institutions such as Khula Enterprise Finance, National Small Business Advisory Council and the Small Enterprise Development Agency (SEDA) to assist and develop SMMEs.

Therefore, if the government is committed to the development of SMMEs and has put structures in place to counteract the common reasons cited for the failure of entrepreneurship, what then is really the problem? Why is entrepreneurship failing in South Africa?
The lack of an entrepreneurial mindset, as well as a desire to grow

Nieman (2003:232) cites the lack of an entrepreneurial mindset or desire to grow experienced by many entrepreneurs as the major barrier to growth. He is of the opinion that growth and the desire to grow should be embedded in the mindset of the entrepreneur. Thus, Nieman (2001:448) stresses entrepreneurial training programmes for entrepreneurs and small business managers. He distinguishes between conventional management training and entrepreneurial training by noting that most training service providers to SMMEs provide, in actual fact, is business training and not entrepreneurship training. The former entails formal training on how to manage a small business and make a profit in the process, while the latter entails training on how to spot opportunities in the environment, be creative, engage in new and innovative practices, and achieve profitability and growth through strategic management (Megginson, Byrd, and Megginson, 2006:9; Wickham, 2001: 23-25).

Possessing an entrepreneurial mind refers to an individual having the ability to spot opportunities, to develop new ideas and discover new ways of looking at problems and opportunities (creativity). And then have the ability to apply creative solutions to those problems and opportunities to enrich people’s lives (innovation) (Zimmerer and Scarborough, 2005:35). Hence, possessing an entrepreneurial mind is being both creative and innovative. Therefore, opportunity entrepreneurs could be said to possess an entrepreneurial mindset, compared to necessity entrepreneurs who engage in business for lack of an alternative means to earn a livelihood. It then follows that if most entrepreneurs in South Africa got involved in business because of necessity, they often do not have an entrepreneurial mindset.

CASE STUDIES

In order to test the reasons discussed in the preceding session for the low level of entrepreneurship in South Africa, a database of 59 SMMEs in the Eastern Free State province, was compiled by the University of the Free State’s Unit for Entrepreneurship (UFS-UE). Then a series of case studies were conducted on those SMMEs that had received grants from various government agencies and other organizations. Two of these case studies are hereby examined. These two firms were chosen on the basis that they received the most grants from the government.

Case Study 1:- Small Jewellery Manufacturer

This firm uses copper wire to make various items of jewellery and other corporate items. It is a registered business and had in its employ 3 managers and 20 employees. In 2006, it applied for and received a grant of R750,000 (US$107,143) from the Department of Arts and Culture. The money was to be used for the expansion of the business, marketing and skills training. By June 2007, the money was all spent and the business had to lay off its employees. When asked how the grant was spent, the ‘entrepreneur’ replied on ‘salaries, and raw materials’. And the rest she spent on personal needs. None of the grant was used for skills training for the entrepreneur or employees and no capital equipment to produce more and better products was purchased.

Case Study 2:- Craft Maker

This firm specialised in making window blinds, mats, bags, hats, greeting cards and other items from the indigenous reeds and grass of the Eastern Free State. The reeds, which grow in the wild, are harvested, treated, and then used as raw materials. Then it was woven into different items. In 2005, the SMME submitted a business plan and proposal for funding and received a grant of R1 million (US$142,857) from the Department of Arts and Culture. By 2006, the money was all spent with nothing to show for it. In 2007, the firm received an additional R920,000 (US$131,428) from the Department of Social Welfare. Again, by the end of 2007, the money had all been spent. The firm had employed 5 managers and 20 employees.
On visiting the premises of the firm, it was discovered that it had a lot of (unsold) stock in its store—evidence of a lack of Marketing acumen and skills. It was noticed that no office equipments such as computers, etc had been bought. The ‘entrepreneur’ could not account for how the grants received from the two departments had been spent. But she did mention that part was used for the payment of salaries and some to meet personal needs such as buying a car (which she claimed was used for the running of the business), renovating a house, children’s school fees, etc. With the disappearance of the money, some of the employees had to be laid off, but with the promise that if business picks up, they will be rehired.

IMPLICATIONS
The above case-studies are typical of many cases that plague the South African entrepreneurial landscape. Meyer-Stamer (2003:7) highlights four approaches to entrepreneurship which he observed while working with local communities in the Mpumalanga province of South Africa. Three of these approaches he stresses are obviously wrong: First, entrepreneurs purchase a business plan, submit it for funding, spend the funds on a BMW or a “Bakkie” (mini-pick-up/ van), but have no product or customers. Second, entrepreneurs purchase a business plan, submit it for funding, obtain funding, use that money like a personal income, and the ‘business’ collapses once the funds are used up. Third, entrepreneurs go through a skills course, use the skills to produce a product, and try to find customers for the product, without success. The fourth approach is the only promising one in which the entrepreneur understands the behaviour and needs of the people, identifies a market opportunity, matches the opportunity with his skills, and then comes up with a product or service for which there is a real demand. Unfortunately, this approach is rare compared to the first three approaches— as shown by the two cases above.

Ledwaba (2007:81) supports Meyer-Stamer’s observations. He records that emerging South African contractors, though highly skilled and experienced in construction work, often lack business management skills. He explains that when such contractors get contracts and receive the finance to do a job, they would use the money for other purposes—such as, buying bakkies, instead of channeling the money into building materials and labour wages. And so they run out of funds before finishing a project.

In South Africa, so called ‘entrepreneurs’ receive grants from government departments to run/grow their business. But because of their lack of an entrepreneurial mindset and the lack of an understanding of entrepreneurship, they end up spending the money as personal income. The entrepreneurs show a lack of sense of achievement; trading the growth of their enterprises with current personal satisfaction. Thus, the evidence presented above shows that South African entrepreneurs have a confused concept of entrepreneurship and entrepreneurship promotion (Meyer-Stamer, 2003:7). This is what needs to be changed if entrepreneurship is to thrive and contribute to the economy of the country.

CONCLUSIONS AND RECOMMENDATIONS
This paper reveals that while the government has succeeded in changing the economic and business environment of South Africa, it has not succeeded in changing the mindsets of ‘entrepreneurs’. One of the ways to do this is to establish entrepreneurial education and activities in junior high schools and not only at universities so that young South Africans will have a better understanding, and favourable view of entrepreneurship. In America, the entrepreneur is seen as the driving force behind the American economy (Zimmerer and Scarborough, 2005:3), but in South Africa the government is viewed as the driving force of the economy (Mapheto, 2007). Thus, the high unemployment rate is often blamed on the government not creating enough jobs for the citizens. Until South Africans are helped to change their mindset and not depend on the government to create and provide jobs or drive the economy, entrepreneurial initiatives will continue to fail and yield little returns.
The paper also reveals that the South African government has put structures in place to create a sustainable environment for entrepreneurial development but until ‘entrepreneurs’ use the grant given to them to grow their business and not for personal needs, entrepreneurship levels will remain low. To combat this problem, there must be a system for better control purposes when an entrepreneur is given a grant. Entrepreneurs who receive grant should be held accountable and periodically declare to stakeholders how the grant is spent. Also, these entrepreneurs should be required to go through appropriate entrepreneurship education and training to enhance their entrepreneurial skills and managerial competence. In addition, entrepreneurs should be given loans instead of grants. This could motivate them to put the money into good use as they will be compelled to pay back the loan.

Furthermore, since entrepreneurs are supposed to make a positive difference, South African entrepreneurs should be taught how to identify viable opportunities in the market that will be beneficial to the society. Thus there is a great need for appropriate entrepreneurship education and training, as well as mentorship programs.

REFERENCES


Defining customer driven competence development in the micro-enterprise sector; what are the customer perspectives?

Allan Mulengani Katwalo, University of Northampton, UK

This paper reports the results of a questionnaire survey conducted in Kampala, Uganda in December 2006 to January 2007 regarding the perceptions of customer care among micro-enterprise. The study used primary data all of which was obtained through a survey exercise using questionnaires and personal interviews. The study found that there was a general lack of understanding of what constituted good customer care in this sector of business. The paper thus highlights the need to define competence development in view of customer care needs and gaps that exist among micro-enterprises. This it is hoped will enable better understanding of competence development in this sector.

INTRODUCTION

Good customer care is now generally accepted as necessary for any organisation seeking to meet its customer’s needs. This is true across all organisation types and across varying industry. This has lead to a continued drive by organisations to equip themselves with strong customer care skills. The micro-enterprise is clearly under increased pressure to improve this important aspect of their operations. This paper draws on the findings of a questionnaire survey in Uganda.

Micro-enterprises continue to attract attention of policy makers and researchers alike due to their acknowledged contribution to reducing poverty, economic growth and creating employment opportunities particularly for women. The micro-enterprise is said to be key in creating social stability and equity, and in Uganda for example government continues to develop specific programmes such as “bona bagagawale” or prosperity for all, that encourage the growth of this sector. The study considered a diverse group of micro-enterprises such as Seamstresses, street vendors, kiosk operators, food vendors and carpenters.

The study is a contribution to the effort to mainstream customer care research and development among micro-enterprises. Research has established that large corporations have now moved into the era of competitive advantage driven by non-product benefit. This makes it necessary to begin finding ways of bringing on board new ways of satisfying customers if the micro-enterprise sector is to continue being one of the main sectors of most economies.

Objectives

Most policy makers and Micro-enterprises generally do not see themselves as needing more than financial or policy support. This has made it difficult for the sector to move beyond subsistence. The objective of the study was to examine the perceptions of customer care among firms in the micro-enterprise sector in order to help understand what it is that firms in this sector need to begin considering growing non-product factors as a matter of course.

Specifically, the study looked at what the perception was regarding customer care, and focussing on such factors as advice, friendliness, after care, return policy and refunds, and flexibility among others.
LITERATURE

Micro-enterprise
There is currently no agreed definition of micro businesses/firms, and there appear to be no consistency in determining level, in terms of size, volume of output, or qualitative definition in terms of organisational culture or social impact. Micro businesses are therefore defined differently in different countries. However, any definition of this concept will tend to acknowledge definitions of researchers such as Stanworth and gray (1991), and Story (1994), which use maximum number of people employed as the benchmark. It is also important to say that most definitions of micro-enterprises are said to be heterogeneous and may embrace examples such as start up enterprises, and family businesses, Devins, Gold, Johnson, and Holden (2005). For purposes of this paper the definition by the National Micro and Small Enterprise Baseline Survey cited in Mullei (1999), has been adopted, where micro businesses are non-primary undertakings, formal or informal, employing 10 or fewer people.

Customer care
Customer care denotes all practices a firm may put in place to satisfy its customers and involves putting systems in place to ensure that firms’ customer satisfaction is maximised. Customer care has been said to be closely dependant on internal relationships and culture Bailey (1996) and that the way customers get treated was closely linked to the way staff felt about their jobs or situation in which they do them. Customer care has been defined as being a by-product of internal relationships and culture, and that the way the customer gets treated was closely linked to the way staff felt about their jobs and their work environment, Bailey (1996).

It has also been pointed out that training may only be appropriate if it targeted real understanding of customer requirements. Thus any research should be aimed at understanding both internal and external customer views, which will enable the modelling of behaviour of micro-entrepreneurs. Several reasons such as after sales service, professionalism, reliability, and value for money can be identified as contributors to customer satisfaction, and for the micro enterprise some of them may be difficult to achieve. Boggis (1988) defined the need for finding appropriate institutional forms that will lessen the ignorance of suppliers regarding customer needs. For the micro-enterprise this becomes a challenge particularly due to constraints of size.

Competence development
The concept of competency is used to refer to the knowledge, skills, and abilities required in order for an individual to be successful at a particular job or task. Competencies can also be defined as, the ability to solve job assignments with a firm, or a collection of skills which can be developed by adding new skills (Johansson and Magnusson 2003). They conclude that the term competence includes a lot of different parts such as knowledge, personal contacts and experience. Caird, (1992) had earlier considered competency as referring to a set of knowledge, skills and personality variables, which relates to successful behaviour in a designated field. This concept had also been refined by (Hamel and Prahalad 1990) who looked at the concept of core competencies, which they defined as a group of production skills and technologies that enable an organisation to provide a particular benefit to customers.

The concept of competence has been linked to firm performance and competitiveness Katwalo, (2006) for the micro enterprise this means having to understand its behaviour, actions and skills which are present or absent and which influence its competitiveness. It has been noted that context has to be put into account when considering competence and the argument is that competence is dependant on the context in which it is demonstrated Katwalo, (2006)
METHODOLOGY
The objective of this paper was to explore the micro-enterprise perception of customer care in order to contribute to the ongoing search for avenues for growth and development among the micro-enterprises.

The study used primary data all of which was obtained through a survey exercise using questionnaires and personal interviews. The nature of the research problem, which concerns understanding how customer care perceptions affected competence building in small firms, made this combined methodology suitable for the study.

The research did not aim to generalise the results at industry or country level but at the process level of competence development. Since the objective of the research was to examine the relationship between customer care perception and competence development in micro enterprises. The research anticipates that, customer care perception affected or influenced competence development. Secondly that competence development among micro enterprises was linked to the desire to achieve better customer satisfaction.

Data collection and sampling procedures employed face-to-face *semi-structured interviews*, which addressed the different themes that were identified. The concept of customer care was not operationalised explicitly in this study instead a basic definitional approach was adopted. The assumption made was that perception of customer care was general although firm specific criteria were accepted. This therefore signified several possible alternative options open to each firm. Understanding customer perceptions therefore was based on identifying the different customer care activities that the micro firms were engaged in or attempting to engage in. for examples speed of service, flexibility of service, and support given to customers. A sample of 38 micro-firms was randomly surveyed from key trading centres in Kampala.

DISCUSSION
*General perceptions of customer care*
This question sought to find out how Individuals were satisfied with their customer care. Their responses were as indicated below:

<table>
<thead>
<tr>
<th>Responses</th>
<th>Individuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall satisfactions with customer care</td>
<td>Numbers  %</td>
</tr>
<tr>
<td>Very satisfied</td>
<td>20 56.3</td>
</tr>
<tr>
<td>Quite satisfied</td>
<td>14 37.5</td>
</tr>
<tr>
<td>Neither satisfied nor dissatisfied</td>
<td>4 6.2</td>
</tr>
<tr>
<td>Quite dissatisfied</td>
<td>- -</td>
</tr>
<tr>
<td>Very dissatisfied</td>
<td>- -</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>38 100</strong></td>
</tr>
</tbody>
</table>

There was an expression of overall satisfaction with customer care that the micro-business provided; with at least 56% of respondents indicating that they were very satisfied.

This was contrary to what was earlier thought since the general feeling was that micro-enterprises where not providing customer care at similar levels to what was provided by the formal businesses. This was however put into doubt when compared to the results on the question of what the respondents thought were the problems of dealing with firms in this sector. Almost all 80% agreed that they would not be able
to get any refunds or product change if they were dissatisfied with the product. The other 20% was divided between those who said that they thought they could get refunded or their purchases changed in case of dissatisfaction 7.20% and those who did not know 13%.

Figure 1

- Not encumbered by formal business procedures and processes, thus generally flexible in their operations and response to customer needs.
- Short termism reduces need for strict standardisation of services and variations are expected. Customers do not expect much from these firms and usually will not demand very high standards.

Table 2

<table>
<thead>
<tr>
<th>Responses</th>
<th>Individuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvements in care for repeat customers</td>
<td>Numbers</td>
</tr>
<tr>
<td>Very satisfied</td>
<td>-</td>
</tr>
<tr>
<td>Quite satisfied</td>
<td>5</td>
</tr>
<tr>
<td>Neither satisfied nor dissatisfied</td>
<td>21</td>
</tr>
<tr>
<td>Quite dissatisfied</td>
<td>10</td>
</tr>
<tr>
<td>Very dissatisfied</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
</tr>
</tbody>
</table>

When asked about improvements in care when ever they went back to the firm most respondents said that they were neither satisfied nor dissatisfied 59.4%. While 25% said they were quite dissatisfied, and 6.3% said they were very dissatisfied. This was opposite of what they had earlier expressed regarding the care they received. This could be because the micro-firm sector appears not to get a lot of repeat customers due to high customer attrition rates as a result of a general lack of customer loyalty in this sector. Those that tended to go back could be classed into two groups. Either having been disappointed in the first place or having no choice but to go back.
The vast majority of respondents appeared to be satisfied with the advice and care they had received or were receiving. This could again be explained by the level of expectations that they had regarding customer care they would receive from these firms.

**Implications for competence development**

The implications of these views would appear to stem from what most customers would define as being value. At this level it appears as though most customers who see performance, quality, service, convenience and price as being value; would not condemn these firms on the basis that they were getting two of the key criteria, i.e. convenience and price. Also, since differentiation tends to be very low the criteria for the satisfaction rating appears to be convenience and or price.

This means that for any competence development to have effect upon the micro-firm, it must target those elements that will give the firm an added edge or enable it to differentiate itself. Thus competences aimed at providing the firm with the ability to meet the other criteria such as performance, being knowledgeable or speed should become the focus for any support or sustainability programme for the micro-firm. There is nothing as bad as for example being sold something which the vendor can not advice on its use.

**CONCLUSION AND IMPLICATIONS**

This paper argues that although there appears to be no clear evidence of dissatisfaction of customer care from the customers generally, this could stem from their expectations rather than what is really happening. It argues that refocusing our attention on those factors that will enable the micro-firm to differentiate itself would be the avenue to driving the customer care agenda among micro-firms. Therefore micro-firms, policy makers, funding and training agencies should begin to focus on such factors as advice, friendliness/courtesy, after care, return policy and refunds, and flexibility among others.

The implication would therefore be,

1. That, micro-firms begin to focus on ‘value’ creation competencies rather than sales. This would mean a shift from considering making profit to satisfying their customers through non-product benefits as the mode of operation. This would provide the micro-firm with the necessary avenue for differentiation, thereby providing them with not only a competitive edge but also sustainability.
2. Also creation of better value for the customers is likely to lead to both customer loyalty and the requisite internal combustion to spur growth and development. This it is hoped would provide the basis for customer driven competence development among micro-enterprises.

3. It is also hoped that funding programmes for micro-enterprises will begin to equally consider programmes that aim to improve customer care skills and competencies in addition to start up growth capital.

4. This will also highlight the need for policy makers and training agencies to begin focussing on developing programmes that will meet this need and bring the agenda in line with current practice among larger firms.

REFERENCES

Katwalo, A. M; (2003) a model of competence development: 4th IAABD conference proceedings, London April pp78-81
INTRODUCTION
Defining main global features of Huambo’s taxi-bikes urban transport system
Like in many other African cities – Cotonou, Lomé, Douala, Benguela, Saurimo – in Huambo taxi-bikes transport plays an important role in what concerns people’s mobility. The kupapata – the name they are known for – appeared in Huambo in 1998, after the second wave of the civil war. The kupapata appeared during a political, military, economical and social crisis which paralysed the buses trips and brought many difficulties to candongueiros (minibuses). Taxi-bikes rapidly expanded and took over the taxi service (minibus). Their success is not difficult to understand: they are useful and efficient. In Huambo the kupapata are flexible and easy to access. They are also very fast and offer a door to door service. The expression kupapata literally means “hold me tight, hug me” in the national language umbundu. It has a different meaning nowadays: a fast, efficient door to door means of transport. The recent development of motorcycle vehicle in Huambo is the result of various factors:

- an almost inexistent transport system due to the restrictive conditions to this activity: on the one hand, the civil war destroyed the buses, roads were damaged and consequently the costs rose in maintenance, spare parts and fuel; on the other hand, the transport companies, state and private, had to face growing management difficulties: reduction in state benefits, credit limits, lack of qualified and non-qualified people and inefficient management;
- the service provided by the kupapatas has a big advantage over buses and minibuses: it is totally adapted to meet demand, the service they offer is quick (reducing the time people spend moving from one place to another), comfort (people don’t need to walk from buses or minibuses stops to their houses or destination places) and better adaptation to road conditions;
- the initial and running costs of the business – vehicle’s purchase, maintenance, spare parts, fuel and costs with repairmen are much lower for the kupapatas, which is also an advantage in a situation of economical and social crisis;
- the general reduction of resources which led employees and civil servants who owned a motorbike to use it as a taxi-bike in order to earn more money;
- finally, the Ulisses factory that assembles motorcycles recently resumed its activity, increasing the number of vehicles available in the local market, previously controlled by legal import enterprises or by new or second-hand vehicles which come fraudulently from Namibia.

**Aims of the research**

The overall objective of the research is to identify the main characteristics of the structure of kupapatas activity segment with the purpose of underlining how this activity contributes to provide the access of poor people to assets, services and facilities. An additional objective of the research is to understand the articulation of kupapata activity segment with Huambo’s urban passengers transport system in the context of its historical evolution and its institutional and regulatory framework.

**Focus of this study**

By focusing on the behaviours, practices, strategies and characteristics of operators in Huambo’s taxi-bikes system, this text aims shed light on:

- vehicle park characteristics;
- profile of standard activity exercise;
- profile of socioeconomic operators features;
- direct and indirect job creation;
- employment relations characteristics
- owner concentration;
- formal institutional and regulatory framework and identification of the rules, norms and standards of endogenous framework;
- relationship with formal and illegal activities;
- relationship with public authorities;
- role of representative owners and workers associations (if they exist);
- role of social networks (ethnic, familiar and neighbourhood relations);
- opportunities and constraints.

The geographical focus of this article is Huambo, the provincial capital of an administrative region with the same name. The macro political and economical orientations have changed over the recent past. The urban transport conditions were also deeply affected and urban transport issues are different in Huambo and in other Angolan cities. Huambo, the capital city of the Province of Huambo, was strongly affected in its development process by war. The demographic growth, the rural exodus and the compulsory dislocations of the population originated a drastic demographic growth. According to the official statistics, in the city of Huambo the population grew from 99,956 habitants in 1970 to 821,224 habitants in 2004. This significant demographic growth was followed by a high territorial occupation, which was characterized by the appearance of spontaneous squatter settlements. A study conducted by the Ministery of Planning (2003) estimated that 47% of Huambo Province population is concentrated in urban areas, namely in the city of Huambo. The fast, urban concentration process – the growth rate is 12% per year – can be explained by direct and indirect war consequences which forced the dislocation of 17% of Huambo Province population. These people come to the city looking for food supply and safety.

**METHODOLOGY**

A literature review focused on the Sub-Saharan Africa urban transports systems, press clippings about kupapatas, from Jornal de Angola, and scarce official statistical information on transport, demography and socio-economical are the main documental sources. Interviews with key informants (Provincial
Transport and Communications Director, National Road Movement Enterprise General Manager, Ulisses General Manager) and actors (3 individual interviews and 1 collective interview with 3 kupapatas) were made in Huambo. For a better understanding of the logic of the activity, behaviour and economical issues, a systematic direct observation was carried: eleven trips took place in taxi-bikes in Huambo from August 5 to 7, 2004.

**Conceptual support**
For the aims of this study, we will consider:

- **urban mobility** – dislocation needs of urban population, located on space and time, correlated with tasks and objectives resulting of domestic, social and professional life;
- **urban transport demand** – transport services needs during a specific period of time; the urban transport demand is determined by urban mobility nature and levels;
- **motorized collective transports** – motorized transport vehicles that satisfy the urban transport demand;
- **formal transport** – includes the transport services that are produced or exchanged under state control and institutional regulation;
- **informal transport** (Godard, X., 2002) – includes the transport services carried by operators that do not register as tax payers and do not register their employees neither adhere to any minimum standards of social protection; their activity is not systematically persecuted by public authorities;
- **illegal transport** (Godard, X., 2002) – includes the transport services that are defined as criminal by the regulatory institutions; their activity is performed without the government tolerance;
- **handicraft transport** (Godard, X., 2002) – includes formal, informal and illegal ways of transport services; the handicraft transport encompasses such a diversity of situations that it represents a heterogeneous universe; the small scale of activity, the special characteristics of labour employment and the particular form of management of companies are also meaningful features;
- **negative externalities** – negative effects for economic agents that are consequence of informal transport services; safety hazards, unprotected labour, absence of legal control, environmental pollution among others.

**Political, economical and social background**
Angolan society suffered serious, deep transformations in different areas after the independence process. The first period – 1975/1992 – was politically characterized by the adoption of a monopoly organizational model with socialist ideology. In 1992, with the new constitution a multiparty system started. From 1975 to 2002 a prolonged civil war occurred with a strong impact on economical and social structures. People and goods circulation were interrupted, infrastructures were destroyed. People displacement and poverty are only some of the most important effects. Economy also suffered some changes, in specific aspects: administrative mechanisms of economy regulation were used in the first period, while in the second period an incipient transition process into market economy took place. In that period it is possible to identify some structural tendencies: decline of non oil production, formal job offer retraction, losses of external and internal state financial capacity, increase of import dependence, heavy external debt, high inflation rates, and black market economy. In the late seventies, the emergence of non official activities occurred with characteristics of parallel economy. After 1987, non official activities occurred with characteristics of informal economy. After the first years of the eighties, informal economy and other non official activities developed. At a social level, this period was also characterized by some traits: reduction of state social services, high levels of rural and urban poverty, accelerated urbanization, deep transformations in socio-demographic population characteristics, among others.
THE HISTORY OF HUAMBO TAXI-BIKES URBAN TRANSPORT SYSTEM

After the independence a state transport company (ETP) was founded, in a system of monopoly. Pretty soon, ETP’s ability to meet the demand for urban transport was reduced. War consequences, failures in different management areas (personnel, storage, maintenance, etc.) as well as the negative aspects of a centralized and bureaucratic regulation stressed the structural and financial difficulties of the company. With the development of the political and economic liberalization in Angola, several changes occurred in the state system transport in Huambo from 1987 to 1992. The extinction of the state monopoly led to the appearance and growth of many handicraft operators (minibus), the candongueiros. When the civil war got worse, from 1994 to 1999, operators of collective road transport in Huambo were deeply affected: in 1992, ETP had 50 buses with 45 seats which were completely destroyed; in 1997, ETP bought 10 second-hand vehicles with 60 seats. The exploitation of the business was granted to a private company which went bankrupt due to management errors. That company lost government’s license. In 2002 that license was granted to Valentim Amôes Corporation to the National Road Movement Enterprise (MNR). The Provincial Transport and Communications Direction (DPTC) had already bought more 10 buses. In 1998, the taxi-bikes appeared. Nowadays, the collective road transport in Huambo is shared by a private company that exploits the buses business, the handicraft minibus operators (candongueiros) and hundreds of taxi-bikes.

Collective road transport supply in Huambo

The Province of Huambo owns a developed road system linking its municipalities. However, in the inner part of Province and among “comunas” - intermediate administrative areas which are integrated in the municipalities in Angola’s administrative structure - most of the roads are severely damaged (Ministry of Planning, 2003). The transport supply in the Province was deeply affected by the war, specially from 1996 to 1999. According to DPTC, in 2002, five private companies were operating in Province of Huambo: four were transporting passengers and 1 was transporting goods. According to the same source the vehicle population included 30 buses and trucks and 73 cars. In August 2004, the road transport system in Huambo was organized as following (interview to the Provincial Transport and Communications Direction: 3/8/2004):

- 18 buses (only 16 were active) run by the National Road Movement, a private enterprise that exploits the buses which are Provincial Government property. The buses are operative on routes in urban area, and between “comunas” and municipalities;
- around 200 minibuses that are specially concentrated in the routes between the municipalities and the other provinces;
- more than 300 taxi-bikes that are operative in the urban area and between urban centre and the “comunas”.

The failure of the traditional road system transport (buses)

MNR, the enterprise which runs the buses business in Huambo, belongs to Valentim Amôes corporation which includes, a company operating trucks and Ulisses, a factory that assembles motorbikes and bikes. In August 2004, the official buses fare was 25 kwanzas (26, 5 cents) per passenger. However, MNR charged 30 kwanzas (33 cents) in order to cover the business expenses (Interview to the MNR manager: 4/8/2004). MNR has 62 employees. In July 2004 the buses already covered 30.050 kms and 38.800 passengers were transported in that year. The average earning was around 5.000 to 7.000 kwanzas (52-85 euros) per day. Despite that, according to the enterprise manager the business isn’t profitable and faces several problems: the absence rate is very high which affects enterprise productivity; drivers, fare collectors and inspectors keep part of the earnings for themselves; the high cost of maintenance (brakes, wheels, shock-absorbers, etc.) as well as the cost of repairing mechanical problems which is also very high (the roads being damaged force the constant replacement of vehicles’ parts); many times these
vehicles also transport heavy goods as a way of increasing drivers and fare collectors’ earnings; the road bad conditions cause high levels of fuel consumption; finally, candongueiros and kupapatas competition is very strong as they are better adapted to the urban transport demand.

THE KUPAPATAS: CHARACTERISTICS, BEHAVIOUR AND ORGANISATION

Socio-economic profile
Kupapatas have different social origins, age and academic level. Most of them are young but there are also old drivers (in the interviews the youngest one was 19 whereas the oldest one was 43). Some of them are very young, under the age of sixteen, which inhibits them from having a driving license. According to the interviews, four kupapatas come from Huambo’s province, one comes from South Kwanza’s province and the other one comes from Benguela’s province. There are civil servants, private enterprise employees and students that work as kupapatas as a way of increasing their earnings. However, many kupapatas work full time and this activity is their only source of income. Most of them have been working for a short period of time and their educational level is very diverse. Some of them are illiterate. Of those interviewed, four kupapatas came from Huambo Province, one from South Kwanza Province and the other from Benguela Province. Most had been working as kupapatas for only a short time.

L.A., 23 years old, came to Huambo because of the war and began working as a kupapata in 2000. Single, he was living with his mother, sisters, brother-in-law and nephews in the S. João quarter. ‘I finished 7th grade…I left school because of the difficult conditions.’ One of his brothers-in-law was an auxiliary lorry driver while his two sisters sold tins of food in Kanata market. L.A. himself had bought a second-hand Yamaha DT 50 for US$ 850, borrowing the money from his sisters. At the time of the interview he did not have a driving license and, in his opinion, competition was cutthroat: «...The competition comes from the other kupapatas, there are many young people on the roads … you just have to check near the markets … you see, there are no jobs and to attend school it is necessary that your family can afford it … hiasses don’t offer competition because they don’t take people where they want … we take people to their front door … [I’d like to go back to school] to be an electrician … I like it and I believe I could earn more money … when I save some money, I’ll go back to school at night … I’ll get tired, since I will start working at 6.00 a.m. and finish at 6.00 p.m., riding from the airport to the markets and public services. However, it will be good to have a better life … I don’t know when it will happen … first of all, I need to get a driving license so that I can drive and the police won’t bother me».

Ownership concentration and business model
Most kupapatas are drivers-owners although there are also owners who rent their vehicles to drivers. Usually drivers are civil servants or Ulisses factory employees. This situation happens in a familiar context. The life story of 34-year-old A.C. is illustrative. He was born in Huambo, is married and has two children. He finished 6th grade and worked as an auxiliary in a school but his ‘wages didn’t last for more than a week’. Since 1996, he has been working as a kupapata because «…you need to get some money to help at home. My wife sells cosmetics and hygiene products in S. Pedro market, she owns a stall there … she makes more money than I do … I bought the motorbike from my cousin who works in Ulisses. I’m still paying him, and he is still paying usd$ 50 a month to Ulisses …». The taxi-bikes supply is highly atomized. Nonetheless, during the interview owners of more than one taxi-bike have been referred. The business model is similar to the one verified among the candongueiros: five days a week their earnings are given to the owner while the driver receives the revenues of one of the days of the week. The seventh day of the week is spent in the maintenance of the vehicle usually done by the driver or by someone he trusts. Maintenance bill is paid by the owner.

Working features and activity’s organization
Kupapatas are to be found, in groups, next to the places where people need to find means of transport: near Huambo’s markets (Central Market, S. Pedro Market, Kanata Market and so on), at the airport, near
state buildings (Provincial Government of Huambo, and so on). Kupapatas aren’t registered in DPTC. Some of them don’t have a driving license. Drivers, as well as passengers, don’t wear a helmet in spite of the law. There are no official numbers related to vehicles or operators. DPTC estimates that in the Province of Huambo there are 500 to 700 kupapatas. The kupapatas that were interviewed agree with the number. Direct observation, as well as the interviews provided some information concerning vehicle population: most of kupapatas drive 50 cc vehicles; there are also some 125 cc vehicles; Yamaha is the most common brand; a significant number of vehicles was bought in Namibia, some of the other were bought in the retailers who are associated with Valentim Amôes corporation and the rest of them were sold by Ulisses. This factory sells Yamaha 50 for 2.200 $usd and Yamaha 50 DT for 2.600 $usd. Ulisses gives loans to its employees, who pay 50 $usd every month. This situation might be seen as a way of developing the informal market, because the employees operate these vehicles as taxi-bikes employing their relatives or sell them to future kupapatas.

Kupapatas travel around the city looking for passengers or park in places they know they will be needed. We can find kupapatas at the airport when a plane comes. Usually, taxi-bikes transport one passenger only, except when passengers are carrying a child. Very often passengers transport objects and goods. The fee is negotiated between the kupapata and passenger considering the distance and the road conditions, but there is a certain uniformity degree among operators.

In August 2004, the fee for short distances (Airport – Sonangol Clinic) was 50 kwanzas (55 cents), for medium distances (Airport-Central Market) 100 kwanzas (1,10 euros) and for long distances (Airport-Kanata Market) 150 kwanzas (1,65 euros). At the same time, the candongueiros charged 50 kwanzas (55 cents) and bus tickets cost 30 kwanzas (33 cents). Some kupaptas try to make some extra money when they realize that passengers don’t know the area. The transport of goods brings an additional cost for passengers. Most of the times, this cost is also an extra money for the kupapatas because usually they
Keep extra money for themselves. According to our sources, a kupapata can earn 850 kwanzas (€9.35) to 2,500 kwanzas (€27.50) in a profitable day. In order to understand the amount of money that kupapatas earn we need to take business costs, particularly fuel prices, maintenance costs and expenses with “payments” to policemen into account.

A.C. has a driving license but is not registered. In his opinion: «...I only earn a few money, barely enough to survive ... Many young people are in this sector because of unemployment ... also the town is still very quiet ... people are afraid of the war, they are returning slowly ... on a good day, I earn Kwanza 2,000-2,500 [€ 22-€27.50] but you have got to consider gas, oil, breakdowns, replacing tires because the roads are in bad condition ... there is hardly any tarmac and besides that, when it rains passengers prefer to travel in the hiasses».

In August 2004, there wasn’t any type of association representing either the owners or the taxi-bike drivers. According to Jornal de Angola (April 20, 2007) the provincial delegation of the Angolan Taxi-bikes Association – Amotrang was recently founded. One of its main aims is to provide education and training to its members in order to reduce the number of accidents and deaths associated with their activity.

**Figure 2: Kupapatas: waiting for clients in S. Pedro Market, Huambo**

Negative aspects associated to the kupapata’s activity
So far, the costs of road insecurity (accidents, injuries, etc.) caused by kupapatas activity in the city of Huambo, as well as environmental consequences (air and sound pollution) are not yet very high since they are not operating at a large scale. However, we expect these problems to get more serious as the traffic grows.

CONCLUSIONS AND IMPLICATIONS
The road transport system in Huambo went through significant changes in the last three decades: after a big involvement from the state as supplier and regulator of the collective road system of transport until
the late 90’s, Angolan population went through a severe economic crisis and, consequently, the government interference in this sector was reduced. The failure of the classical transport system (state and private) that worked with buses, led to the appearance of the handicraft sector that it characterized by a significant number of taxi-bikes. Taxi-bikes passenger’s transport is an activity in which hundred of operators are involved, working without direct control of official authorities. It is performed as a survival strategy and benefits from the authority’s tolerance who believe that it is just a temporary situation.

The kupapata’s activity in the urban road system in Huambo should be seen from different points of view:

a) in a particular urban context (demographic explosion, horizontal occupation of the space, buses and minibuses inability to adapt to people’s mobility needs, bad road conditions) the kupapatas provide an efficient service to people’s needs for transport;

b) it is an activity that generates direct employment in a city where unemployment is high, helping households to survive thanks to the incomes it generates;

c) other activities are developed in connection with kupapatas such as taxi-bikes sales, fuel supplying, mechanics, etc.;

d) this activity generates an opportunity for social and professional integration, mostly for unemployed young people;

e) in a medium/long term kupapatas activity may bring negative externalities, such as road insecurity and environmental problems.

Generally speaking, in the last three decades the evolution of the road transport system in Huambo brought significant changes at different levels:

- in what concerns actors and agents, the emergence of new professional activities (vehicle washers, etc.) happened along with socio-demographic changes (agents are younger, have lower educational levels and their professional skills are informal);

- in what concerns the activity organization there was a transition from state run enterprises based system to a plural system, in which state enterprises coexist with private enterprises and independent operators;

- in what concerns employment relationships there was a transition from a system based in classical work relationships with written employment contracts and some social protection to a situation in which different models of payment coexist, verbal contracts are predominant and social protection is almost inexistent; another significant change has to do with the increasing relevance of social and relational groups, aiming to create stable and reliable ties among the agents in order to reduce risks and transaction costs;

- finally, motorized vehicles characteristics and functionalities are redefined: motorcycles (a private transport until then) started to be used in a context of urban collective transport.

REFERENCES
Women Entrepreneurship Development: The Effect of Environmental Factors

Chinonye Okafor, Covenant University, Nigeria

Women involvement in economic development has been recognized as important especially, in the area of entrepreneurship. Entrepreneurship as the central force for economic change requires more women to be involved in its operations. Environmental factors have been identified for having the tendency of affecting entrepreneurial development. This study is aimed at examining the effect of environmental factors on women entrepreneurship development (WED) in Lagos State, Nigeria. Primary and secondary sources were used for the data collection. The results revealed that government policy as an environmental factor has negative significance towards women entrepreneurship development and this affected other factors. To encourage women's participation in the economic development, the Government should make policies that will positively enhance the accessibility of women entrepreneurs to the required funds and other resources.

INTRODUCTION
Statistically, women constitute more than 50% of the Nigerian population and out of this less than 30% of them are involved in entrepreneurship in form of micro, small and medium enterprises (MSMEs) (Odoemene, 2003). These enterprises usually tend to have the flexibility and innovativeness that are critical business issues in feminism (Naisbitt and Aburdene, 1992; Kerka, 1993). In our contemporary environment, irrespective of women’s physical population, (educational, economical and social status), they are not well represented in policy making process, especially in the issue of entrepreneurial development. The ever-evolving environment which has resulted in changes in virtually everything in our society determines the circumstances and situations that surround our family issues (including women’s affairs). Aderanti, (2002) was right to observe that “there is a change in family structure and setting which made women to play functional role in our society.” Changes in the family structure and functions resulting from the process of rapid urbanization had brought women into the mainstream of economic and business world. Most women are now defector heads of households and are predominantly involved in entrepreneurship and business management in order to provide income for their family/home keeping and as a result are exposed to unusual risks and competition. Considering women’s multiple roles in our society (roles as mothers, wives, sisters, bread winners etc.) and the circumstances surrounding their peculiar nature, there is need to create conducive and enabling environment to encourage their full participation in the mainstream of economic development especially in the developing countries. This paper is focused on examining the effect of the environmental factors on women entrepreneurship development (WED). The paper is divided into five sections, section two is literature review, section three is the research methods, section four is the data analysis while section five is the discussion of the findings, conclusion and recommendations for policy implications.

LITERATURE REVIEW
The Concept of Entrepreneurship
Entrepreneurial activities are subject to variables such as; risk taking; innovation; process of wealth creation; identification of an opportunity; a market stabilizing force; ability to start new business and managing it effectively; provision of resources; profit maximization; ability to recognize un-exploited disequilibrium; owning and operating a business. These criteria form the basis for determining entrepreneurship as a process that involved the combination of production factors to produce new
products and services in pursuance of an identified business opportunity for profit maximization or social service.

Women Entrepreneurs
Women entrepreneurs are simply women that participate in total entrepreneurial activities; who take the risks involved in combining resources together in a unique way so as to take advantage of the opportunity identified in their immediate environment through production of goods and services. Majority of them are involved in micro, small and medium scale enterprises (MSMEs) which contribute more than 97% of all enterprises, 60% of the nation’s GDP and 94% of the total share of the employment (Mayoux, 2001; Ndubusi, 2004).

Characteristics of Women Entrepreneurs
Women in entrepreneurship possess dual characteristics (women and entrepreneurs). These characteristics include; adaptability (Kilby, 1968); innovativeness/creativity (Schumpeter, 1934; Drucker, 1985), strength and internal locus of control (Annenkova, 2001); ability to think and reason fast and endure (Mayoux, 2001); managerial skill; accountability and credit risk (Thomson, 2002). Factors that motivate women entrepreneurs have been identified to include; dissatisfaction with "glass ceiling" or limits on their earnings and advancement (Stoner and Fry, 1982); need to improve quality of life (Cooper, 1983); desire to earn more income; growth and innovation (Carland, Boulton and Carland 1984); desire for independence, risk-taking propensity (Brockhaus, 1986); education, freedom, job flexibility and previous experience (Mansor, 2005).

H1: Women entrepreneurial traits are not strongly influenced by environmental factors.

Women Entrepreneurial Development and Environmental Factors

Development connotes a human multifarious and divergent process, manifested in every field of endeavour; which entails the overall improvement of man and his well being, to the level of social group which involves an increase capacity to regulate both internal and external relations (Rodney, 1976). On the other hand, environment is the interrelated and interdependent variables or forces which affect the ways business operates. Business environment is highly dynamic and hence controls the operations and activities of business ventures. The understanding of the dynamism and the effect of environment on women entrepreneurial development is very important for policy making. Brockhaus (1986) saw family influence as the antecedent of women entrepreneurial development. Ronstadt (1984); Morris and Lewis (1991) and ILO (1998) included infrastructure, legal, regulatory, economic and socio-cultural variables such as rapid and threatening change, one’s family, school and work environment as the environmental factors that can affect women entrepreneurs. Keeble and Walker (1994) looked at the environmental factors from the perspective of the developmental setting that stimulates local market. Several environmental indicators have been identified as the major factors that can either hinder or inhibit women entrepreneurs. Minniti and Arenius (2003) saw these factors as the supportive services that enhance women entrepreneurial development. ILO (2003) was more comprehensive and explicit in its report as regards to environment factors and viewed them as the external factors from the perspectives of; (i) government policy (fiscal and legislative framework), (ii) access to appropriate business development support (iii) access to finance and financial services and (iv) community and family. Mansor (2005) enumerated these factors to include; venture capital availability, presence of experience, technical skilled labour force, accessibility of suppliers, customers, new markets, government influences, land, transportation, new technological development, supporting services and living condition.

H2: There is no significant relationship between environmental factors and women entrepreneurial development.
RESEARCH DESIGN AND INSTRUMENT
The data for this paper consists of a survey carried out among women entrepreneurs in MSMEs in Lagos State, Nigeria. The questionnaire was structured in such a way that it has three sections: section A contains queries on the demographics data of the respondents, section B is on the personality traits of the women entrepreneurs and section C is on the environmental factors that could affect their businesses. The questionnaire was administered with the help of two research assistants. The survey gives information on the personal characteristics of women entrepreneurs and the environmental factors that could affect their entrepreneurial development which was measured with business start-up, profitability and expansion. In order to reduce the data of survey statements, the Likert 5-point scale model was employed with assigned number that ranges from 1 (strongly disagree) to 5 (strongly agree).

Sampling and Data Collection
A field survey based on sample frame was derived from the list of two registered business associations namely Nigerian Association of Small and Medium Enterprises (NASME) and Nigerian Association of Small Scale Industries (NASSI) in Lagos State, Nigeria. These two associations whose membership is made up of men and women entrepreneurs in MSMEs were used in collecting the data for this study. A total number of 120 questionnaires were administered to women entrepreneurs, out of which 104 or 87.5% of them were retrieved. The sample was developed based on cluster sampling. A cross sectional data were collected from four sectors of the economy. These sectors include; agricultural, manufacturing, trade and service. The reason for the choice of these sectors was based on the fact that women are predominantly more on these sectors than other sectors of the economy (ILO 1998; Odoemene, 2003).

Measurement
In structuring the survey instrument, several questions which consist of both nominal and scale items were constructed to be used for the study. The questionnaire was designed mainly to target the women heads of the businesses. Among the items used in finding out the demographic status of the respondents are; age distribution; type of business; income distribution; educational background; number of dependents, and working experience. Items used in finding out the environmental factor include; financing accessibility; governmental policy (legal and regulatory framework); business support services and family and community support.

Data Analysis
To analyze the data, descriptive analysis which permits the researcher to calculate simple percentages of the demographic variables of the respondents was carried out. Aggregate variables were used to represent the mean of the data. The relationship between the women entrepreneurial development (WED) and the environmental factors was studied by way of correlation analysis. Correlation coefficient of the average was used due to the size of the data involved.

SURVEY RESULTS
Demographic Variables
To achieve the objectives of this paper, a study of the characteristics of women entrepreneurs was carried out. This enables us to accept the fact that their entrepreneurial behaviour is pertinent for the understanding of the influence of environment on women entrepreneurs. The survey result in Table 1 showed that women under this study were between the ages of 21 and above and most of them started their businesses when they were in their early age range of 21 and 35. This finding was in consistent with the study of Ronstadt (1984), which discovered that most entrepreneurs started their businesses at the age range of 13 and 45. The result also revealed that most of the respondents were either married (53.3%) or single (43.7%). The married ones have number of children that range from 1 to 5 and the number of
 dependents also ranges between 1 to 5 persons. The result also revealed that 63% of them had parents who were self employed while 38% of them have parents who are not self employed. The women entrepreneurs covered in this study engaged in the following nature of businesses; agro-allied -3%; manufacturing- 16%; trade- 36%, and service – 32%.

<table>
<thead>
<tr>
<th>S/N</th>
<th>Variables</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Age</td>
<td></td>
</tr>
<tr>
<td></td>
<td>15-20</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>21-25</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>26-30</td>
<td>49</td>
</tr>
<tr>
<td></td>
<td>31-35</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>36-above</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>No of Children</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>26.8</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>25.0</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>8.9</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>25.0</td>
</tr>
<tr>
<td></td>
<td>5 and above</td>
<td>14.3</td>
</tr>
<tr>
<td>3</td>
<td>Marital Status</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Single</td>
<td>43.7</td>
</tr>
<tr>
<td></td>
<td>Married</td>
<td>53.4</td>
</tr>
<tr>
<td></td>
<td>Divorced</td>
<td>1.0</td>
</tr>
<tr>
<td></td>
<td>Widow</td>
<td>1.9</td>
</tr>
<tr>
<td>4</td>
<td>Education Background</td>
<td></td>
</tr>
<tr>
<td></td>
<td>WAEC (School Certificate)</td>
<td>13.3</td>
</tr>
<tr>
<td></td>
<td>OND (Ordinary Diploma)</td>
<td>13.3</td>
</tr>
<tr>
<td></td>
<td>HND/BSc.</td>
<td>61.3</td>
</tr>
<tr>
<td></td>
<td>MSc.</td>
<td>7.1</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>5.1</td>
</tr>
<tr>
<td>5</td>
<td>No of Dependants</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>15.1</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>32.9</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>15.1</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>9.6</td>
</tr>
<tr>
<td></td>
<td>5 and above</td>
<td>27.4</td>
</tr>
<tr>
<td>6</td>
<td>Nature of Business</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Agro-Allied</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Manufacturing</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>Trade</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>Service</td>
<td>32</td>
</tr>
<tr>
<td>7</td>
<td>Self-employed Parents</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>63</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>38</td>
</tr>
<tr>
<td>8</td>
<td>How business started</td>
<td></td>
</tr>
<tr>
<td></td>
<td>From the scratch</td>
<td>72.5</td>
</tr>
<tr>
<td></td>
<td>Purchased</td>
<td>9.8</td>
</tr>
<tr>
<td></td>
<td>Inherited</td>
<td>9.8</td>
</tr>
<tr>
<td></td>
<td>Joined Someone</td>
<td>7.8</td>
</tr>
<tr>
<td>8</td>
<td>When business Started</td>
<td></td>
</tr>
<tr>
<td></td>
<td>13-20</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>21-28</td>
<td>42</td>
</tr>
<tr>
<td></td>
<td>29-36</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td>37-44</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>45-above</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Field Survey 2007

**Women entrepreneurship and Environmental factors**

To test hypothesis one of this study, the topic is reduced into dependent variable (women entrepreneurial development) and independent variables (environmental factors). The dependent variable (women entrepreneurial development) was measured by women’s ability to start up business, make profit and expand their businesses. Four items which include; financing accessibility, family and community, business support services and legal and regulatory factors were used to measure the independent variables. Correlation analysis is adopted to describe the relationship between the dependent variable and independents variables. Table 2 revealed that government policy (.014) and support services (.059) are significantly correlated towards WED based on 5% and 10% significant levels respectively.
Table 2 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>1</td>
<td>(Constant)</td>
<td>4.755</td>
<td>.362</td>
<td>13.120</td>
</tr>
<tr>
<td></td>
<td>Access to finance</td>
<td>-.005E-02</td>
<td>.075</td>
<td>-.043</td>
</tr>
<tr>
<td></td>
<td>Family members and Community</td>
<td>4.360E-02</td>
<td>.037</td>
<td>.121</td>
</tr>
<tr>
<td></td>
<td>Availability of support services</td>
<td>.164</td>
<td>.086</td>
<td>.222</td>
</tr>
<tr>
<td></td>
<td>Government policy</td>
<td>-.215</td>
<td>.086</td>
<td>-.286</td>
</tr>
</tbody>
</table>

a Dependent Variable: Women entrepreneurial development

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>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.291</td>
<td>.085</td>
<td>.045</td>
<td>.8798</td>
<td>1.145</td>
</tr>
</tbody>
</table>

a Predictors: (Constant), Government policy, family members and community, Accessibility to finance, Availability of support services. b Dependent Variable: Women entrepreneurial development

To determine the factor(s) that has the highest influence on the WED, the data was further analyzed using multiple regression analysis. The result of the regression also showed that business support services is a major influential factor in women entrepreneurial development as proved by the highest t-value and beta scores of (t= 1.910, beta=.222) respectively and the regression result supported by the correlation analysis with Pearson correlation is r= .085. Although government policy shows a significant value of .014 at p<05, it has a negative influence on the dependent variable with t- value and beta of -2.504 and beta=-.286 respectively. On the other hand, financial factor has negative influence on the dependent variable and this was also reflected in their score values that read t= -402 and beta = -043 and its correlation analysis also has a negative relationship towards the WED with Pearson correlation of r= -054. The model used for this research shows that only 8.5% of the independent variables was able to explain the dependent variables (R²=.085). On individual bases, family/community support which has the highest score of r=.095 shows the existence of weak association with WED, and business support services also has a weak strength of association of r=.083 with WED while government policy and financing availability indicated negative association of r= -.158 and r= -.054 respectively.

Table 3 Correlations between Independent Variables and Women Entrepreneurial Development

<table>
<thead>
<tr>
<th>WED</th>
<th>Accessibility to finance</th>
<th>Family members and community</th>
<th>Government policy</th>
<th>Availability of support services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pearson Correlation</td>
<td>.054</td>
<td>.095</td>
<td>-.158</td>
</tr>
<tr>
<td></td>
<td>Sig. (1-tailed)</td>
<td>.296</td>
<td>.174</td>
<td>.057</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (1-tailed), WED
Source: Field Survey 2007

Entrepreneurial Traits and Environmental Factors

To test hypothesis two, the mean of the two aggregate variables (dependent and independent variables) were first calculated. See Table 4. The critical value of the scale is defined as three. Values below three imply a need for development in the respective statements’ areas of women entrepreneurship and values that are higher than three points, represent a positive dynamics from women entrepreneurship. Related items were used to further explain each of these variables. The four items previously used in measuring our independent variables were maintained while eleven most commonly used entrepreneurial traits were used in measuring our dependent variables. These include: risk taking propensity, desire for achievement, desire for independent and freedom, creativity and innovation, internal locus of control, proactiveness, competitiveness, self-confidence and desire for achievement.
Table 4. The Mean and Standard Deviation of the entrepreneurial traits and independent variables

<table>
<thead>
<tr>
<th>Items</th>
<th>Percentages (%)</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>taking risk</td>
<td>74.7</td>
<td>3.8155</td>
<td>1.1943</td>
</tr>
<tr>
<td>Internal locus control</td>
<td>81.2</td>
<td>3.9901</td>
<td>0.9746</td>
</tr>
<tr>
<td>Tolerance for ambiguity</td>
<td>69.7</td>
<td>3.5758</td>
<td>1.0699</td>
</tr>
<tr>
<td>Strength and energy</td>
<td>77.5</td>
<td>3.9706</td>
<td>1.1385</td>
</tr>
<tr>
<td>Creative and innovative</td>
<td>82.6</td>
<td>4.0583</td>
<td>1.0177</td>
</tr>
<tr>
<td>Independence</td>
<td>62.4</td>
<td>3.6040</td>
<td>1.2416</td>
</tr>
<tr>
<td>Self esteem</td>
<td>71.6</td>
<td>3.7745</td>
<td>1.1596</td>
</tr>
<tr>
<td>Self confidence</td>
<td>69.3</td>
<td>3.8020</td>
<td>1.2085</td>
</tr>
<tr>
<td>Competitiveness</td>
<td>54.4</td>
<td>3.2772</td>
<td>1.2500</td>
</tr>
<tr>
<td>Proactiveness</td>
<td>58.4</td>
<td>3.4059</td>
<td>1.2100</td>
</tr>
<tr>
<td>Self achievement</td>
<td>80.4</td>
<td>4.0686</td>
<td>0.9876</td>
</tr>
<tr>
<td>Accessibility to finance</td>
<td>66.7</td>
<td>3.6373</td>
<td>1.2881</td>
</tr>
<tr>
<td>Support services</td>
<td>51.0</td>
<td>3.2353</td>
<td>1.2521</td>
</tr>
<tr>
<td>Family/community</td>
<td>38.4</td>
<td>3.0404</td>
<td>2.4699</td>
</tr>
<tr>
<td>Government policy</td>
<td>54.9</td>
<td>3.3039</td>
<td>1.2251</td>
</tr>
</tbody>
</table>

Source: Field Survey 2007

The potential correlation between entrepreneurial traits of women entrepreneurs and environmental factors were then examined with a correlation analysis. The aggregate variables of these two variables were then placed in a correlation matrix. The correlation analysis in Table 5 indicates that nearly every aggregate variable has a mutual correlation with a statistical significance. Among all the results, the strongest correlation is between competitiveness and support services (r=.362). This indicates that women entrepreneurial competitiveness can easily be enhanced through the activities of business support services. The result stood out among others showing a more positive correlation relation than the rest of others. Second to this was competitiveness and government policy(r=.277); followed by creativity/innovation and business support services (r=.261) and self-confidence and financing accessibility (r=.234).

Table 5 Correlations between entrepreneurial traits and environmental factors

<table>
<thead>
<tr>
<th></th>
<th>Pearson Correlation</th>
<th>Accessibility to finance</th>
<th>Support Services</th>
<th>Family/community</th>
<th>Government Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taking risk</td>
<td>r=.049</td>
<td>r=-.005</td>
<td>r=.026</td>
<td>R=.055</td>
<td>R=-.68</td>
</tr>
<tr>
<td>Tolerance for ambiguity</td>
<td>r=.047</td>
<td>r=.091</td>
<td>r=.026</td>
<td>R=-.131</td>
<td>R=-.146</td>
</tr>
<tr>
<td>Creative and innovative.</td>
<td>r=-.077</td>
<td>r=.261**</td>
<td>r=.026</td>
<td>R=.277**</td>
<td>R=-.059</td>
</tr>
<tr>
<td>Independence</td>
<td>r=.080</td>
<td>r=.008</td>
<td>r=-.141</td>
<td>R=.044</td>
<td></td>
</tr>
<tr>
<td>Self confidence</td>
<td>r=.234*</td>
<td>r=.066</td>
<td>r=.034</td>
<td>R=.277**</td>
<td>R=.115</td>
</tr>
<tr>
<td>Competitiveness</td>
<td>r=.105</td>
<td>r=.362**</td>
<td>r=.090</td>
<td>R=.242*</td>
<td>R=-.241*</td>
</tr>
<tr>
<td>Achievement</td>
<td>r=.087</td>
<td>r=.034</td>
<td>r=.020</td>
<td>R=.242*</td>
<td>R=-.241*</td>
</tr>
<tr>
<td>Internal Locus control</td>
<td>r=-.059</td>
<td>r=-.046</td>
<td>r=-.251*</td>
<td>r=-.242</td>
<td>R=-.241*</td>
</tr>
<tr>
<td>Energy and strength</td>
<td>r=.017</td>
<td>r=-.035</td>
<td>r=.021</td>
<td>R=-.046</td>
<td>R=-.034</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level (2-tailed)
* * Correlation is significant at the 0.01 level (2-tailed)

Source: Field Survey 2007

DISCUSSION AND CONCLUSION
Women entrepreneurial development as a new phenomenon has been looked at from the viewpoint that it is most likely that the development of its framework can be influenced by some environmental factors such as financing accessibility, government policy, family and community support and business support services. Among these factors, government policy has a negative significant on the dependent variable (WED) and this affected all other factors that would enhance their growth and sustainability. The fundamental arguments underlying the framework of this paper is that environment will either negatively or positively influence an enterprise since the enterprise adds value to the environment. Conductive environment could result in ‘pull’ factors (which can encourage or lure women into entrepreneurship), while non-conducive environment results in ‘push’ factors (that can force or push women into business)
This study also carefully looked at the relationship between the entrepreneurial traits and the environmental factors. Although, the survey results revealed that a weak relationship exist between WED and entrepreneurial traits, numerous literatures such as Morris and Lewis (1991); Mansor (2005) and Familoni (2007) argue that entrepreneurial traits can be influenced by someone’s environment either negatively or positively. Environmental factors such as availability of infrastructures, training programmes, availability of finance and family support (ILO 2003) are therefore important factors as regards to WED.

**POLICY IMPLICATIONS**

This paper looked at the effect of environmental factors on women entrepreneurship development. It was discovered that environment acts as both triggering and supportive factors to WED. It is recommended that women should endeavour to take advantage of all business opportunities in their environment by seeking advice and counseling from those women who are already succeeding in their businesses. Self Empowerment through, reflection, education, training and development for skills acquisition on computer operations including internet, public speaking, human relations, legal awareness, economic independence should be encouraged among women entrepreneurs. The Government should make policies that will positively enhance the accessibility of women entrepreneurs to the required funds and help the business support organizations improve their services towards women entrepreneurial development.

**REFERENCES**


Marketing Margins for Soybeans in Enugu State, Nigeria

Francis O. Odo, University of Nigeria, Nigeria
Sand Chidebelu, University of Nigeria, Nigeria
Geraldine E. Ugwuonah, University of Nigeria, Nigeria

The marketing margins for soybeans traded in Enugu State were the focus of this study. Soybeans substituted animal protein sources, which had become very expensive for an average income earner in our society today. However, due to an increase in the volume of soybean trading and a gap in information concerning the profitability and efficiency of the soybeans market in the state, there is the need for this study. Six markets were purposively selected namely, Ogbete, Abakpa, Gariki, Orie Orba, Ogige Nsukka and Orie Awgu markets. The average gross margin per kilogram of soybeans traded by retailer was N7.43 with a net margin of N5.89 while the wholesalers gross and net margins were N6.37 and N3.53 per kilogram respectively an indication that the traders were not exploitative.

BACKGROUND INFORMATION
Malnutrition, starvation and hunger caused by inadequate nutrient intake and diseases are threats to human health and development in many parts of the world today. There is chronic protein-energy deficiency among the poor. As a result of this, protein based malnutrition incidences occur in Nigeria, and the discovery of soybeans, as alternative source to animal protein, has attracted high percentage of consumers within low and middle socio-economic class. Enwere (1998) made it clear that where meat, eggs and fish were expensive, soymilk and other soyproducts could be substitutes.

Since this discovery, production of soybeans has been intensified in Nigeria to meet domestic and export demand. However Umenwanne (1994) observed that with the associated problems of lack of finance and other inputs like labour, equipment and viable cultivars, Nigeria might not meet the annual target of 1.6 million tonnes of soybeans production per annum.

Due to an increase in the popularity of soybeans and its versatility and use in over 60 recipes, many people have identified with the commodity at different levels of production, either at the primary or secondary level or at the distribution level. However reliable and authentic information from the soybeans market is virtually lacking while the profitability of the venture is even less known. The commodity’s costs and margins, related to the services needed in moving soybeans from the farmers to the consumers, are not known. This research was aimed at providing this lacking information which, hopefully, would enhance productivity, guide consumers and middlemen in enhancing sustained consumer-protein-energy nutrition through regular availability of consumer accepted products.

OBJECTIVES OF THE STUDY
This study was aimed at ascertaining the efficiency of soybeans market by analyzing the marketing margins of soybeans in Enugu State. It was also aimed at identifying, who received higher returns to the effort put in the business of soybeans production and marketing, the farmer or the middlemen.

METHODOLOGY
The study area was Enugu State of Nigeria. The State is made up of three agricultural zones, namely, Enugu, Awgu and Nsukka. The study made use of dual staged sampling method. In stage one, six urban
markets were purposely selected from each of the three agricultural zones. The criterion used was large concentration of middlemen (wholesalers and retailers). The selected markets were Ogbete and Abakpa Nike markets (Enugu zone), Garriki and Orie Awgu markets (Awgu zone) and Nsukka and Orie Orba markets (Nsukka zone). These markets had one common feature, that is, they served as the commercial nerve centre for the communities living around them. Thus, they were primary markets.

In stage two, five wholesalers, five retailers and five consumers were randomly selected and sampled from each of the selected markets. This gave rise to a total of 90 respondents comprising 30 wholesalers, 30 retailers and 30 consumers. A listing of the sampled market intermediaries was made during a reconnaissance survey. The survey instrument comprising a set of pre-tested questionnaires was administered to the respondents. The primary data obtained from the field were analyzed using market margin analysis. This analytical tool was adopted to obtain the price spread of soybeans among wholesalers and retailers in the study and to estimate the producer’s share of the market price obtainable in the study.

In the estimation of marketing margins, the methods used by Lemchi (1990), Osuji (1980) and Ugwuonah (2007) was adopted. The authors deducted the purchase/producer prices from the retailer prices to obtain the marketing margins. They used average price of both wholesalers and retailers in the computation. In this study, for the different groups of middlemen engaged in soybeans distribution in Enugu state, margins were calculated by deducting purchase price from selling price per kilogramme. The marketing costs components included the costs of transportation, storage, loading and offloading, rent, security and local government produce charge.

Calculations of middlemen’s profit as a percentage of consumer price per kilogram of soybeans was used to determine the proportion of the consumer expenditure on soybeans that got to the middlemen as net margins. This was done for both wholesalers and retailers. The following formulae were employed in the calculations:

\[
\text{Percentage } \frac{\pi}{\text{Kg}} = \frac{\pi/\text{Kg} \times 100}{\text{Pr/ Kg}} \quad \cdots \quad 1
\]

where:
\[
\pi = \text{Profit, and} \\
\text{Pr} = \text{Selling price}
\]

Also the formula
\[
\frac{\text{Mc/Kg} \times 100}{\text{Pr/Kg}} \quad \cdots \quad 2
\]

where:
\[
\text{Mc} = \text{marketing cost, and} \\
\text{Pr} = \text{retail price}
\]

was used to measure the proportion of the consumer spending on one kilogram of soybeans that went to cover marketing costs for one kilogram of soybeans.

The farmer’s share as a percentage of the consumer’s spending or retail price per kilogram of soybeans was derived from the formula:
\[
\text{Fs} = \frac{\text{Average producer Price/Kg} \times 100}{\text{Pr/Kg}} \quad \cdots \quad 3
\]

where:
\[
\text{Fs} = \text{farmer’s share in percentage /Kg} \\
\text{Pr} = \text{retail price /Kg}
\]
The proportion of the marketing margins that went to middlemen as net margin was also obtained using the formula:

\[
\text{Net } \pi = \frac{\pi/\text{Kg} \times 100}{\text{MM/ Kg}} \times 1
\]

where:

\[
\text{Net } \pi = \text{Net profit or net margin in percentage term/Kg; and} \\
\text{MM} = \text{Marketing margin/Kg}
\]

Subtracting this value from one hundred, the proportion of the marketing margin that covered marketing costs was obtained. From this, one would find out if the wholesalers and retailers of soybeans in Enugu State were making excessive profits by charging more than it cost them to render their services.

The obtained data were analyzed using Microsoft Excel and Statistical Package for Social Sciences (SPSSWIN version 11).

RESULTS

The marketing margins for soybeans in Enugu State were heterogeneous, hence, differed from market to market. In Ogbete, the marketing margin was ₦15.60/kg of soybeans, while the farmers share of the consumer spending was ₦62.50/kg. In other markets like Abakpa the margin was ₦16.00/kg, Gariki (₦15.40/kg), Orba (₦11.00/kg), Nsukka (₦10.20/kg) and Awgu (₦14.60/kg). However, the average marketing margin was 31.80% while the farmers share of the retail price was 68.20%. These figures show that the average marketing margins for soybeans in Enugu State were not very high when compared with the findings of other authors that worked on other crops. For instance, Osuji (1980) found the marketing margin for rice in Abeokuta to be 57.49% while rice in Eastern Nigeria was 47% of retail price (Welsch, 1966). The reason for this low margin for soybeans was that higher marketing costs were obtained in rice than soybeans since rice underwent more processing before reaching the consumer than soybeans. Again, soybeans suffer preparatory difficulties hence low mark-ups were usually added to the purchase price to facilitate quick sales. This accounts for the reason why farmers share of the consumer spending remained comparatively high. The farmers share of 68.20% meant that for every one naira the consumer paid for one kilogram of soybeans brought, the farmers got 68.20k while the remaining 31.80k represented marketing margin distributed to middlemen as marketing costs and profit.

Table 1: Average Marketing Margins and the Farmer’s Share of the Consumer Spending Per Kilogram of Soybeans in Enugu State

<table>
<thead>
<tr>
<th>Market</th>
<th>Average Farmers Price (₦)</th>
<th>Average Retail Price (₦)</th>
<th>Marketing Margin (₦)</th>
<th>Average NM as % of Pr</th>
<th>Average Farmers Share as % of Pr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ogbete</td>
<td>26.00</td>
<td>41.60</td>
<td>15.60</td>
<td>37.50</td>
<td>62.50</td>
</tr>
<tr>
<td>Abakpa</td>
<td>26.00</td>
<td>42.00</td>
<td>16.00</td>
<td>38.10</td>
<td>61.90</td>
</tr>
<tr>
<td>Gariki</td>
<td>34.40</td>
<td>49.80</td>
<td>15.40</td>
<td>30.92</td>
<td>69.08</td>
</tr>
<tr>
<td>Orba</td>
<td>28.60</td>
<td>39.60</td>
<td>11.00</td>
<td>27.78</td>
<td>72.22</td>
</tr>
<tr>
<td>Nsukka</td>
<td>31.60</td>
<td>41.80</td>
<td>10.20</td>
<td>24.40</td>
<td>75.60</td>
</tr>
<tr>
<td>Awgu</td>
<td>31.00</td>
<td>45.60</td>
<td>14.60</td>
<td>32.02</td>
<td>67.90</td>
</tr>
<tr>
<td>Market mean</td>
<td>29.60</td>
<td>43.40</td>
<td>13.80</td>
<td>31.80</td>
<td>68.20</td>
</tr>
</tbody>
</table>

Marketing margin + farmers share = 100%
Source: Field Survey 2007

Net margins of Middlemen Per Kilogram of Soybeans in Enugu State
Net margin or net profit is that portion of the gross margin or gross profit that remains after all expenses have been taken away. It is the reward for risk and management. Profits are usually reported as a percentage of sales, or as a percentage of total investment.

However, for this study, profits were reported in monetary terms, as a percentage of retail price and as a percentage of total marketing costs. The average gross and net margins of the retailers and wholesalers per kilogram of soybeans traded in Enugu State are presented in tables 2 and 3.

Table 2 shows that wholesalers made an average gross margin of ₦6.37 per kilogram and an average net margin of ₦3.53 per kilogram of soybeans. For the wholesalers the average net margin as a percentage of the total marketing cost was 10.93%. In terms of retail prices, for every 100 kobo the consumer pays for every kilogram of soybeans, what goes to the wholesaler as net margin was 8.13 kobo.

For the retailers, the average gross margin was ₦7.43 per kilogram of soybeans out of which an average net margin of ₦5.89 was made. For retailers, the average net margin as a percentage of the total marketing cost was 15.68%. Also for every 100k the retailers incurred as total cost per kilogram, they made 15.68k as net margin. In terms of retail prices, for every 100k the consumer pays for every kilogram of soybeans, what goes to the retailer as net margin was 13.57 kobo (table 3).

The figures show that wholesalers made less net margin per kilogram of soybeans than retailers for the amount they incurred as total costs. This stems from the fact that wholesalers incurred more marketing costs than retailers.

### Table 2: Average Gross and Net Margins per Kilogram of Soybeans Traded by Wholesaler in Enugu

<table>
<thead>
<tr>
<th>Market</th>
<th>YP (₦)</th>
<th>YW (₦)</th>
<th>Yr (₦)</th>
<th>GM (₦)</th>
<th>MC (₦)</th>
<th>NM (₦)</th>
<th>NM as % of MC</th>
<th>NM as % of TC</th>
<th>NM as % of Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ogbete</td>
<td>26.00</td>
<td>34.10</td>
<td>41.6</td>
<td>8.10</td>
<td>3.76</td>
<td>4.34</td>
<td>115.43</td>
<td>14.58</td>
<td>10.33</td>
</tr>
<tr>
<td>Abakpa</td>
<td>26.00</td>
<td>33.40</td>
<td>42.0</td>
<td>7.40</td>
<td>5.03</td>
<td>2.37</td>
<td>47.12</td>
<td>7.64</td>
<td>5.64</td>
</tr>
<tr>
<td>Garriki</td>
<td>34.40</td>
<td>39.10</td>
<td>49.8</td>
<td>4.70</td>
<td>1.64</td>
<td>3.06</td>
<td>186.59</td>
<td>8.49</td>
<td>6.14</td>
</tr>
<tr>
<td>Orba</td>
<td>28.60</td>
<td>34.90</td>
<td>39.6</td>
<td>6.30</td>
<td>3.02</td>
<td>3.28</td>
<td>108.61</td>
<td>10.37</td>
<td>8.28</td>
</tr>
<tr>
<td>Nsukka</td>
<td>31.60</td>
<td>37.10</td>
<td>41.8</td>
<td>5.50</td>
<td>1.94</td>
<td>3.56</td>
<td>183.51</td>
<td>10.61</td>
<td>8.52</td>
</tr>
<tr>
<td>Awgu</td>
<td>31.00</td>
<td>37.20</td>
<td>45.6</td>
<td>6.20</td>
<td>1.66</td>
<td>4.54</td>
<td>273.49</td>
<td>13.90</td>
<td>9.96</td>
</tr>
<tr>
<td>Market mean</td>
<td>29.60</td>
<td>35.97</td>
<td>43.4</td>
<td>6.37</td>
<td>2.84</td>
<td>3.53</td>
<td>152.46</td>
<td>10.93</td>
<td>8.13</td>
</tr>
</tbody>
</table>

Source: Field Survey 2007

### Table 3: Average Gross and Net Margins per Kilogram of Soybeans Traded by Retailers in Enugu State

<table>
<thead>
<tr>
<th>Market</th>
<th>YP (₦)</th>
<th>YW (₦)</th>
<th>Yr (₦)</th>
<th>GM (₦)</th>
<th>MC (₦)</th>
<th>NM (₦)</th>
<th>NM as % of MC</th>
<th>NM as % of TC</th>
<th>NM as % of Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ogbete</td>
<td>34.10</td>
<td>41.60</td>
<td>41.6</td>
<td>7.50</td>
<td>3.83</td>
<td>3.67</td>
<td>95.82</td>
<td>9.68</td>
<td>8.82</td>
</tr>
<tr>
<td>Abakpa</td>
<td>33.40</td>
<td>42.00</td>
<td>42.0</td>
<td>8.60</td>
<td>1.41</td>
<td>7.19</td>
<td>509.93</td>
<td>20.65</td>
<td>17.11</td>
</tr>
<tr>
<td>Garriki</td>
<td>39.10</td>
<td>49.80</td>
<td>49.8</td>
<td>10.7</td>
<td>0.70</td>
<td>10.0</td>
<td>1428.57</td>
<td>25.13</td>
<td>20.08</td>
</tr>
<tr>
<td>Orba</td>
<td>34.90</td>
<td>39.60</td>
<td>39.6</td>
<td>4.70</td>
<td>1.29</td>
<td>3.41</td>
<td>264.34</td>
<td>9.42</td>
<td>8.61</td>
</tr>
<tr>
<td>Nsukka</td>
<td>37.10</td>
<td>41.80</td>
<td>41.8</td>
<td>4.70</td>
<td>1.67</td>
<td>3.03</td>
<td>181.43</td>
<td>7.82</td>
<td>7.25</td>
</tr>
<tr>
<td>Awgu</td>
<td>37.20</td>
<td>45.60</td>
<td>45.6</td>
<td>8.40</td>
<td>0.37</td>
<td>8.03</td>
<td>2170.27</td>
<td>21.37</td>
<td>17.61</td>
</tr>
<tr>
<td>Market mean</td>
<td>35.97</td>
<td>43.40</td>
<td>43.4</td>
<td>7.43</td>
<td>1.60</td>
<td>5.89</td>
<td>608.39</td>
<td>15.68</td>
<td>13.57</td>
</tr>
</tbody>
</table>
where:

- $Y_p$ = Producer Price
- $Y_w$ = Wholesale price /Kg
- $Y_r$ = Retail price /Kg
- $G_m$ = Gross margin
- $N_m$ = Net Margin
- $T_c$ = Total cost
- $M_c$ = Marketing cost.

**Distribution of Average Marketing Margin Per Kilogram of Soybeans Between Marketing Costs and Net Margins**

Table 1 shows that out of an average marketing margin of ₦13.80 per kilogram of soybeans, marketing costs accounted for an average of 31.80%, while the average net margin of 67.91% went to the middlemen. This shows that less than half of the average marketing margin was taken up by the costs incurred in the marketing process. As a percentage of retail price, marketing costs represented an average of 10.37% while net margin represented an average of 21.41%. This implies that for every ₦1.00 the consumer pays for every unit of soybeans he buys from the retailer, 10.73k goes to cover the costs incurred by the middlemen while 21.41 represents middlemen net margin. This is as a reward for their risks.

**CONCLUSION AND IMPLICATIONS**

This study has shown the efficiency and performance of the soybeans market in Enugu State through the marketing margins. The average gross margin per kilogram of soybeans traded by retailers was ₦7.43 with a net margin of ₦5.89, which translates to 15.68% of the total marketing cost and 13.57% of the retail price while the wholesalers’ average gross and net margins were ₦6.37 and ₦3.53 per kilogram, (10.93% of the total marketing cost and 8.13% of the retail or consumer price) respectively. The average farmers share of the retail or consumer price per kilogram of soybeans was 68.20%; an indication that the traders were not exploitative. Furthermore, the average marketing margin per kilogram of soybeans in the State was ₦13.80. This showed that the producers of soybeans got more than half of every kobo spent by the consumer on their soybeans. Thus, it could be said that they were reasonably well rewarded, especially with regard to other products.

The implications are that if adequate infrastructural facilities are put in place for the production and marketing of soybeans, the industry stands a greater chance of growing since the producers and other marketing intermediaries are getting their fair share. Also the broader agricultural research and development community, small holder farmers of soybeans will benefit from the growth and development of the industry. This will be a welcome development judging from the importance of the produce as an alternative source of protein- a major and scarce food nutrient for a developing country like Nigeria. Also an enhanced production and distribution system in agricultural productivity is hoped to encourage the emergence of business orientated production and create room for value addition through processing.

**REFERENCES**

Access of Small and Medium Enterprises to Public Procurement Contracts: The Tanzanian Experience

Gladness Salema, University of Dar es Salaam, Tanzania

The paper is based on the findings of a research which aimed to explore the factors influencing small and medium enterprises (SMEs) access in public procurement from three perspectives, the buyers (government unit) perceptions the sellers (SMEs) perceptions and the legal framework in Tanzania. The research was based upon case studies of procuring entities and SMEs and a within case and cross case analysis. The key barriers identified in the research included factors linked to the external environment; institutional environment of procuring entities, the practices of procuring officials, the legal framework and the limitation in the role of business development organizations. Internal organization factors such as lack of capital, skills, and low capacity were also found to be important. In addition, the cases revealed that the bad perception of SMEs and procuring entities (PEs) towards each other is a factor which has been ignored even by the theories. Hence, it was concluded that low SMEs participation in public procurement is a result of both SMEs internal and external factors.

INTRODUCTION

Economic growth in a country is dependent on having a market for goods and services produced by the citizens of that country (Bigant, 2003). Therefore, there is a direct relationship between the country’s economic growth and the SME growth. The Tanzania SME policy (URT, 2002) defines SMEs in terms of size of employment and capital investment of the enterprise. It defines small enterprises as those with employee between 5 and 49 or capital investment between 5 and 200 million Tanzanian shillings. Medium enterprises are those with employee between 50 and 99 or capital investment between 200 and 800 million Tanzanian shillings. In Tanzania SMEs are the major source of employment and income for the poor and a conduit for improving access by the poor communities to basic goods and services. SME sector is one the leading employer next to agriculture and have shown to have potentials not only for eradicating poverty but also creation of wealth (Massawe, 1998) Furthermore it is estimated that about a third of the GDP originates from the small and medium enterprise (SME) sector (URT 2002). This calls for government affirmative and positive actions toward promoting SMEs growth in Tanzania. SMEs believe that a good way for the government to support them is through buying their good and services. Given the size of public procurement in terms of size relative to the GDP, the public procurement market is a potential opportunity for SMEs growth and ultimately economic growth of the country.

Public procurement is broadly defined as the purchasing, hiring or obtaining by any other contractual means goods, construction works and services by the public sector. The World Bank has further defined it as the procurement of good and services by a procuring entity by using public funds (World bank, 1995). Triofetti (2000) posit the estimated size of public procurement varies between 5 and 8 percent of the GDP in most industrialized countries, while for the Middle East and Africa the magnitude ranges between 9 and 13 percent. Therefore, SMEs participation in public procurement is an issue not to be ignored as it forms a great avenue for the market of goods and services from SMEs. This paper sets out to understand the factor influencing SMEs access to the public procurement in the Tanzanian context by answering the question “Why does SMEs participation in public procurement limited in Tanzania?”

The current framework of the government procurement decisions is guided by the public procurement act (PPA) No. 21 enacted in 2001 and amended in 2004 which emphasizes on competitive purchasing. In addition, the act has established the regulatory body named public procurement regulatory authority
(PPRA) and the appeals and complaints organ called the Public Procurement Appeals Authority (PPAA) to foresee all the public procurement activities in Tanzania. Also, the act has considered SMEs development through a set of provisions and which intend to promote local bidders (SMEs) participation (URT, 2005).

Studies on SMEs and public procurement have evidenced that the potential of SMEs in public procurement is still limited (Odhiambo and Kamau, 2003; PPRA, 2007; EU, 2004; EU, 2006). The studies revealed a number of factors have been observed to influence SMEs participation in the public procurement market. However most of the evidences were from developed countries. Odhiambo and Kamau 2003, noted that in East Africa (Tanzania, Kenya and Uganda) SMEs have been marginalized in most of the public sector activities. Main reasons for lack of participation were lack of coherent, transparent, accountable and participatory procurement policy, and there is no specific affirmative programme in favor of SMEs, in both three countries. However, these empirical evidences were too aggregate (macro) and does not favor drawing out of individual country experiences to further the debate, this brings the need to understand the situation in Tanzania as a number of reforms and changes in the public procurement framework have already taken place since 2001.

THEORETICAL PERSPECTIVES
This study postulate that SMEs access to public procurement market is a potential to the firm growth. Two theories of motivation, the expectancy theory (Vroom, 1964) and the theory of planned behavior (Ajzen, 1988; 1980), both adapted from the social sciences because SMEs motivational theories are not well developed (Coopers, 1993). The theories were used to explain the possible reasons for SMEs poor participation in public procurement. The expectancy theory hold that people’s motivation toward doing anything will be determined by the value they place on the outcome of their effort (whether positive or negative), multiplied by the confidence they have that their effort will materially aid in achieving a goal. Motivation (which gives direction) is a product of anticipated worth that an individual places on a goal and the chances he or she sees of achieving that goal. When individuals perceive that the outcome is beyond their ability to influence, expectancy motivation becomes low. From this theory, a proposition that the limited participation of SMEs in public procurement result from lack of SMEs ability to influence the outcome is drawn.

According to the theory of planned behaviour one of the determinants of behaviour intentions is perceived behaviour control. Perceived behaviour control refers to the degree to which an individual feels that performance and non-performance of behaviour in question is under his/her volitional control. People are not likely to form a strong intention to perform behaviour if they believe that they do not have any resources or opportunities to do so even if they hold a positive attitude toward behaviour and believe that important. It means there may be a total lack of control if adoption of a given behaviour requires opportunities such as resources or skills, which may be lacking. Control factors include both internal and external factors. Internal factors are such things like skills, abilities, information and emotions. External factors include such things as environmental factors. When applied to this study, this theory suggests that owner managers are not likely to enter the public procurement market if they believe that they do not have resources and opportunities to do so.

SMES ACCESS IN PUBLIC PROCUREMENT MARKET IN TANZANIA
In Tanzania Public procurement function is guided by the Public Procurement Act No 21 2004 (URT,2005). This act has provided the legal framework for the procurement of public good, works and services using public funds. The act has considered SMEs development through provisions which intend to increase local bidder’s participation in the tender process, by indicating specific measures/principles which touch the sector. These include;
PPRA has revised and issued simple standard bidding documents (SBDs) for procurement of goods, works, non-consultancy services and selection and employment of consultants to be used by procuring entities. This will enhance the accessibility of SMEs to procurement market as most of them have less technical expertise to be able to prepare bidding documents.

To enhance the capacity of bidders PPRA has prepared and issued ten (10) tips for preparing responsive bids to be used by bidders while preparing their bids. The tips intend to reduce number of non-responsive bids submitted by bidders in the procurement process. The tips are guidelines for preparing responsive bids for; procurement of small works contracts, medium and large contracts, Procurement of goods, Procurement of non-consultancy services, Supply and installation of plants and equipment and health sector and selection and employment of consultant. According to the PPA 2004 domestic preference is allowed, but restricted to 15% for goods manufactured in Tanzania. Works, Non-consultancy services and consultancy services the maximum is 10%. Exclusive preference for local suppliers is mandatory for value below thresholds, for works Tzshs. 1 billion, goods Tzshs. 0.2billion, non-consultancy services Tzshs 0.25 billion, consultancy Tzshs 0.5 billion and individual consultant Tzshs 50 millions.

The act has provided that the procuring entity should when procuring goods, works or services by means of international or national tendering, or when evaluating and comparing tenders, grant a margin of preference for the benefit of tenders for certain goods manufactured, mined, extracted or grown in the united republic of Tanzania, for works by Tanzania contractors or services provided by Tanzania consultants, provided that this is clearly stated in the tender documents. Moreover, the act has allowed for association between national and foreign firms were the maximum margin of preference is 10% when a national firm has an input between 80-100%. In addition, when financial resources are exclusively provided by a Tanzanian public body, each procurement of works, goods or services that has a value not exceeding a threshold specified in the regulations shall be reserved exclusively for local persons or firms. Also national firms or associations of national firms in which the contribution of the national firm to the association is more than 75% and the value of the assignment is TzShs 500,000,000 an exclusive preference will be provided.

The act promote Partnerships with foreign companies through provision that procuring entities should ensure that the inclusion of local firms in the assignments carried out by foreign consultants is achieved through apportioning proper weights in the criteria for evaluation to encourage such partnership of foreign and local firms. However, the law has prohibited procuring entities from breaking down of tender contracts into small lots. This provision positively contribute to the problem of lack of capacity for SMEs to participate in the procurement, as the advertised contracts are found to be of huge values.

The act has established a three tier complaint system, where complaints can be lodged at the (i) procuring entity (ii) the PPRA (iii) the PPAA. The PPA 2004 has mandated the PPAA to handle cases resulted from the procurement process. The mandate has gone further and it has the capacity to apply a number of relevant remedies which include annulment of contracts, while this is only an option where there is “fraud or corruption”. The PPRA registered the Tanzania Procurement Journal on June 2007, it has a website that keeps adverts on procurement opportunities. In addition to that PPRA is finalizing the establishment of a “procurement Management Information System”. However evidence indicated that there is less communication to the public, this was shown by 56% of tender results were not communicated to unsuccessful bidders, while 31% were communicated in writing, and 13% informed verbally (PPRA, 2007).

The framework review and case discussions reveals that the law has set the legal framework to promote SMEs, however there are no evidences of the law enforcement in Tanzania public procurement given the
poor law enforcement environment. PPRA 2007 and CPAR 2003 confirmed the issue of non-compliance in procuring entities to the principles and regulations. The same was revealed during the SME case discussions that foreigners are more preferred than the locals, and the procuring entities have no forums to promote partnerships between local bidders and foreigners

**Methods**
Despite the theoretical descriptions it is still important to carry a specific study in Tanzania, to test the theory empirically and bring a clear understanding to the phenomena. This paper presents findings extracted from a research conducted in Dar es Salaam, which is the main commercial city in Tanzania. The study used qualitative design specifically, “a case study approach” to gather information on the phenomena. In total six cases were selected; three from government procuring entities (two municipal, and one executive agency), and three cases from SMEs. Case selection was carried out through “strategic case selection”. Patton and Appelbaum (2003) stated that strategic case selection is fundamental if the case provides the possibility of understanding a particular phenomenon. The study gathered information from both documentary review and face to face interviews with the procurement officers and the SMEs owner managers. Documentary review involved an assessment of firm’s monthly and annual reports on tendering, assessment of tender documents, and also an examination of the procurement law. The main instruments were the interview check list and the tape recorder. Data analysis involved within case examination of the information, and cross-case comparisons. The emerging patterns were documented as main findings, and also the specific issues raised were narrated.

The findings were validated by sending back a report to the cases for them to check what has been documented is what they expected, and during the discussions the tape records were re-played for them to certify if what have been recorded were correct.

**FINDINGS AND DISCUSSIONS**

*Experiences and perception of procuring entities (PEs)*

Interviews with procurement officers revealed that, SMEs are not serious on delivering quality jobs, in most cases they deliver sub-standard works or items. Integrity on the side of local bidders is also a problem, one case stated that,

> “These SMEs are not confident in public procurement, and this is because they don’t have the technical know how of the practice, they believe bribing is what is the solution to win tenders, and when they loose it’s because they did not bribe someone. It is common for SMEs to look for someone to bribe, in some cases they have approached the procurement officers or store keepers to collude and deliver fewer quantities or not deliver the right materials (in terms of specifications)(Respondent.2007)”.

Talking of SMEs strength it was revealed from the three cases that PEs see flexibility and easy negotiations as the strong/positive characteristics of SMEs in public procurement. It stated that

> “During tendering it has been easy to negotiate with the SMEs (local bidders) as compared to negotiate with international bidders”. And this is likely because local bidders understand the operational environment of the PEs, and hence they are more flexible, even incase of late payments (Respondent.2007)”.

This shows that PEs take advantage of SMEs inability to negotiate and demand their rights. The discussions also reveal that PEs have negative perception with SMEs, the considered them as troublesome and have a low level of understanding. Moreover PEs discussions revealed, SMEs do lack knowledge on
public procurement practices/processes, they can not prepare tender documents as required for competition.

**Experience and perceptions of SMEs**

All the cases studied have been tendering for consecutively more than three years. One case mentioned from records that,

“In the last three years we have submitted 15 tenders and up to now they have won 7 tenders (Respondent.2007)”.

This shows that there are likely high chances of an SME to win a tender. Throughout the discussion with the owner managers a number of issues were revealed, including the importance of public procurement to SMEs were all cases revealed the contribution of public procurement sales to the enterprises sales composition to be between total percentages of 75% to 80%.

All cases indicated to enter the public procurement market without any formal training on the process, the discussions revealed serious concerns on the the lack of knowledge on tender preparations, and their rights in the procurement process. One case narrated that,

“I entered into tendering by gambling, it is really like tossing a coin, and I have found knowledge on procurement is relevant because even the adverts on opportunities are usually not clear, your have to be knowledgeable to understand what is required, otherwise you miss everything. For example you are requested to send an expression of interest, but what the client means, is that you need to tell about your organization, previous experiences, sometimes assets (equipments) you own, it is really a deep explanation of your enterprise relevant to the assignment to be considered (Respondent.2007)”

Further more, among the three cases interviewed only one indicated to receive specific training on public procurement from PPRA and the Contractor Registration Board (CRB). An assessment of business development organizations and training institutions showed public procurement capacity building is not a familiar product/service.

The PPA 2004 has provided for the lowest bidder to be awarded the tender, and hence this force SMEs to compromise between quality and price, causing them to poor delivery and they are being blacklisted. This provision has practical limitations to the performance of SMEs and the PEs themselves. SMEs have tended to trade off between price and quality, thus they price low and deliver low quality goods and services and end up blacklisted. At the same time PEs has been ending up awarding contracts to poor contractors, and hence poor delivery of public goods and services. In addition to that, the act does not allow to contract for non-consultancy services for more than one year”. And this is a limitation to SMEs development because as they contract longer they build more experience. The act had also prohibited splitting of tenders into small lot for SMEs to afford, hence the problem of lack of capital and capacity has not been addressed.

The cases indicated that the main problems faced are lack of enough capital to be able to operate in the public procurement market, given the value of the assignments are usually very large. No forums for promoting partnerships were evidenced. To add more, poor record keeping, and documentation also influence SMEs, and this is because in most cases they don’t hire professionals. The discussions indicate that SMEs employees are not serious in performing their duties, and this has caused their enterprises to be blacklisted in public procurement. The problem was that SMES do not have the capacity to hire
qualified/professional and so most of their employees lack qualifications and not motivated because of low pay.

All the three cases complained about late payment to be a major problem in dealing with government entities. In two cases debts of more that 50 millions were not paid for more than five years now

“I have not been paid by the municipal for ten years now, my contract worth 20 million, and unfortunately some of the procurement officers are not there anymore, there is no proper record at the municipal so I don’t think they will pay it anyway (Respondent.2007)”

The problem was found more serious in local government authorities (municipals and councils) and ministries as compared to International Organizations, and higher learning institutions. This situation worsen the abilities of SMEs because government tax laws require that once you issue a tax invoice you need to pay tax (as a tax invoice is money itself) so they pay tax while have not received any payments, and you have to pay tax because delays on tax payments have penalties”. Moreover it was revealed that, though there are delays, no compensations are usually made, and if one log complains they are blacklisted.

During the tendering process the involvement of technical people is limited. One case mentioned that

“Purchasing is mostly done by the purchasing officers who have no technical expertise on the items being procured (Respondent.2007)”.

This has caused problems during the delivery, at the same time it has limited the chances of SMEs to be sourced by other PEs because the procuring officers could not give out proper references on their previous contracts as would be with technical personnel. The cases showed that, lack of performance support from procuring entities is another important factor. PEs have tendencies of discouraging the contractor so that he leaves the assignment or fails to deliver and they are blacklisted. Also SMEs indicated a negative perception with the existing procurement framework. The main complain was that the procuring officers do demand bribes, and if they don’t give out they lose contracts, and sometimes they are blacklisted. Further discussions reveal the perception that public procurement is for foreigners and large enterprises which could afford big bribes.

“the procurement framework is cheating the public, because most of the provisions are not practically in favour of SMEs, the government knows the problems of SMEs in Tanzania but they have decided to ignore them, no specific interventions exist to help SMEs in public procurement (Respondent.2007) ”

The discussions revealed the problem of information gap, that PEs do not give out complete information on the tender specifications,

“I was asked to prepare a quotation and the client could not provide any detail information on quantities or other specifications, I could not go on, and I ended giving up on the assignment (Respondent.2007)

There is no feedback to those bidders who did not win the tenders, The experiences indicate that, it depends but in most cases the bidders initiate it, they visit the entities for explanations on why they have failed the tendering, but when the bidder do not initiate then all parties remain silent (Respondent.2007).

The cases revealed that the PEs do not do any supplier performance appraisal, incase of failure they are blacklisted. There is no record keeping on supplier performance to relate it with evaluation criteria such
as price, for effective evaluation. And also none of the PEs indicated to have strategies or initiatives to promote SMEs participation.

**The role of business development organizations**

This paper assessed the role of business development organizations in Tanzania which facilitate SMEs participation in public procurement, the SMEs discussions revealed that, currently only the Contractor Registration Board (CRB), and National Bank of Commerce (NBC bank) were noted to provide such services to SMEs. The NBC bank has started a pre-pay facility to SMEs which win procurement contracts, the main security for the prepay is that the SME has to deposit the contract through this bank, and hence all the transaction have to go through the bank, the SMEs indicated that the bank charges a reasonable interest rate which they can afford. The CRB, is an association of contractors, it provide a lot of services and facilities to its members. This is the only actively noted association of bidders. CRB has been able to promote its members through education, finance, and networking. Given the need for capacity building, five visited business training institutions revealed not offering such services to SMEs.

**CONCLUSIONS AND IMPLICATIONS**

The study findings provide information on the SMEs low financial and technical capability to meet the requirements of the public procurement process. Low financial capability in terms of working capital for the delivery of good and services required. Low financial capability has lead to SMEs either deliver poor quality good and services or failing to participate in the whole procurement process. Moreover, the technical capability of SMEs was found to be low. SMEs do not understand thoroughly the public procurement process. Majority of SMEs do not understand the preparation of tender documents and on the other side they don’t understand their rights. In the wake of poverty reduction in Tanzania, policy makers need to consider or address the problem of access to capital by SMEs. The Government should facilitate SMEs which win tenders to access capital, through developing special facilities with commercial banks or other lending institutions. There has to be specific financial policy addressing this problem. The study has revealed the PEs perceptions toward SMEs are negative. The information gap between the PEs and SMEs could be one of the reasons for this perception. Most PEs perceives SMEs are not serious and can not deliver quality jobs. However, this is generalized conclusion as some of the SMEs can deliver quality jobs. Late payment for good and services delivered discourage SMEs to participate in public procurement. Since most SMEs have small amount of capital, late payment of the service and goods delivered weakens their operations and rate of turn over

It is suffice to say the reforms in public procurement framework have not brought enough changes to allow more participation of SMEs in the public procurement processes. Therefore the government through PPRA should take specific measures to address specific needs of SMEs in public procurement by enforcing the regulations and principles that will foster the participation of SMEs in the public procurement. In addition to that the government should capacity PPRA to be able to reach its objective of promoting local bidders.

**REFERENCES**


Applying a “Lean Enterprise” System to Increase Productivity at an SMEE in South Africa

K. Jacobs, Cape Peninsula University of Technology, South Africa

Bingwen W. Yan, Cape Peninsula University of Technology, South Africa

Productivity is a vital factor and it should be considered by manufacturing companies. When a new system is introduced in an organisation, productivity can be an important measurement to assess whether the system is successful. This study aims to examine the benefits of the implementation of Lean Enterprise (LE) by increasing productivity at a Small Medium-sized Engineering Enterprise (SMEE) in South Africa. At a company (SMCO) in this study, LE was introduced because of its popularity and success in improving productivity in Japan and elsewhere in the world. Additionally, many preliminary studies show that LE could bring a great deal of benefits to companies. However, what are the benefits of the implementation of LE, and how does one apply LE to increase productivity and maximise profits within SMEEs? This case study utilised a self-administered questionnaire to collect the data used to determine the responses of employees with respect to the benefits of the implementation of LE. The findings indicate that LE reaps the following benefits that could increase the company’s productivity and profitability: the elimination of waste which includes reduced Work-in Progress inventory; scrap and rework; a shortened period of lead time; and improved quality.

INTRODUCTION

A book titled *The Machine That Changed the World* by Womack, Jones, and Roos, first published in 1990, explained lean production to the world for the first time, and discussed its profound implications for society. *Lean Thinking* by Womack and Jones (1996) has tracked the continuing upward progress of the lean pioneers featured in the original edition and have drawn together the lessons they have learnt in observing firms making a sustained lean transformation. A number of literature states that when LE is implemented successfully, a company’s productivity will improve. According to Emiliani et al. (2005:371), management is interested in adopting Lean principles and practices because of the benefits of achieving higher productivity, better customer focus, and higher asset efficiency. Those companies who adopt the innovation can reap great benefits of productivity and profitability, including reduced scrap and rework, cutting down of costs and shortening of period of lead time. In a Lean environment, the goal of an organisation is to be a Lean Enterprise which focuses on applying resources effectively by eliminating non-value added activities.

![Figure 1. Lean Enterprise System (Source: author based on GKN PLC, 2003. Lean Enterprise)](image-url)
The main principles of LE are adopted by a SMEE (SMCO) in this study. Apart from the whole LE programme, at SMCO, LE is designed to achieve production excellence by identifying and removing waste and sustaining continuous improvements in the production processes and associated activities (see figure 1). While one of the researchers was working in China and Japan, he observed how companies introduced new systems without the consideration of improving and maintaining productivity. He concedes that the management of a company has the full right to introduce whatever innovations the company wants to introduce. He believes, however, that the company should be aware of the fact that it is crucial for the company’s productivity to improve effectively. Therefore, the researchers believe that the effective new innovation system like LE can play a significant role in improving a company’s productivity and profitability in SMEEs.

BACKGROUND OF THE STUDY
This study seeks to address the issue of productivity by introducing the LE system to increase productivity and maximise profits in small and medium manufacturing companies in South Africa. Companies routinely introduce new systems to increase productivity and maximise profitability. Productivity can generally reflect a company’s business prosperity, and is always viewed seriously by manufacturing companies. Traditionally, work and productivity have often not improved with the introduction of a new system and that only a small fraction of new systems generally alter business practices (Bashein et al., 1994; Guha et al., 1993; Moad, 1993). In most cases, especially those companies that are implementing the lower levels of production systems, such new developments are seldom considered. In some cases innovations are well received but often they are not. SMCO started in 2001 to achieve productivity and profitability targets as they threatened the company’s performance over the past few years. Subsequently, employees’ morale was low. With this in mind, the researchers endeavoured to clarify what SMCO’s productivity would be after the implementation of a new system. SMCO is one of the typical manufacturing companies that implemented LE system. The management became interested and agreed to assist in this research as they had not gone further to evaluate how the new system could be beneficial to the company. Therefore the researchers were keen to discover the effects of the new system, in particular, if LE would benefit their productivity.

PROBLEM STATEMENT AND RESEARCH QUESTIONS
As mentioned above, the benefits of the implementation of LE to increase company’s productivity had not been further analysed at SMCO. With the implementation of the new operating systems within the company, employees might be doubtful and even feel unappreciative of the new system as they were not sure that it could improve their productivity. Koo et al. (1998:312) stated that too often both management and consultants hurry to get the job done and undermine the importance of understanding the feelings of the employees. Therefore, it is important to consider the responses of employees towards the introduction of LE. There were studies that focused on the implementation of LE, such as Sohal et al. (1994:51), which indicated that managers must be actively involved in the improvement initiatives and the strongest leader must drive change processes. Smeds (1994) mentions that when lean manufacturing is implemented as an innovation process, and social simulation games are applied, the resulting new systems are both economic and organisational successes. The simulation game is a participative, company-specific developmental and training tool which enables the development of a company’s business processes, such as an order-to-delivery, product development process or administrative processes (Smeds, 1994). Beachum (2005:20) believes that many companies who have implemented Lean practices have realised substantial improvements in the productivity of both workers and the equipment. Furthermore, Radeka and Sutton (2007) claimed that Lean manufacturing has evolved a number of specific tools for improving production productivity. These tools include value stream mapping - a tool for visualising flow in a
factory process; 5S - which cleans up and organises a physical space; and kanbans, which control the flow of work-in-progress inventory through the factory.

However, there are limited studies focusing on how the implementation of LE improves the company’s productivity, particularly in SMEEs. Therefore, in the light of this problem statement, the main research question of this study is: What were the benefits of the implementation of LE, and how does one apply LE to increase productivity and maximise profits within SMEEs? This issue was analysed by looking at how LE was employed at SMCO.

RESEARCH METHOD
As the objective of this research was to determine the benefits of the implementation of LE to the company’s productivity at SMCO, a quantitative method was utilised. The survey instrument to collect the data was a self-administered questionnaire, a sample of 52 employees participated in the research at SMCO. In order to check the consistency between employees’ responses towards LE and company’s actual productivity, the researchers collected the secondary data in relation to the productivity from SMCO’s management department.

The questionnaire consisted of two major parts: a personal profile of the respondent and questions relating to their decision-making mechanisms (based on a Likert scale). Regarding the personal profile, the respondents completed information about their gender, age, number of working years at the company, educational qualification and their job title. The decision-making part consisted of several questions that included the elimination of waste, reduction of inventory, cutting down cost and the shortening of period of lead time. The purpose of the questionnaire was to determine whether the benefits of the implementation of LE could improve productivity at the company.

The quantitative data collected was initially coded into numerical representations, such as gender, age, number of working years at the company, educational qualification, etc. For analysis purposes, the respondents were asked to rank their responses to the questions according to the Likert scale format. These responses were then turned into a series of numbers for capture using the Statistical Package for Social Sciences (SPSS), version 16.0. The data analysis through SPSS generated the results of descriptive statistics such as frequency, mean, standard deviation, etc. These distributions showed the frequencies of employees’ responses and percentages for each of the items in the questionnaire with regard to the LE implementation at SMCO. In addition, Kruskal-Wallis Tests and Chi-Square were used to test for significant differences (Alpha level = 0.05).

FINDINGS AND DISCUSSION
Table 1 shows employees’ responses to LE at SMCO. In Table 1, “SA” means strongly agree; “A” means agree; “DNK” means do not know; “DA” means disagree; “SDA” means strongly disagree. The majority of the respondents were positive about the introduction of LE into their enterprise.

The analyses and presentation of the results as well as the most salient findings emerging from the study have been done under the relevant themes below. In general, the findings show that the effect of the implementation of LE is positive. Many of the benefits of the implementation of LE were addressed above, and all of these benefits were described in the literature review. These included improving productivity, a shortening period of lead time, reducing inventory, cost cutting and raising work efficiency. The study highlights several factors as important determinants of the success of LE in enterprises. The finding shows that there is a strong relationship between productivity and the LE with the majority of them responding in the affirmative with respect to improvements in productivity, quality and
operational safety. The finding of this study indicates that LE plays a significant role in improving a company’s productivity and performance.

Table 1. Employees’ Responses to LE at SMCO

<table>
<thead>
<tr>
<th></th>
<th>SA</th>
<th>A</th>
<th>DNK</th>
<th>DA</th>
<th>SDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>LE has improved operational safety at SMCO.</td>
<td>6</td>
<td>40</td>
<td>5</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>LE reduces inventory at SMCO.</td>
<td>4</td>
<td>29</td>
<td>17</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>LE makes period of lead time short at SMCO.</td>
<td>9</td>
<td>34</td>
<td>8</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>LE helps SMCO to bring costs down.</td>
<td>5</td>
<td>34</td>
<td>12</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Defects are greatly getting fewer because LE was implemented.</td>
<td>12</td>
<td>36</td>
<td>4</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>LE raises product quality at SMCO.</td>
<td>7</td>
<td>40</td>
<td>5</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Graph 1 shows the continued increase in operating profit (2001 to 2006) after the implementation of LE system at SMCO.

Graph 1. Operating profit/ (loss) 2001-2006

Graph 2 indicates how many hours were worked each month (January 2007 to October 2007) to produce the required output. It shows that the output produced / per person / per hour has increased. The inflation line below shows the effect of price increases of the products. The difference between the 2 lines would be the true productivity improvement.
CONCLUSION
The study highlights several factors as important determinants for the success of LE at SMCO. Although the responses to most of the questions were largely positive, there are some areas that need to be further explored due to the discrepancies in responses. The finding of this study indicates that LE plays a significant role in improving company’s productivity.

The overall benefits from the implementation of the LE included the following: enhanced company competitiveness, reduction in inventories, shorter period of lead time, elimination of defects and rework, reduction of costs, improvement of product quality, etc.

RECOMMENDATIONS
Management support is crucial because LE has to form part of corporate strategy, culture and policies. The organisation should consider establishing an internal monitoring body to evaluate the efficacy of LE. The process should be strongly aligned to the education and development policy of the organisation. There is ample evidence that when employee involvement is solicited, commitment to the organisation is enhanced. Thus, employee participation in decision making cannot be underestimated. It should be noted that the findings pertain specifically to the organisation at which this research was undertaken. The specific recommendations that follow therefore need to be contextualised within these parameters.

Employee involvement
The importance of employee involvement is increasingly recognised in organisational success and effectiveness. The quality of an organisation’s human resources contributes to improved productivity, performance and effectiveness. An uncertain and turbulent environment impacts on fundamental change and poses new challenges for organisations to become responsive to market signals.

Linking changes to corporate strategy
Any changes that the organisation explores should be linked to a holistic corporate strategy. The mission statement mirrors the vision and business philosophy of top management. This indicates where the organisation is heading in the future which, in turn, will lend synergy to strategic planning.
**Importance of internal and external monitoring bodies**

Organisations such as SMCO should establish their own in-house internal monitoring bodies, which would facilitate networking with external monitoring bodies, strengthen bilateral linkages and encourage best practice standards.

**Regular communication, feedback and review of top management’s commitment and involvement**

There should be regular feedback with respect to the success or failure of the process. This ensures that changes are appropriately communicated to employees as and when they become necessary. The internal monitoring body should assess changes in external environments. They will act as a conduit, relaying information to top levels in order to expedite decision making with respect to the success and/or failure of LE in the organisation. This requires top management commitment and involvement.

**Recommendations for future research**

The recommendations for future research are based on the limitations of, as well as experience and insight gained from, conducting the present study. The recommendations are:

An investigation that looks at the stress induced by the introduction of LE at SMCO needs to be explored. Although employees were overwhelmingly positive about the benefits of the implementation of LE at SMCO, they found it difficult to cope with its introduction, because it included organisational restructuring and business process re-engineering.

The sample used should take in an account a wider spectrum of companies. The homogeneity of the sample accessed in the study limits the level of generalisation to other organisations. Organisations with larger workforces are generally perceived to be more progressive, which could possibly account for some of the positive responses in the present study. A similar study should be conducted comparing similar industries with each other, involving a larger sample. Finally, a longitudinal analysis of the success of LE needs to be undertaken to ascertain the effect of the programme.

**REFERENCES**


Factors Affecting the Success of Women Street Food Vendors in Niger

Miriam Otoo, Purdue University, USA
Germaine Ibro, Institut National de Recherche Agronomique du Niger, Niger
Joan Fulton, Purdue University, USA
James Lowenberg-DeBoer, Purdue University, USA

In West Africa entrepreneurs are often found selling nutritious street foods made from local agricultural products. Kosaï, a deep-fat fried fritter made from cowpeas (black-eyed peas), is one of the most common street foods in West Africa and important for these small businesses. Kosaï is sold almost exclusively by women who use the money they earn on daily expenditures for their family and savings. Data were collected, via personal interviews, with about 400 vendors in three different cities in Niger. Business success was measured by size of operation and growth. The results of the data analysis revealed that vendors with more experience were more likely to be successful. In addition, business constraints associated with capital and raw material acquisition were important for explaining success. The entrepreneurs who identified these constraints as being most important were less likely to be successful. This informal sector activity is important for economic development and poverty alleviation.

INTRODUCTION
Street foods are a universal phenomenon, found along dusty paths of Nigerien markets, among upscale shops of Metro Manila, and on the streets of New York City (Tinker, 2003). The way of life and survival strategies of the urban poor in most West African cities reflects the role of the street food sector. The demand in the street food sector is great in urban areas as it offers traditional foods based on local products and new dishes adapted to urban living conditions and the low incomes of many city dwellers. In West Africa, street food is prepared and sold almost exclusively by women. Using traditional skills, they prepare food from scratch using local cereals and grains. Street foods are a significant contributor of daily energy and nutrient intakes, playing a prominent role in food access for the urban poor.

Cowpea (black-eyed peas) is a common base product for these street foods as it provides an inexpensive source of protein for poor households. The most common cowpea product sold in the streets throughout West Africa is a deep-fat fried fritter called “kosaï” in Hausa and “akara” in languages used in coastal areas. Kosaï is made from a batter of wet milled cowpea, which women cook in hot oil over an open fire or a small gas stove from their street vending location. This entrepreneurial activity provides an essential source of inexpensive ready-to-eat food for workers of every class and occupation. It can be found first thing in the morning as customers are acquiring their breakfast of kosaï and in the late afternoon/early evening when kosaï is consumed as a snack between lunch and dinner.
Cowpea is the most economically important indigenous African grain legume (Langyintuo et al., 2003b). It is grown throughout West Africa and is tolerant to drought. Kosaï production uses a significant volume of cowpeas (Ibro et al., 2005). Kosaï production, thus offers an assured cowpea market for local agricultural producers as well as income for the women, which they spend directly on their families for savings, food, clothes, health care, and school. This traditional activity is important for economic development and poverty alleviation. The analysis in this paper focuses on Niger.

Niger is one of the poorest countries in the World, ranking last on the United Nations Development Fund index of human development (World Bank). Niger’s economy is dominated by subsistence agriculture, herding and informal economic activities. Inadequate overall rainfall and recurrent droughts seriously affect the agricultural sector. With an unstable agricultural sector, the informal sector (IS) plays an important role in employment and income (Haan and Serriere, 2002). In 1995, the IS contributed 27.2% and 37.6% of total employment and GDP in Niger respectively (Charmes, 2000). The informal activity which has the most women and of which they dominate is food preparation, whatever the country surveyed (Hugon, 1989). Its importance in hunger and poverty alleviation is undeniable. These women face challenges related to lack of access to financial capital, working capital, physical equipment, and additional human assets (Richardson (2004), Esim (2001), Hugon (1989), and Cohen (2000)). This study contributes to the work on female entrepreneurship, particularly in Africa (House et al., 1993 and Kennedy, 1988).

The objective of this paper is to identify the factors that affect the success of women entrepreneurs involved in kosaï production and sales. In the following sections we highlight related research, describe the data collection, present the regression results, and conclusions.

REVIEW OF RELATED RESEARCH
Studies on women engaged in the informal sector, particularly street food vendors in Africa have identified several factors that affect the growth of these businesses. Economic performance of small-scale businesses involves two factors: personal factors (e.g. cultural norms, demographics) and environmental factors (e.g. access to capital). Darroch (2005) explained that the growth and success of micro-businesses in South Africa was affected by the lack of access to start-up and expansion capital, business experience, educational levels and family assistance. This idea is supported by Richardson et. al. (2004) who showed the growth of small businesses in Ethiopia, Tanzania and Zambia was influenced by human assets (e.g. skills, expertise and labor); financial assets (e.g. money and collateral); and physical assets (e.g. premises and equipment). Cohen’s (2000) study on street food vendors in Africa and Asia revealed that the location of businesses, especially for street food vendors in developing countries was important in explaining their growth and success levels. Urban planning and constant displacement of these women affected the growth of their businesses. This study also found that women from Tunisia were forced to sell from their homes because of religious beliefs. This restricted their access to potential customers, in turn, limiting the growth of their businesses. Among other important variables included in their study, the lack of infrastructure, storage and financial services were found to significantly affect the growth of their businesses.
DATA
Data for this study were collected in the three major urban areas in Niger, Niamey, Maradi and Zinder. The research began in the capital city of Niamey. A complete census of cowpea-based food entrepreneurs in Niamey was undertaken in December 2004 and January 2005. Enumerators visited all common areas where street food vendors position themselves including bus stations, schools, government office complexes and beer gardens to ensure a complete census. 1305 vendors were found. Data were collected on gender, location of business, market segment, language of the vendor and products produced. Next, a stratified random sample was selected and in-depth interviews were conducted with 206 vendors in the spring of 2005. During the interviews information was collected on business experience, profitability, operations, and demographics. The data collection was repeated, using the same methodology, in Maradi and Zinder during the spring and summer months of 2005. A total of 199 and 195 vendors were found in Maradi and Zinder respectively. A stratified random sample was selected and in-depth interviews were conducted with 104 vendors in Maradi and 100 vendors in Zinder.

Importance of and Market Characteristics for Kosaï
Table 1 presents summary statistics for the kosaï vendors that were surveyed. The average family size was 6 members in each of the cities but the range for family size was from 1 person to 20 people. Kosaï vending is an activity performed by women of many different ages. The average number of years that the kosaï vendors had been in business ranged from 8 to 10 years.

Kosaï vendors operate their business with cash flow dependent upon day to day transactions. Virtually all of the vendors in Zinder and Maradi purchased their main input, cowpea, every day. In Niamey 4% of the vendors reported purchasing cowpea in larger quantities and storing it for later use. Between 50 % and 60 % of the vendors have no formal education. In Niamey just over one-quarter of the vendors reported some primary education while in Maradi only 4% had some primary education and in Zinder 8% has some primary education. In all three cities less than 5% of the vendors had any secondary education.

Table 1: Average Characteristics of Kosaï Vendors

<table>
<thead>
<tr>
<th></th>
<th>Niamey</th>
<th>Maradi</th>
<th>Zinder</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Family Size</strong></td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>(2.8)</td>
<td>(3.3)</td>
<td>(3.03)</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td>38</td>
<td>52</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td>(10.6)</td>
<td>(14.2)</td>
<td>(14)</td>
</tr>
<tr>
<td><strong>Years in Business</strong></td>
<td>8</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>(6.6)</td>
<td>(9)</td>
<td>(8.6)</td>
</tr>
<tr>
<td><strong>Cowpea Purchased per day (kg.)</strong></td>
<td>2</td>
<td>1.3</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>(1.0)</td>
<td>(.56)</td>
<td>(1.07)</td>
</tr>
</tbody>
</table>

*Values in parenthesis are standard deviations

Vendors were asked where they spend their earnings from selling kosaï. Over 90% of the Niamey vendors use income from kosaï for saving. In contrast only 67% of the Maradi vendors and 77% of Zinder vendors use their earnings for savings. In Maradi over 80% of the vendors use the money to help the family, pay for health care, clothes and food. In Zinder virtually all of
the vendors use the money to buy clothes and 80% of the vendors use the money to help the family. 61% and 60% of the vendors in Zinder use the money on food and health care respectively. The Maradi and Zinder vendors use earnings for immediate expenditures while the Niamey vendors are more likely to use earnings for savings.

Respondents were asked what factors were constraining for their business. While just over one-quarter of the vendors in Niamey noted that capital equipment was a constraint for their business, over 80% of the vendors in Maradi and Zinder felt that capital equipment was a constraint. The operations activities of buying cowpeas, getting the cowpeas to the grinder for grinding, and preparing the batter were noted as important by around 80% of the vendors in Niamey. There were fewer vendors in Maradi and Zinder who identified these activities as important constraints. Virtually all of the vendors in Niamey identified storage of kosaï as a constraint while only 48% in Maradi identified this constraint and 74% in Zinder. Capital seems to be a greater constraint in Maradi and Zinder than in Niamey. This is probably due to the slightly higher level of resources in the capital city of Niamey.

**Factors Affecting Success of Kosaï Vendors**

The objective of this paper is to identify the factors that contribute to the success of the kosaï vendors. In particular, we are interested in the factors related to the women’s business operation and her personal characteristics that influence success. Business success can be measured in different ways. In this analysis two measures of success are used, size and growth. Size is measured by the amount of cowpeas (kg.) used per day. Since it is a continuous variable OLS regression analysis is used. The growth variable comes from the self reported perceptions of the women. It is a binary variable equal to 1 if the vendor is experiencing growth and 0 otherwise. Binary logit analysis is used. The descriptions of the variables are provided in Table 2 and regression results are presented in Tables 3 and 4.

**OLS Regression Analysis with Size as the Measure of Success**

The results of the OLS regressions, with size as the measure of success are reported in Table 3. Between 20% and 30% of the variation in the vendors’ success is explained by the regression equations. As expected, the coefficients for Years are positive and statistically significant for all models, indicating that vendors with more experience are more successful. As expected, the coefficients for CapC are negative and statistically significant for the first two models. Vendors who identify capital equipment as an important constraint are less likely to be successful. The coefficients for CowpC are negative and statistically significant for all models, suggesting that vendors who find purchasing the cowpea every day is an important constraint are less likely to be successful, again as expected. It is interesting to note that the coefficients for PpB are positive and statistically significant for the first two models. The positive sign is not expected since this suggests that women who find preparing the batter to be an important constraint are more likely to be successful.
Table 2: Description of Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>FamS</td>
<td>Family Size</td>
</tr>
<tr>
<td>Marr</td>
<td>Dummy Variable equal to one if vendor is married and zero otherwise</td>
</tr>
<tr>
<td>Divc</td>
<td>Dummy Variable equal to one if vendor is divorced and zero otherwise</td>
</tr>
<tr>
<td>Widw</td>
<td>Dummy Variable equal to one if vendor is widowed and zero otherwise</td>
</tr>
<tr>
<td>Age</td>
<td>Age of vendor in years</td>
</tr>
<tr>
<td>Prim</td>
<td>Dummy Variable equal to one if vendor has primary education and zero otherwise</td>
</tr>
<tr>
<td>Sec</td>
<td>Dummy Variable equal to one if vendor has secondary education and zero otherwise</td>
</tr>
<tr>
<td>KornC</td>
<td>Dummy Variable equal to one if vendor has Koranic education and zero otherwise</td>
</tr>
<tr>
<td>Years</td>
<td>Number of years in business</td>
</tr>
<tr>
<td>CapC</td>
<td>Dummy Variable equal to one if the vendor identified capital as a constraint and zero otherwise</td>
</tr>
<tr>
<td>Mc</td>
<td>Dummy Variable equal to one if the vendor identified money as a constraint and zero otherwise</td>
</tr>
<tr>
<td>CowpC</td>
<td>Dummy Variable equal to one if the vendor identified obtaining cowpea as a constraint and zero otherwise</td>
</tr>
<tr>
<td>PpB</td>
<td>Dummy Variable equal to one if the vendor identified preparing the batter as a constraint and zero otherwise</td>
</tr>
<tr>
<td>GndC</td>
<td>Dummy Variable equal to one if the vendor identified getting the cowpeas to the grinder as a constraint and zero otherwise</td>
</tr>
<tr>
<td>Maradi</td>
<td>Dummy Variable equal to one if the vendor is from Maradi and zero otherwise</td>
</tr>
<tr>
<td>Zinder</td>
<td>Dummy Variable equal to one if the vendor is from Zinder and zero otherwise</td>
</tr>
</tbody>
</table>

Dummy variables associated with primary, secondary and Koranic education were included in the second model, but were not statistically significant suggesting that level of education does not affect the level of success for the kosaï vendors. In the final two models dummy variable for the cities of Maradi and Zinder were included. With the dummy variables for the cities included the coefficients for the variables CapC and PpB are no longer statistically significant. The coefficients for Maradi are negative and statistically significant indicating that kosaï vendors in Maradi are less successful (as measured by size) compared to kosaï vendors in Niamey. The positive and statistically significant coefficients for Zinder suggests that kosaï vendors in Zinder are more successful compared to kosaï vendors in Niamey.

Binary Logit Regression Analysis with Growth as the Measure of Success

Table 4 shows the results of the binary logit analyses. Likelihood ratio tests show that all models are statistically significant. As expected, the coefficients for Years are positive and statistically significant for all models. Vendors with more business experience were more likely to experience growth. This corroborates the results of the OLS model. In models 1 and 6, dummy variable for the cities of Maradi and Zinder were included. The coefficients for Maradi are negative and statistically significant indicating that those vendors are likely to be less successful (as measured by growth) compared to Niamey. The positive and statistically significant coefficients for Zinder suggest that those vendors are more likely to experience growth compared to Niamey. The coefficients for Marr are negative and statistically significant for models 2 and 3, suggesting that those vendors who are married are less likely to grow.
Table 3: OLS Analysis of the Factors Affecting Size of Kọsáï Vendors

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constraint</td>
<td>2.0962***</td>
<td>2.1203***</td>
<td>2.0084***</td>
<td>2.0254***</td>
</tr>
<tr>
<td></td>
<td>(.1421)</td>
<td>(.1608)</td>
<td>(.1506)</td>
<td>(.1231)</td>
</tr>
<tr>
<td>Years</td>
<td>.0390***</td>
<td>.0318***</td>
<td>.0274***</td>
<td>.0269***</td>
</tr>
<tr>
<td></td>
<td>(.0063)</td>
<td>(.0064)</td>
<td>(.0060)</td>
<td>(.0059)</td>
</tr>
<tr>
<td>CapC</td>
<td>-.3842***</td>
<td>-.3670***</td>
<td>-.1724</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(.1068)</td>
<td>(.1097)</td>
<td>(.1129)</td>
<td></td>
</tr>
<tr>
<td>CowpC</td>
<td>-.6246***</td>
<td>-.6401***</td>
<td>-.3012*</td>
<td>-.3097***</td>
</tr>
<tr>
<td></td>
<td>(.1160)</td>
<td>(.1188)</td>
<td>(.1194)</td>
<td>(.1182)</td>
</tr>
<tr>
<td>PpB</td>
<td>.3384***</td>
<td>.3225***</td>
<td>.0308</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(.1094)</td>
<td>(.1137)</td>
<td>(.1135)</td>
<td></td>
</tr>
<tr>
<td>Prim</td>
<td>.0396</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(.1392)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sec</td>
<td>-.0846</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(.2684)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KornC</td>
<td>-.0807</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(.1281)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maradi</td>
<td></td>
<td></td>
<td>-.6524***</td>
<td>-.7041***</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(.1377)</td>
<td>(.1116)</td>
</tr>
<tr>
<td>Zinder</td>
<td></td>
<td></td>
<td>.6232***</td>
<td>.6296***</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(.1248)</td>
<td>(.1239)</td>
</tr>
<tr>
<td>Adj. R²</td>
<td>.1911</td>
<td>.1863</td>
<td>.2871</td>
<td>.2899</td>
</tr>
<tr>
<td>Durbin Watson</td>
<td>1.8273</td>
<td>1.8174</td>
<td>1.9989</td>
<td>2.0052</td>
</tr>
<tr>
<td># Observations</td>
<td>400</td>
<td>400</td>
<td>400</td>
<td>400</td>
</tr>
</tbody>
</table>

Note: Values in parenthesis below the coefficients are Standard Errors
* Indicates Statistically Significant at 90% level
*** Indicates Statistically Significant at 99% level

The coefficients for Sec are negative and statistically significant for models 1 and 2, suggesting that vendors with secondary education are less likely to experience growth. This is not expected. One explanation is that vendors with higher levels of education have other employment opportunities. Also, vendors with secondary education are usually younger and single and enter into kọsáï production just to save enough money for continuing their education or for their trousseau. The effect of short-term goals restricts investment and thus growth. Model 1 shows the family size variable is positive and statistically significant. Kọsáï vendors with larger family size were more likely to experience growth, possibly because family members provide free or inexpensive labor.

Coefficients for production constraints, CapC, CowpC and PpB were statistically significant for models 2 through 5. The coefficient for CowpC is negative, implying that a vendor who has difficulty accessing raw materials is less likely to experience growth. This supports Esim’s
findings, who cites non-availability of raw materials as a major constraint faced by women micro-entrepreneurs in developing countries. As expected, the coefficient for the capital constraint (CowpC) is negative. A vendor that identifies capital as a constraint is less likely to grow. The coefficient for PpB is positive which not expected. Women who find preparing the batter to be an important constraint are, in fact, more likely to grow. Other production constraint variables such as GndC and Mc were not statistically significant.

Table 4: Logistic Regression Analysis of factors affecting growth rate levels of Kosaï Vendors

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
<th>Model 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-1.2286</td>
<td>0.69222</td>
<td>0.40204</td>
<td>-0.0962</td>
<td>-0.16231</td>
<td>-1.2950</td>
</tr>
<tr>
<td>Maradi</td>
<td>-0.5039</td>
<td></td>
<td></td>
<td></td>
<td>-0.6453*</td>
<td></td>
</tr>
<tr>
<td>Zinder</td>
<td>3.8084 ***</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3.2183***</td>
</tr>
<tr>
<td>Age</td>
<td>-0.0165</td>
<td>-0.0017365</td>
<td>-0.0014572</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Divc</td>
<td>-0.2983</td>
<td>-0.62483</td>
<td>-0.50438</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Widw</td>
<td>-0.6007</td>
<td>-0.86253</td>
<td>-0.76221</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marr</td>
<td>-0.5931</td>
<td>-1.0363**</td>
<td>-0.90412**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prim</td>
<td>0.3765</td>
<td>0.038620</td>
<td></td>
<td>0.2259</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sec</td>
<td>-2.5154 **</td>
<td>-1.5483**</td>
<td></td>
<td>-1.1952</td>
<td></td>
<td></td>
</tr>
<tr>
<td>KornC</td>
<td>-0.0296</td>
<td>-0.090919</td>
<td></td>
<td>0.1745</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Years</td>
<td>0.0485**</td>
<td>0.039263**</td>
<td>0.038443**</td>
<td>0.0335**</td>
<td>0.0345**</td>
<td>0.0272*</td>
</tr>
<tr>
<td>FamS</td>
<td>0.0786 *</td>
<td>0.042011</td>
<td>0.036518</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CapC</td>
<td>-0.0621</td>
<td>-0.56132**</td>
<td>-0.51890**</td>
<td>-0.545**</td>
<td>-0.5113**</td>
<td>0.0125</td>
</tr>
<tr>
<td>CowpC</td>
<td>0.1289</td>
<td>-1.0971***</td>
<td>-1.0187***</td>
<td>-1.0763***</td>
<td>-1.0133***</td>
<td>0.1359</td>
</tr>
<tr>
<td>GndC</td>
<td>0.3696</td>
<td>-0.095334</td>
<td>-0.11672</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PpB</td>
<td>0.2565</td>
<td>0.94452***</td>
<td>1.0694 ***</td>
<td>0.9885***</td>
<td>1.0215***</td>
<td>0.5512*</td>
</tr>
<tr>
<td>Mc</td>
<td>0.5239</td>
<td>0.10596</td>
<td>0.087714</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

# Observations | 400 | 400 | 400 | 400 | 400 | 400 |
Likelihood Ratio Test | 160.774*** | 64.5872*** | 151.761*** | 58.2787*** | 53.8047*** | 140.178*** |

*indicates statistically significant at 90% level
** indicates statistically significant at 95% level
*** indicates statistically significant at 99% level

CONCLUSIONS AND IMPLICATIONS
The production and sales of kosaï by women street vendors in West Africa is an important economic activity as it uses a significant amount of cowpea and provides nutritious food for all. Kosaï is regularly consumed by everyone from small children to the elderly and by people from all walks of life and social classes. Women spend the income they earn on savings, food, clothes and family expenses. Understanding the factors that contribute to success for these women entrepreneurs is important for economic development and poverty alleviation. Regression analyses were employed to examine the factors that contribute to success for these entrepreneurs. Success was measured with two variables: size of operation and growth. OLS regression analysis was used with the size variable and binary logit analysis was used with the growth variable. Vendors with more experience were more likely to be successful and vendors who identified the
daily purchase of cowpea as an important operational constraint were less likely to be successful, as measured by size of operation. Additionally, marital status, family size and production constraint variables were among the most important factors affecting growth. Results show that married women were less likely to experience growth. In addition, vendors with larger family size were more successful, most likely a result of free or inexpensive labor from family members.

Results indicate that women identifying access to capital and cowpea (raw material) as major constraints were less likely to be successful. This also applies to vendors who found the grinding of cowpea to be a limiting factor. In contrast, the preparation of batter constraint was positively correlated with growth. This was not expected, as it implies that vendors that identified the preparation of kosaï batter as a constraint were more likely to be successful.

Future study should examine other success measures for kosaï vendors. Success is multi-faceted and could also be measured by income level and length of time in business. In future research aggregate measures of success, that incorporate more than one measure of success, should be examined.

REFERENCES
Central Intelligence Agency: The World Fact book found at: 


The Impact of Social Networking Relationships and Firm-Specific Managerial Experience on Performance: A Comparative Analysis of Family and Non-Family Firms from Ghana

Moses Acquaah, University of North Carolina at Greensboro, USA

This paper compares the effect of social networking relationships and firm-specific managerial experience on organizational performance between family firms and non-family firms. Using data from 106 organizations in Ghana over two time periods, the findings show that family firms benefit more from managerial social networking relationships with government bureaucratic officials than nonfamily firms. On the other hand, non-family firms benefit more from social networking relationships with community leaders and firm-specific managerial experience than family firms. However, there was no difference on how networking relationships with politicians impact performance between family and non-family firms. In fact, networking relationships with politicians impede performance for non-family firms and has a negative but insignificant effect on performance for family firms, revealing that networking relationships may have both beneficial and detrimental effects on organizations in emerging economies.

INTRODUCTION

Family owned businesses dominate the business landscape in emerging economies. They, therefore, play a major role in corporate and economic development in emerging economies of Africa, Southeast Asia, the Caribbean, and South America. However, until recent studies, the long held belief in the family business literature was that family businesses underperform non-family businesses. This has been attributed primarily to the differences in resources and capabilities endowment and utilization between family and non-family owned firms. While family firms have been described as being “complex, dynamic, and rich in intangible resources” (Habbershon and Williams, 1999), and that the active involvement of family in the management responsibilities is positive for the firms (Anderson and Reeb, 2003), they are also considered to be poor in financial resources and have ineffective management (Martinez et al, 2007). Thus, family and non-family firms differ not only in terms of their intangible resources, capabilities, and access to financial capital, but also in organizational structures, entrepreneurial orientation, risk taking, and innovation (Naldi et al., 2007; Schulze et al., 2003a, 2003b). This is especially pronounced in emerging economies where most family firms face huge obstacles in the strategic organization of their activities when compared with non-family firms. Emerging economies are characterized by shortage of managerial and technical skills and expertise, funding sources, technology, and there exist high levels of market imperfections. They also suffer from what Khanna and Palepu (2006) call “institutional voids” – the absence of market-supporting institutions, specialized intermediaries, contract-enforcing mechanisms, and efficient transportation and communication networks. These resources, institutional and structural obstacles in emerging economies have differential effect on the strategic activities and performance in family and non-family firms. Although a myriad of studies have examined the performance implications of social networking relationships in emerging economies (e.g., Acquaah, 2007; Li and Zhang, 2007) none have done so in the context of family and non-family firms. There is therefore the need for empirical research that examines and compares the impact of social networking relationships and firm-specific managerial expertise on performance in family and non-family owned firms in emerging economies.

This study uses data from firms in Ghana from 2002 and 2005 to seek answers to the following questions: (1) How different is the impact of social networking relationships on performance between family and
non-family owned firms? (2) How different is the influence of firm-specific managerial expertise on performance between family and nonfamily firms? The study contributes to the family business literature in a number of ways. First, the study examines how the utilization of managers’ social networking relationships and the leveraging of firm-specific knowledge and experience of top management by both family and non-family owned firms enhance firm performance. Second, by using data over two time periods, this is one of the few studies to examine the longitudinal relationship between social networking relationships, firm-specific managerial experience and performance by comparing family and non-family firms.

THEORY AND HYPOTHESES

We use two theoretical perspectives, social capital theory and the resource-based view of the firm, to investigate the impact of networking relationships and firm-specific managerial experience on performance between family and non-family firms. Social capital theory postulates that networking relationships provide value to actors (e.g., individuals, organizations, or communities) by allowing them to tap into the resources embedded in such relationships for their benefit (Lin, 2001). The top managers of an organization can develop social capital through a variety of personal, social and economic relationships with their constituencies that can be used for the benefit of their organizations. These include the managerial personal and social relationships with suppliers, customers, competitors, government political and bureaucratic institutions, and community organizations’ and institutions. In this study, we focus on the social capital that is developed by a firm’s top management through personal and social networking relationships with leaders in government political and bureaucratic institutions, and community organizations’ and institutions. The social capital developed through these networking relationships function as conduits for the transmission of information, resources and opportunities which could be leveraged to a firm’s advantage (Gargiulo and Benassi, 2000). Previous studies in emerging economies have demonstrated that because of the high levels of market imperfections and lack of “institutional voids” (Khanna and Palepu, 2006), top managers develop and exploit networking relationships with government officials and community leaders to secure access and facilitate the exchange of resources, information and knowledge for the strategic organization of their activities leading to improved performance (e.g., Acquaah, 2007; Li and Zhang, 2007).

However, family and non-family firms have different resources, information and knowledge needs. Most non-family firms in Ghana are former state-owned enterprises, joint ventures with multinational corporations, or subsidiaries of multinational corporations which, tend to be more established and powerful. They are also stable, have institutional legitimacy, and established long-standing relationships and connections with political, bureaucratic and community leaders for resources and knowledge acquisition and exploitation. They therefore have more resources that can be used to develop competitive advantage and improve performance. Thus they are less likely to emphasize the development of networking relationships with these external entities. Family firms, on the other hand, lack the necessary resources such as financial resources and access to external funds, managerial expertise, technical know-how, and knowledge about new market or customer segments, which could be exploited to overcome the uncertainties in the business environment. Furthermore, family firms typically lack legitimacy that is necessary for navigating the uncertain institutional and economic environment to obtain the resources needed for their survival and growth. Family firms, therefore, utilize their capabilities of flexibility in making decisions and building trust to emphasize the development of social networking relationships to garner the resources required for mitigating their institutional and strategic disadvantages.

In the Ghanaian environment, social networking relationships with politicians and bureaucrats by family firms can provide them with access to financial resources (from government controlled financial institutions), offer opportunities by awarding government projects and contracts, certify products as
meeting government standards, and providing information about new and impending regulations which may affect their strategic activities (Acquaah, 2007). Social networking relationships with community leaders facilitate the firm’s legitimacy and promote access to resources and information as the community leaders endorse the organization and its activities in their communities. This may enable the organization to obtain access to resources such as sources of financial resources, favorable leases to land for construction or agricultural purposes, new market segments or new customers, and technological know-how (Acquaah, 2007). Thus family firms will be more proactive and assertive in utilizing social networking relationships to acquire the resources, information and knowledge needed to deal with uncertainty in the business environment than non-family firms. Family firms will therefore experience more performance benefits from the greater development and exploitation of networking relationships with external constituents than non-family firms. We therefore hypothesize:

**Hypothesis 1a-c:** The impact of social networking relationships with (a) politicians, (b) bureaucrats, and (c) community leaders, on firm performance will be stronger for family firms than non-family firms in Ghana.

The resource-based view (RBV) of the firm conceives the firm as a bundle of idiosyncratic resources embedded in its various organizational units (Wernerfelt, 1984). The RBV postulates that firms in less than perfectly competitive markets are heterogeneous in terms of their resources and capabilities (Wernerfelt, 1984). The basic proposition that follows from this postulate is that those firms that are able to generate competitive advantage and earn superior performance must possess resources and capabilities that are valuable, rare, difficult to imitate, imperfectly substitutable, and organized to be exploited (Barney, 1991). One of the capabilities that exhibit these characteristics is capabilities of top managers. Top managers’ capabilities refer to the knowledge, skills and experience that enable an individual to handle a difficult and complex task and make informed resource allocation decisions unique to a firm in a particular industry. For instance, it is argued that top managers’ capabilities in the form of firm-specific knowledge and experience with a firm’s products or services, human resource availability, manufacturing capability, etc., and industry experience may provide the skills necessary to effectively and efficiently manage and deploy those resources and capabilities to create competitive advantage and superior performance (Kor, 2003). The experienced-based capabilities of top managers involve tacit knowledge of firm-specific capabilities such as employee skills, financial resources, organizational routines, and relationships with suppliers and buyers which are difficult to imitate (Kor and Mahoney, 2005). Thus the RBV suggests an important causal relationship between top managers’ firm-specific knowledge and experience and the identification, development and exploitation of a firm’s endowment of superior resources and capabilities to create sustainable competitive advantage.

Family firms have been found to possess valuable resources and capabilities such as trust, ability to inspire, motivate, and develop, loyalty and commitment among employees, and the flexibility in decision making (Tokarczyk et al, 2007). However, Schulze et al. (2001) asset that family firms lack managerial knowledge, expertise and experience when compared with non-family firms to deal with and respond to customer needs and complexities of the market because family firms do not have the ability and resources to compete in the labor market for top managers who are competent and experience in industry trends. In Ghana, family firms are usually smaller than non-family firms, have severe resource constraints and are thus managed by family members. Even those family firms that have the capability of employing competent and experienced managers fail to do so because they are reluctant to give up personal control and/or delegate managerial responsibilities to non-family members. Because managerial capabilities are rooted in firm-specific and industry knowledge, expertise and experience, we expect non-family firms to have more experienced top managers than family firms. Thus we hypothesize:
Hypothesis 2: The impact of firm-specific managerial experience on firm performance will be stronger for non-family firms than family firms in Ghana.

METHODS
The hypotheses were tested with data collected from senior executives (e.g., chief executive officers (CEOs)), and the chief financial officers) of firms operating in Ghana in 2002 and 2005. The sample consisted of the 200 largest companies selected from the Ghana Business Directory (2001). The CEOs of the selected companies were sent letters in the latter part of 2002 requesting their participation in the study. Several weeks after the letters were sent to the selected companies’, the questionnaires were personally hand-delivered to the CEOs, and we agreed on a date to collect the completed questionnaires. After several visits to the companies, responses from 115 firms were received with 106 being useable for a response rate of 53 percent. In 2005, a follow-up data was collected from the 106 firms using the same questionnaire survey that was administered in 2002. All the firms completed the survey administered in 2005, but only 100 of the 106 firms provided complete responses to all the questionnaire items. Thus the total observations collected in the two time periods are 206.

Common method variance was examined through two methods during the survey design and administration, and one post-hoc statistical test was run. First, information on managerial networking relationships developed with external entities were solicited for the three-year periods 1998-2000 for data collected in 2002 and 2001-2003 for data collected in 2005, while information on organizational performance was solicited for the following two-year periods: (a) 2001-2002 for data collected in 2002; and (b) 2004-2005 for data collected in 2005. Second, information on the independent variables was obtained from the CEOs and their deputies, while the performance information was collected from the heads of the accounting/finance function. Third, a factor analysis of the items on the performance and networking variables yielded six factors with eigenvalues greater than one, with the first factor accounting for about 20 percent of the variance (Harman’s (1967).

Measurement of variables
Organizational performance was measured by focusing on five measures: growth in productivity (GPROD), growth in sales and revenues (GSALES), growth in net income/profits (GNI), return on assets (ROA), and return on sales (ROS). The head of the accounting and finance function in each organization was asked to rate his/her firm on the five measures of performance relative to major competitors for the two-year periods 2001-2002 and 2004-2005. The performance items were measured on a scale ranging from (1) ‘much worse’ to (7) ‘much better’. The correlation between the performance variables over the two time periods was 0.84, p < 0.001. We obtained objective measures of GSALES, GNI, ROA, and ROS from the annual reports of 12 companies listed on the Ghana Stock Exchange. The correlations between the objective measures and the subjective measures using the pooled data were as follows: GSALES (r = 0.70, p < 0.001); GNI (r = 0.82, p < 0.001); ROA (r = 0.79, p < 0.001); and ROS (r = 0.86, p < 0.001).

Networking relationships were measured by examining the development of interpersonal and social relationships by top managers of firms in Ghana with (1) politicians; (2) bureaucrats; and (3) community leaders. The respondents were asked to assess the extent to which (1) top managers have used personal and social networking relationships (USED); and (2) how such relationships have benefited their company through (a) access to information that could be used to the firm’s advantage (INFORM); (b) access to valuable resources (RESOURCE); and (c) acquisition and exploitation of knowledge (KNOWLEDGE), for the three year periods 1998 - 2000 and 2001-2003 respectively on a seven-point scale, ranging from (1) ‘very little’ to (7) ‘very extensive’. The managerial networking relationships measure for each of the three variables was operationalized by using the average responses to the items as follows: Networking = [(USED x INFORM) + (USED x RESOURCE) + (USED x KNOWLEDGE)]/3.
Managerial networking relationships with politicians ($\alpha = 0.80$) were measured using four items: relationship with city council, district council, regional government, and national government politicians. Managerial networking relationships with bureaucrats ($\alpha = 0.82$) was measured using two items: officials in (a) regulatory and supporting institutions and (b) investment and industrial institutions. Networking relationships with community leaders ($\alpha = 0.85$) was measured as the average top management tenure in a firm (i.e., the number of years that top managers have spent in a particular firm) (Kor and Mahoney, 2005). Family firm was measured by asking respondents to indicate whether or not their firm is a family firm. It was operationalized as a dummy variable coded 1 for family firms and 0 for non-family firms.

Firm age was measured as the number of years since the formation of the firm. Firm size was measured as the logarithm of the number of employees. Business sector was operationalized using a dummy variable, coded 1 for manufacturing firms and 0 for service firms. Year dummy was coded 1 if an observation corresponds to a data collected in 2002 and 0 otherwise. Industry competition ($\alpha = 0.76$) was operationalized with six items. The respondents were asked to indicate the extent to which the following activities have taken place in their firm’s industry within the three-year periods 1998-2000 and 2001-2003: (a) increase in the number of major competitors; (b) use of package deals for customers; (c) frequency of new product or service introductions; (d) the rate of change in price manipulations; (e) increase in the number of companies which have access to the same marketing channels; and (f) frequency of changes in government regulations affecting the industry. These activities were measured on a seven-point scale ranging from (1) “very little” to (7) “very extensive.”

Table 1: Descriptive Statistics and Correlation Matrix of Variables (N=206)

<table>
<thead>
<tr>
<th>Variables</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>
</tr>
</thead>
<tbody>
<tr>
<td>1. Firm Performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Community</td>
<td>0.91</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Politicians</td>
<td>0.46</td>
<td>0.85</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Bureaucrats</td>
<td>0.16</td>
<td>0.23</td>
<td>0.80</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Firm size $^a$</td>
<td>0.38</td>
<td>0.24</td>
<td>0.32</td>
<td>0.82</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Business sector $^b$</td>
<td>0.23</td>
<td>0.23</td>
<td>0.25</td>
<td>0.23</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Family firm $^c$</td>
<td>-0.16</td>
<td>-0.17</td>
<td>-0.34</td>
<td>-0.16</td>
<td>-0.23</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Industry competition</td>
<td>0.34</td>
<td>0.15</td>
<td>0.03</td>
<td>0.27</td>
<td>0.03</td>
<td>-0.11</td>
<td>0.03</td>
<td>0.76</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Firm age</td>
<td>0.07</td>
<td>-0.06</td>
<td>0.13</td>
<td>0.11</td>
<td>0.47</td>
<td>-0.12</td>
<td>-0.34</td>
<td>-0.01</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Firm-specific managerial experience</td>
<td>0.32</td>
<td>0.22</td>
<td>0.01</td>
<td>0.15</td>
<td>0.04</td>
<td>0.05</td>
<td>0.03</td>
<td>0.13</td>
<td>0.15</td>
<td></td>
</tr>
</tbody>
</table>

Mean                                      4.81 11.12 13.43 4.74 1.97 0.83 0.51 4.88 23.97 9.18
Standard Deviation                      1.08 7.71 9.54 9.42 0.48 0.38 0.50 1.32 15.61 5.49
Minimum                                  2.00 1.50 1.33 2.00 1.00 0.00 0.00 2.00 4.00 0.50
Maximum                                  7.00 36.00 44.67 49.00 3.30 1.00 1.00 7.00 87.00 43.00

The values in diagonals are Cronbach alphas. $^a$ Log of number of employees. $^b$ Manufacturing firms coded 1, service firms coded 0. $^c$ Family firms coded 1, Non-family firms coded 0.

RESULTS

A pooled cross-section and time series regression analysis was used to estimate the models because only two periods of data from 106 firms were available. Table1 provides the means, standard deviations and the correlations among the variables. The validity of the econometric model was examined by testing the
assumptions of equality of variance, lack of collinearity, independence of the error term, and the normality of the residual, which were all met. The Durbin–Watson statistics also indicated that autocorrelation is not a problem and thus the pooled cross-section and time series model is adequate (Gujarati, 2003). Table 2 presents the standardized results of the estimated models examining the Hypotheses (H). In Models 1 and 2(a & b) we present the results from the overall sample which indicate that while networking relationships with bureaucratic officials and community leaders is significant and positively related to performance, networking relationships with politicians is negatively related to performance but marginally significant. Firm-specific managerial expertise is also significant and positively related to performance. Moreover, non-family firms perform better than family firms. Models 4 and 6 present the results of the subgroup analyses performed to test H1 and 2. Model 4 examines the impact of the networking relationships and firm-specific managerial experience on firm performance for family firms, while Model 6 examines the impact of the networking relationships and firm-specific managerial experience on firm performance for non-family firms. The results indicate that the beta coefficients for networking relationships with politicians for family firms and non-family firms were both negative, it was not significant for family firms while it was marginally significant for non-family firms. A $t$-test comparing the two beta coefficients (Cohen and Cohen, 1983: 56; see Table 2) indicates that they are not significantly different ($t = 0.10, p > 0.10$). Thus, H1a was not supported. The beta coefficients of networking relationships with bureaucratic officials for both family and non-family firms were positive and significantly related to performance. A $t$-test indicates that the coefficients are significantly different ($t = 1.73, p < 0.05$). H1b is therefore supported. Networking relationships with community leaders was significantly associated with performance for both family firms and non-family firms. Although the coefficients are significantly different ($t = -2.00, p < 0.05$), H1c is not supported. H2 was examined by comparing the beta coefficients of firm-specific managerial experience for family firms with those of non-family firms. The results suggest that for both family firms and non-family firms’ firm-specific managerial experience was positively and significantly related to performance. A $t$-test indicated a significant difference between family and non-family firms ($t = -1.89, p < 0.05$). Thus H2 is supported.

CONCLUSIONS AND IMPLICATIONS

This study examined the impact of social networking relationships developed with external entities on organizational performance by comparing family and non-family firms. Specifically, we posited that the impact of managerial social networking relationships developed with politicians, bureaucratic officials and community leaders on firm performance will be stronger for family firms than non-family firms. It was also hypothesized that the impact of firm-specific managerial experience on performance will be stronger for non-family firms than family firms. These hypotheses were tested using survey data collected over two time periods from 106 firms from Ghana. The results show that while family firms do not benefit from networking with politicians, non-family firms are hurt from networking relationships with politicians. However, the impact of networking relationship with politicians on performance between family firms and non-family firms is not significantly different. It should be noted that the effect of social networking with politicians on performance for the overall sample is negative and significant (see Models 2a and 2b). This may imply that there are indeed considerable costs to be incurred in cultivating relationships with politicians so as to obtain access to resources, information, contracts, etc., and these costs adversely affect performance.

The results further indicate that family firms benefit more from managerial social networking relationships with government bureaucratic officials than non-family firms. The overall results also confirm that social networking with bureaucratic officials has a positive and significant impact on performance (see Models 2a and 2b). In reconciling the outcomes from networking with politicians and that with bureaucrats, it may be argued that the influence of networking with political leaders on performance may be related to the fact that bureaucratic officials and not politicians implement most
government policies. Therefore, when top managers develop networking relationships with politicians, the benefits they expect to receive from such relationships in the form of resources (e.g., access to financial resources), opportunities (e.g., awarding of government projects or contracts, certification and approval of products as meeting standards, etc.) and/or information (e.g., new and impending regulations) may not fully materialize without building a stronger relationship with bureaucratic officials. Developing networking relationships with bureaucratic officials in Ghana is beneficial since it enables firms to obtain the necessary resources to improve performance, however, family firms benefit more than non-family firms. Moreover, the results show that non-family firms benefit more from social networking relationships with community leaders and firm-specific managerial experience than family firms. Thus social networking relationships forged with community leaders provide non-family firms more sources of resources, information, learning, and knowledge that is used to minimize threats, exploit opportunities, and enhance performance in the formal institutional environment than family firms. Also, top managers in non-family firms have more firm-specific experience than those in family firms and these experienced-based capabilities allow top managers in non-family firm to effectively and efficiently manage and deploy other resources and capabilities in their firms to enhance performance more than family firms.

Overall, the results imply that both family and non-family firms benefit from the social networking relationships with government bureaucrats and community leaders. However, it is beneficial for family firms to emphasize social networking relationships with bureaucratic officials since that’s where they experience the greatest impact on profitability. Non-family firms should also focus on networking with community leaders. Both family and non-family firms should, however, minimize or desist from forging networking relationships with politicians since the favors they may expect to extract from these firms may overburden them and hinder rather than improve their performance. As non-family firms rely more on their firm-specific managerial expertise for the strategic organization of their activities, family firms should find ways of attracting competent top management with at least significant experience in their industry.

In conclusion, the study shows that social networking relationships and firm-specific managerial experience have different impact on performance for family and non-family firms in Ghana. Future research should examine these relationships in other African economies studies so as to deepen our understanding of the impact of social networking relationships and firm-specific managerial experience on performance.
Table 2: Results of Cross-Section Time Series Analysis of the Relationship between Networking Relationships, Managerial Experience and Firm Performance

<table>
<thead>
<tr>
<th>Variables</th>
<th>Overall Sample (N = 206)</th>
<th>Family Firms (N = 104)</th>
<th>Non-Family Firms (N = 102)</th>
<th>T-test Comparing Model 4 to Model 6</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Model 1 β</td>
<td>Model 2a β</td>
<td>Model 2b β</td>
<td>Model 3 β</td>
</tr>
<tr>
<td>Firm age</td>
<td>-0.037 (-0.51)</td>
<td>-0.042 (-0.68)</td>
<td>-0.028 (-0.50)</td>
<td>-0.117 (-1.21)</td>
</tr>
<tr>
<td>Firm size</td>
<td>0.223** (2.99)</td>
<td>0.125* (1.95)</td>
<td>-0.078 (-0.81)</td>
<td>-0.078 (-0.81)</td>
</tr>
<tr>
<td>Business sector</td>
<td>-0.077 (-1.16)</td>
<td>-0.088 (-1.52)</td>
<td>-0.093+ (-1.67)</td>
<td>-0.231* (-2.17)</td>
</tr>
<tr>
<td>Industry competition</td>
<td>0.327*** (5.03)</td>
<td>0.171*** (3.13)</td>
<td>0.174*** (3.19)</td>
<td>0.264* (2.77)</td>
</tr>
<tr>
<td>Year Dummy</td>
<td>0.045 (0.70)</td>
<td>1.05* (1.95)</td>
<td>0.092+ (1.72)</td>
<td>-0.046 (0.08)</td>
</tr>
<tr>
<td>Family Business</td>
<td></td>
<td></td>
<td></td>
<td>-0.123* (-2.19)</td>
</tr>
<tr>
<td>Networking Relationships with</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Politicians</td>
<td>-0.110+ (-1.78)</td>
<td>-0.111+ (-1.80)</td>
<td>-0.128 (-1.30)</td>
<td>-0.118+ (-1.65)</td>
</tr>
<tr>
<td>Bureaucratic officials</td>
<td>0.349*** (5.70)</td>
<td>0.346*** (5.67)</td>
<td>0.379*** (4.27)</td>
<td>0.211** (2.51)</td>
</tr>
<tr>
<td>Community leaders</td>
<td>0.233*** (3.88)</td>
<td>0.248*** (4.25)</td>
<td>0.168+ (1.85)</td>
<td>0.362*** (4.45)</td>
</tr>
<tr>
<td>Management Experience</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm-specific managerial experience</td>
<td>0.301*** (5.10)</td>
<td>0.299*** (5.10)</td>
<td>0.226** (2.46)</td>
<td>0.410*** (5.56)</td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td>0.151 0.454 0.457</td>
<td>0.090 0.324</td>
<td>0.167 0.633</td>
<td></td>
</tr>
<tr>
<td>Model $F$</td>
<td>8.29*** 19.98*** 20.20***</td>
<td>3.03* 6.48***</td>
<td>5.04*** 20.33***</td>
<td></td>
</tr>
<tr>
<td>Durbin-Watson Statistic</td>
<td>1.926 1.862 1.668</td>
<td>2.169 2.132</td>
<td>1.858 1.966</td>
<td></td>
</tr>
</tbody>
</table>

1 Coefficients are standardized coefficients.
2 The formula for the t-test which conducted to verify the difference between the betas of the Family firms and Non-family firms’ subgroups is as follows. The t-test is a one-tailed test.

$$t = \frac{\hat{\beta}_1 - \hat{\beta}_2}{\sqrt{\frac{SSE_1 + SSE_2}{N_1 + N_2 - 4} \left( \frac{\sum X_1^2 + \sum X_2^2}{\left( \sum X_1^2 \right) \left( \sum X_2^2 \right)} \right)}}$$

d.f. = $N_1 + N_2 - 4$

Where $\hat{\beta}$ is the beta or standardized coefficient, $SSE$ is the sum of squared errors, $X$ is the networking or managerial experience variable, $N$ is subgroup sample size, and 1 and 2 are the Family and Non-family firms’ subgroups respectively.

$+ p < 0.10; * p < 0.05; ** p < 0.01; *** p < 0.001$.
REFERENCES


Can the Poor Be Regulated? Insights from Selected Experiences in East Africa

Robert Rugimbana, Tshwane University of Technology, South Africa

Research on interventionist policies aimed at breaking the poverty cycle primarily by empowering the poor is prominent in the literature. However, there appears to be fewer conclusive findings in regards to the extent to which MFIs are succeeding in introducing formalities and regulations among the poor. Given the escalation of poverty alleviation strategies such as micro-credit and micro-savings which are intended to formalize micro-entrepreneurs through such processes as registration, enumeration and recording of financial transactions, a clearer understanding of the performances of these strategies is important. This paper seeks to shed further light on the above by assessing the implementation of the pro-regulatory strategies in East Africa.

INTRODUCTION

Efforts towards alleviating global poverty by various world bodies and in more recent times microfinance institutions, is well documented in the poverty related literature (Mayoux, 1997; 1999; Annan, 2000; Narayan, 2000; Prahalad, 2005). More recently the idea that microfinance institutions can be vehicles for formalizing the informal sector has also become more prominent in the literature (Johnson, 2004; Muuka & Choonga (in press). According to Johnson (2004) since the 1990s there has been a paradigm shift in microfinance provision, from one of subsidized delivery to one of building self sustaining financial systems. Authors such as Otero and Rhyme (1994) and Johnson (2004) attribute this development to the body of knowledge that has been developed in regards to informal financial arrangements, practical experiences of lending to poor people and the outcomes of new institutional economics. More specifically Johnson (2004 p 502) argues that the resulting key departures from earlier thinking include: 1) the notion that poor people can and will pay relatively high interest rates for loans and that their concern is for reliable access rather than cost considerations. 2) that poor people can and do save, and that compulsory savings requirements linked to loan access could provide funds for on-lending. 3) group-based methods such as those typically found in informal arrangements can reduce transaction costs as they have the potential to ensure that large numbers of people can be reached with the services.

Authors such as Johnson and Rogaly (1997), argue that the paradigm change has in part been championed by both the proponents of the ‘financial repression’ thesis and the ‘Ohio school of thought’. The latter schools of thought argue that by the hope that microfinance institutions could expand their outreach, reduce their costs as they grew in size, mobilize funds for on-lending independently of donors, and hence become independently self sustaining so providing services in the long term.

However, despite the paradigm change discussed above there appears to be fewer conclusive findings in regards to the extent to which MFIs are succeeding in formalizing and thus regulating the poor. Given the escalation of poverty alleviation strategies such as micro-credit and micro-savings which are intended to formalize micro-entrepreneurs through such processes as registration, enumeration and recording of financial transactions, a clearer understanding of the performances of these strategies is important. This paper seeks to shed further light on the above by assessing the implementation of the pro-regulatory strategies in East Africa and as engaged by Microfinance institutions in these regions.
THE ‘PROMISE’ OF MICROFINANCE PROVISION

Since the year 2000, at least two major global initiatives have been set in motion to combat global poverty with quite distinct motivations and strategies. First, in September 2000 representatives of the United Nations set in place the “Millennium Development Goals”, whose primary aim is to reduce global poverty by the year 2015 (World Bank, 2003). Following this, 2005 was declared the “International Year of Microfinance” (Wafula, 2007).

Whilst the former initiative emphasizes planning and putting in place numerous marketing campaigns and implementation approaches that target all poor persons globally, the latter initiative emphasizes a particular gender policy and implementation strategy targeted predominantly at poor women in less developed societies. Specifically, the “International Year of Microfinance” involved the implementation of a Micro-financing strategy which is supposed to complement the banking sector; by mobilizing deposits and specifically enabling the poor to obtain ‘loans’ and make ‘savings’ (www.MicroSave.org) in the process becoming empowered in a way that presumably breaks their own poverty cycles and ultimately those within their societies.

A special characteristic of Microfinance Institutions is that they are organizations that are expected to operate in informal sectors of the economy. Their main role is to assist the poor by catalyzing the transition of this sector from its informal state into one of formality. It’s noteworthy that since the enunciation of the ‘International year of Microfinance’ numerous donor and NGO projects in developing societies have rigorously embraced microfinance and microcredit. As well, some national banks and government agencies are extending services to include micro-savings. The accompanying rhetoric particularly from the proponents of the financial repression thesis and the Ohio Schools of thought is that the poor are now clients rather than beneficiaries; they have purchasing power and can even progress from the informal sector of business into the formal sector and thereby increase the wealth of their societies and of course of the relevant financial institutions (Johnson, 2004; Johnson & Rogaly 1997).

THE REALITY OF MICROFINANCE PROVISION IN EAST AFRICA

Whereas the idea of designing and delivering more targeted services for the poor is morally defensible and there is evidence to suggest that in places, it is working (namely the Grameen concept), the reality is that the microfinance experience is also problematic (Dyal-Chand, 2005; Goezie 2001;CGAP, 2000). In East Africa and in particular where women are concerned the MFI experience raises more questions than answers. The questions essentially arise as a result of a series of what can best be described as ‘unintended consequences’ of the interventions of MFIs through the application of different micro-finance policies and strategies with differing degrees of fits and outcomes. We discuss these questions below in the context of the rationale for MFIs, their performances in light of their policies and strategies and conclude by making further observations that might improve their overall impact.

WHY MICRO-FINANCING INSTITUTIONS?

Perhaps one the most persuasive recent cases made for a financing regime for the poor is found in a book titled the “The fortune at the bottom of the pyramid” by Prahalad (2005). The latter author provides useful insights into how commercial entities can serve the various consumer needs of the poor in ‘poor’ societies without compromising their bottom lines. Prahalad (2005 pg 04) bases this important argument on statistics that show the sheer numbers of people (or potential clients) that reside in the developing world and then contrasts this with the dominant logics (ibid pg 08) that have been used by the private sector to marginalize this massive business potential. In addressing these dominant logics or inertias, Prahalad (2005 pp. 08) argues that a form of ‘inclusive capitalism’ is required to achieve a win-win in this elusive but potentially viable business sector of the world. This involves the creation of real and sustainable capacities for the poor to become consumers, (ibid, pp. 16) through various enabling conditions for the private sector and empowerment strategies for the poor.
Whilst the intent of Prahalad’s message is beyond question, in practice though, many organizations have encountered difficulties administering formalized commercial services to the poor. For example, in spite of the support from donor agencies and NGOs for over 30 years, the expected growth and transition of most informal sector micro to small into medium or large-scale enterprises has not eventuated in Africa (K’obonyo 1999; Spring 2002; 2007). Whilst there may be a number of plausible explanations for this occurrence, no doubt it also represents at least one reason for the need for and emergence of more appropriate and alternative financing systems for the poor. According to Prahalad, (2005 pp 16), “cash-poor and with a low level of income, the bottom of the pyramid consumer has to be accessed differently”.

Thus the finding by Rutherford (1999) which shows that the poor and very poor in Africa have extremely limited access to the formal sector institutions is not necessarily surprising. Given that formal sector institutions by definition cater for persons with money and do so in ways that may not suit the poor, this finding suggests that an alternate marketing fit is needed. In fact reality shows that most poor people are alienated from the formal or mainstream sector and therefore rely on devices that are more suited albeit somewhat inadequate and which arise in the informal sector to manage their money.

Littlefield and Rosenberg (2004) make the point that contrary to popular belief, poor people need and use a variety of financial services, including deposits, loans, and other services. The latter authors argue (p. 38) that historically the financial services available to the poor were limited in terms of cost, risk and convenience and that it was the microfinance movement that put in motion more formal mechanisms for access to a more comprehensive set of financial services. According to Littlefield and Rosenberg (2004), microfinance Institutions around the world (MFIs) has proven to be stable and even more reliable than banks in turbulent economic times. They cite Indonesia’s 1997 financial crisis and Bolivia’s 2003 banking crisis as cases in point, arguing that as the commercial banking sector showed signs of deterioration, the micro-clients barely declined. Despite this tremendous potential, Littlefield and Rosenberg (2004) argue that in order to achieve its full potential, microfinance must become a fully integrated part of a developing country’s mainstream financial system. In other words formalizing the informal sector.

EXISTING MICROFINANCE SERVICE DELIVERY STRATEGIES IN EAST AFRICA

As suggested above, current microfinance practices appear to be in keeping with the move towards building robust financial systems and away from subsidized credit (Johnson 2004). According to Bhatt and Tang (2001) Micro-financiers have traditionally relied on two types of product or service delivery approaches in developing societies. First, is the minimalist approach which concentrates on financial services provision alone and in particular the credit only policy. Second, is the integrated service delivery approach that provides market and business development services on top of the financial services.

The minimalist approach is typically justified on the basis of cost rather than utility. The integrated approach is justified on different grounds. That the provision of technical assistance and training enhances the opportunity for the poor to make more informed use of their loans. It’s been argued however that although the distinction between the minimalist and integrated approach to micro-finance might appear to be clear-cut, in reality this may not be the case and in some cases such as the Grameen Bank a host of non-financial services are provided to clients (Bhatt and Tang 2001).

The East African context is essentially credit only driven and therefore perhaps one of the most important measures of MFI success can be gauged by considering the adoption rates and memberships of this innovation in East Africa. Studies that have considered the numbers of non-adopters (those who do not join) and rejecters (those who leave) suggest that this problem is particularly important in East Africa. In fact according to CGAP (2000), a study involving 13 microfinance institutions, showed that in East Africa dropout rates are as high as 60 percent per year generating the untenable situation of having more drop-outs than there are active clients. In addition the degree of market penetration when contrasted to the
potential market coverage of East Africa is very low. In Tanzania there are in existence an estimated 4 million informal sector enterprises but there are less than 40,000 MFI clients. In Kenya which has the region’s most developed sector…MFIs only reach 3.5% of the country’s poor at best. A closer look at the reasons for this situation uncovers the inherent weaknesses in the nature of the MFI programs in East Africa. The most important reasons given for poorer clients dropping out of programs are 1) the encouragement of poor “guarantors” for bigger loans (drifting up) and 2) Increasing weekly repayments “program-design-induced” risk 3) discouragement of savings. The reasons provided by ‘wealthier’ or marginally poor clients range from 1) a desire for larger loans, 2) delay in loans because of other group members and 3) the red tapes involving recruitments 4) discouragement to save.

Essentially, the MFIs in East Africa appear to lack strategies that target the differentiated poor accurately and hence generate conditions “which provide clients with high levels of incentives to dropout.” This lack of adequate outreach stems from the absence of appropriate products and delivery models capable of providing quality financial services to a significant proportion of the financially excluded population at an acceptable cost (CGAP, 2000). The MicroSave study highlights problems with imported models and products, and argues that a lot of creative rethinking and innovation remains to be done. Despite their potential, MFIs have often times been criticized for lacking sufficient local or indigenous input particularly at the level of values (Dyal-Chand, 2005).

CONCLUDING AND IMPLICATIONS

This paper sought to shed further light on the performance of MFIs in East Africa by discussing the implications of the fight against poverty and formalizing of the informal sector. On a broader scale, the literature appears to suggest that many MFI credit schemes are simply failing to address the real needs and expectations of the poor (Bhatt and Yang 2001). More specifically, the paper finds that there are unacceptably high drop-out rates and non-adoption of Micro-finance in East Africa. Johnson (2004 p. 516) who studied the impact of microfinance in Kenya, suggests that the new institutional view and microfinance mantra that it is access rather than price that matters, may no longer be true for the clients of these MFIs. In fact the high interest rates charged may be contributing to a new poverty cycle as questions emerge in regards to the suitability of MFIs for the needs of poor clients. The author suggests that there may be some degree of misalignment between some of the prevailing policies and strategies and the realities of the environments of this diverse and complex grouping. Clearly the poor can only be regulated when they have been sufficiently empowered as to be able to participate in the formal sector.

REFERENCES


Muuka, G. and M. Choongo (In Press). “If only the chronically poor could talk: Listening to voices in Poverty from Zambia”. International Journal of Non-Profit and voluntary sector Marketing special issue Poverty Marketing.


Entrepreneur Options in Hostile Environments: A Study of Women Entrepreneurs in Zimbabwe

Swithin Mboko, St Cloud State University, USA

This paper is based on a PhD study conducted to investigate women entrepreneurs in Zimbabwe. It has been established through case studies of women business owners in Harare, Zimbabwe, that environmental hostility does not stop women of strong entrepreneurial motivation from going into and continuing in business. Zimbabwean women business owners have strong entrepreneurial competence but lack the ability to develop their firms to their full potential. The findings hold important implications for policy makers and other stakeholders whose objective is to develop successful entrepreneurship in Zimbabwe. Due to Zimbabwe’s high levels of unemployment, one challenge for policy-makers is to assist firms cultivate those attributes and business practices that increase survival chances of young firms and enhance the ability of firms with the potential to grow.

INTRODUCTION

Entrepreneurship is widely acknowledged to be an engine of economic growth. Surveys of micro and small businesses show a high participation of women in business in Zimbabwe. This makes female entrepreneurs important participants in Zimbabwe’s small business sector. Between 1991 and 1998 the percentage of female owned businesses in Zimbabwe dropped from 67% to only 58%. The period from 1991 marks the beginning of pressures in the Zimbabwean business economy. These pressures seem to have had a different impact on male and female entrepreneurs. Women account for close to 52% of the total population of Zimbabwe (CSO, 1998). Zimbabwe is highly patriarchal society, with women traditionally moving from their family home to their husband’s home at marriage. The Zimbabwean society has traditionally placed very little value on women’s participation in activities outside the home (GOZ, 1995). Despite the present government’s commitment to gender equality, institutional practices and entrenched social ideologies mean that women remain disadvantaged (Baden, et al., 1999). Zimbabwean women still lack significant ownership and control of strategic resources like land and capital (Hellmich, et. al., 1999).

Research Objectives

Although entrepreneurship has been linked theoretically with economic development, few studies have systematically attempted to examine the entrepreneur environment in developing countries. Weak and inefficient markets, with incomplete information and considerable barriers to entry, characterize developing countries. Such an environment would seem inhospitable to entrepreneurship, but the small and micro enterprises sector continues to be a vibrant component of labor markets in developing countries, (Honig, 1998). Small enterprises that succeed in this environment are worth of study.

Brush (1992) concluded after a review of studies of female entrepreneurs that the relationship of environmental factors to women and their enterprises is the area where fewest studies have been done. This study will make a contribution to literature by establishing how Zimbabwean female entrepreneurs operate within their perceived environment. Women in Zimbabwe are an interesting group to study. Firstly, systemic prejudice and discriminatory laws, policies, financial constraints, years of neglect social-culturally, educationally and legislatively have severely handicapped women in terms of business and technical skills, access to resources and vital information relating to business. Secondly, their status has been changing with adjustments to socio-cultural and legislative practices. Thirdly, Zimbabwean women have demonstrated an unusually high involvement in small businesses. This study seeks to explain the influence of environment on entrepreneur behaviour in Zimbabwe.
Entrepreneur environment

Business environment has been used by entrepreneurship researchers to explain firm performance (O’Farrel and Hitchens, 1988; Bridge, et al., 1998). Environmental hostility is the degree to which the environment is threatening to firm survival (Zahra and Neubaum, 1998). Hostile environments are described by Khandwalla (1977) as risky, stressful and dominating. Managerial choice may be severely constrained by some environments and dictates of those environments (Aldrich and Pfeffer, 1976). Environmental conditions influence the strategies that will be adopted by business firms (Chakravarthy, 1982). Entrepreneurs perceive conditions in the external environment in the same way but will use different strategies even if their perception of the environment is the same (Badri, et al., 2000).

METHODOLOGY

The study was conducted using case studies of female business owners operating clothing manufacturing firms in Zimbabwe. Entrepreneurship theory framed how the researcher approached the topic and suggested the evidence that needed to be gathered to address the research question. Data for this study was collected through a field study via face-to-face interviews using an interview guide. The design of the interview guide was directed by the conceptual framework and measures adopted in similar research on entrepreneur environments. Selection of cases was guided by the need to get usable data and accessibility. All the cases were chosen from Harare, the capital city of Zimbabwe. The high level of economic activity and diversity of industries make Harare a preferred location for most studies in business. Seven cases were studied this study a multi-case design. Two cases were high outcome firms and five cases were low outcome firms. The firms in each group were chosen to predict similar results, referred to as literal replication. Theoretical replication was predicted between the high outcome and the low outcome firms. Analysis of the cases followed the theoretical propositions about the impact of the environment on entrepreneur behaviour and led to the answering of the research question. Interpretation of the findings was based on the themes appearing in the data. An intended approach for this research was a situation where several pieces of information from the same case would be related to some theoretical proposition. Yin (1994) calls this approach pattern matching. The findings are presented and discussed in the next section.

FINDINGS AND DISCUSSION

Seven cases of female business owners operating clothing manufacturing businesses were studied. These case firms have been code named F1, F2, F3, F4, F5, F6 and F7, and the seven entrepreneurs have been code named FBO1, FBO2, FBO3, FBO4, FBO5, FBO6 and FBO7. Except for F4 all the firms were established after Zimbabwe’s first decade of independence, between 1992 and 1998. The youngest firm was seven years at the time of the study. The mortality of small businesses in general is high, particularly in the first three years of operation, and the odds for survival improve as the firm grows older (Baumback, 1983). In the sense that continuation of business activities can be taken as a criterion for success (Littunen, et. al., 1998), all the firms in the study are successful firms since they have survived the critical first three years and are still operational.

All the entrepreneurs had secondary education ranging from four to six years, and most had qualifications in the traditional professions of teaching and nursing. These professional qualifications among the entrepreneurs are probably a reflection of the opportunities open to women in Zimbabwe. The female business owners generally lacked business training and experience but still went on to establish businesses. All the entrepreneurs in the study said at the time they went into business they did not have education and work experience that had prepared them for running business. The lack of business education did not stop the women from getting into business and from developing businesses that had survived beyond the first few years. The women in this study went into business for the possibility of making more money for the family, making business a livelihood strategy. Salaried employment did not give the women satisfactory remuneration, and this is particularly so considering the fact that teaching and nursing are not highly paying jobs in Zimbabwe.
All the cases perceived the environment to be very risky one in which a miscalculation can mean the end of the firm. In describing the environment F2 said, “The environment is now very tough. Things are changing so much. High prices, raw material shortages, lack of foreign currency to buy inputs, and negative publicity that has impacted negatively on tourists who are our major customers. There are a lot of bad changes”. The other six cases in this study shared a similar perception of the environment. The Zimbabwe business environment as perceived by the business owners is hostile and is continually changing. So entrepreneurs adopt methods of running their businesses that they perceive to be the most appropriate for the environment. Given that these firms are all in the clothing manufacturing industry, industry characteristics cannot explain differences in outcome. Also, since all the firms are operating in the same country, Zimbabwe, and from the same location, Harare, the nature of the environment cannot explain differences in outcome. The low outcome and high outcome firms are owned and managed by entrepreneurs who perceive the environment in the same way. Despite the perceived environmental hostility, all the case entrepreneurs saw opportunities in the environment. None of the entrepreneurs had lost hope; they were all convinced their firms had a chance of doing well. Although it is tough to run businesses in Zimbabwe, it is still possible to run sustainable businesses. This finding is consistent with the nature of entrepreneurship. The entrepreneurial personality can live with challenges.

Specific factors mentioned to contribute to the environmental hostility were mainly economic, such as rising costs and shortages. The regulatory environment was also perceived to cause inconveniences. Societal factors were perceived to cause hostility to female owned businesses in particular, and the respondents were quite emotional when discussing societal factors. Also stressed was the problem of financing the business. In terms of societal attitudes, the case entrepreneurs said they had experienced problems in getting assistance from financial institutions as they lacked collateral security and had to work hard to persuade the financiers to support them. The political environment was cited by F1 and F2. The entrepreneurs are aware of the source of hostility in the business environment. There was a general feeling of frustration with the environment but also a strong will to soldier on and not give up.

All the respondents said they would keep working hard and keep searching for opportunities. F2 was very articulate of her response to the environment, “One needs a lot of determination. There are no handouts in business. Business comes from far.” The other cases shared a similar view that they simply had to fight it out as business people. All the entrepreneurs said because of the rapid changes in the environment, they have resorted to the use of short term plans and a short term focus on survival. F1 and F2 also include use of goals to guide them even if they are using mainly short term plans. F7, F4, and F5 even castigated planning arguing that the rate of change makes planning meaningless. But they still admitted that they use short term plans, mainly in the form of work schedules. In discussing the response to the perceived negative societal attitude towards female business owners, the interviewees did not believe in feeling sorry for themselves. They said the onus is on themselves as female business owners to prove their worth. They also believed in lobbying for support. F1, F2 and F7 were members of WIB.

F1 and F2 said they would do what is feasible in the situation while trying to anticipate and prepare for change. F4, F7, F6, and F5 have given up on being proactive and they said they would deal with change when it comes. All the cases have addressed rising costs through cutting costs. F1 and F2 try to contain costs through improving efficiency. F2 runs training workshops for staff and supervises closely, explains the situation to staff trying to win their support and emphasizes open communication. F1 recruits qualified and experienced people and works on a tight schedule. F7, F5, F4, and F3 cut costs through lay offs and paying the minimum wage. F6 has decided not to increase staff. A major difference was found in the way the high and low outcome firms dealt with the increase in competition. F7, F5, F4, and F3 said they have stopped specialising in order to spread risk and will not turn away any order while at the same time competing on cost.
F6 said she has avoided competition through simply waiting for orders and ensuring timely delivery of quality products once an order has been received. F1 and F2 responded to competition through continuing to adopt differentiation strategy. F2 is proud of her unique batik wear and said she would keep adding new designs in her line of products. F1 said she had worked hard at continuously meeting deadlines saying it was delivery that had won her customer loyalty.

F2 and F1 had been directly affected by foreign currency shortages since they are direct importers of inputs. The other firms are affected by the shortage of foreign currency indirectly through failure to get fabric and other inputs from their local suppliers. These local suppliers would have failed to supply because of unavailability of foreign currency. All the cases felt very frustrated and were concerned about the foreign currency shortages. F1 and F2, while acknowledging the existence of a problem were proactive in that they had done something about it. F2 had decided to earn some foreign currency through exports. In F1, there has been product redesign to include use of local fabric. This change has been communicated to customers who have accepted the need for the change. A similarity across all the cases is the perception of the environment as hostile with hindrances to firm survival in general, an environment in which it is hard to keep afloat.

While the perception of environmental hostility was similar across the cases, responses to the environment were different. Entrepreneurs can respond differently to the environment even when their perception of the environment is the same. In this study, the high outcome firms F1 and F2, in addition to being responsive to the situation, also spent time reviewing the current situation and anticipating the future before mapping out a way forward, thus underscoring the need to plan. The low outcome firms put all their effort into responding with reactive strategies.

The Zimbabwean environment has been reported to be hostile and this study has found planning to be positively related to success. Rauch and Frese (1997), established through a study of small businesses in Germany and in Ireland, that in hostile (uncertain) environments there is a positive relationship between planning and success, and in non-hostile environments, there is a negative relationship between planning and success. It has been argued that planning helps a person to deal with unclear future events because they make them more predictable (Covin and Slevin, 1989).

But the view of the less successful entrepreneurs in this study is that in Zimbabwe’s unpredictable environment, there is no point in planning. They argue that the rate of change in the environment is such that changes in planning assumptions change before one has implemented the plans. So these entrepreneurs have opted for an approach to business that argues for the grabbing of whatever comes one’s way. But this approach has had a negative impact on firm outcome. In line with generally accepted management theory it is important for Zimbabwean entrepreneurs to know that planning is necessary for high performance. F4, F7, and F5 are of the view that planning is situational and that the environment in which they are operating does not reward planning. This perception could be linked to the managerial competence of the entrepreneurs, and might be a managerial deficiency. Sean (1999) established that failure to plan by entrepreneurs could be attributed to lack of managerial understanding and expertise.

Research has established a link between strategy and a number of environmental dimensions, and that successful firms adopt different operational strategies in response to environmental stimuli than do poor performers. Poor performing firms in hostile environments adopt strategies which include cost cutting (Badri, et. al., 2000). All the firms in the current research are concerned about costs. The not so successful firms cut costs. The high outcome firms put more emphasis on improved efficiency.
Another finding of this study is that those who used plans, F2 and F1 said that they had goals. They said they were realistic in their goal setting. They understood the environment they were operating in and would pursue paths that they considered feasible. This finding suggests that Zimbabwean women entrepreneurs are not aggressive in approach. F2 owner said she believed in giving the firm a chance to develop. F1 owner said she accepted that one cannot achieve all at once.

While it is necessary to be realistic, this finding may also be taken to mean that the entrepreneurs are not ambitious enough. They seem to be setting themselves comfortable targets and being happy with less than optimum performance. Differences have been noted in how the low and high outcome firms deal with risk. The low outcome firms in this study have responded to an increase in competition and environmental dynamism through abandoning uniqueness and specialization. Generic strategy research suggests that differentiation is an appropriate strategy in dynamic environments.

Successful firms facing greater perceived hostility respond with greater emphasis on delivery performance, indicating an attempt to further differentiate their products. Some strategic responses of high and low performers are the same, e.g. flexibility, but low performers also emphasize cost cutting, (Ward et al., 1995), in a study of Singapore manufacturers. Littunen, et al., (1998) established in a study of small businesses in Finland that firms should be able to adapt to changing circumstances and when the environment becomes more complicated successful firms tend to specialize.

Lohmann (1998) found through a study of small business owners in Hawaii that entrepreneurs will find ways to move on in spite of an anti-business environment. This same observation has been made in the current study. All the entrepreneurs indicated their wish to continue. Honig (1998) found in a study of Jamaican entrepreneurs that despite inhospitable environments, growth in employment in the informal and small business sector continued to be the most vibrant components of labour markets in developing countries. Romanelli (1989) found that competitive environments are unrelated to firm mortality. This argument supports this study’s findings that it is not the existence of competition but the response to it that separates the more successful from the less successful firms.

An interesting finding of this study is the entrepreneurs’ way of dealing with society’s negative attitude towards females. Again there was consistency across cases in that all the entrepreneurs have resolved not to give up. They all challenged society’s perception of females as less competent than males and explained that they have dealt with the situation, not through feeling sorry for themselves but through proving their worth and fighting their way through. They have all had to deal with this problem and a shared approach was challenging the negative societal perceptions by dealing with each case as it arose. They warned against the danger of working on assumptions.

Two observations were made about the perceived role played by men in the women’s lives. First, most of these women prefer to employ men rather than women in their businesses. Ironically, they generally argue that men are better workers than women. While this may be an experientially based argument, it is a stance that perpetuates the societal attitudes the women claim to be fighting. Second, the women acknowledged the importance of spousal support. This may be interpreted to mean that, naturally, men and women need each other. But it may be a reflection of the women’s lack of confidence in themselves. These businesswomen may actually hold stereotyped views of other women. This is not surprising as these entrepreneurs are part of a society that has a low opinion of women. But it has policy implications. The women have to believe they have what it takes to succeed in business. But that belief needs to be anchored in a general acknowledgement of competences of females. And this has to be reflected in non-discriminatory business practices by all, including the female entrepreneurs. While the female entrepreneurs acknowledge societal attitudes towards females in general, they do not allow this perception to drive them out of business. They take it as an opportunity to prove that they are capable. If one
consider the effort government has made to improve the situation of women as discussed in the background to this study one can speculate on an explanation for this fighting attitude in Zimbabwean business owners. It may be that government and other initiatives have convinced the females that they are capable individuals. So the females take fighting societal negative attitudes as a way of proving their worth. That stance is also a way of supporting government initiatives to improve the situation of women in Zimbabwe. This is a positive observation. This attitude should be reflected in women’s business practices that reveal determination and ability to grow their firms.

Fostering entrepreneurship requires supportive environments, (Fogel, 2001). Romanelli (1989) established through a study of US firms that environmental conditions at founding and early organizational strategies affect the survival likelihoods of young firms. With the acknowledged importance of small businesses to any economy, it is reasonable to expect a country to create an environment conducive to the development of small businesses. This study’s findings on the environment is consistent with Fogel (2001) in that that case entrepreneurs cited the same factors as contributing to the hostility of Zimbabwe’s business environment. In discussing the marketing environment in sub-Saharan Africa, Nwankwo (2000) claims that by and large, there is no single country in the region that has not felt the pressure to undertake macro-economic policy adjustments. It appears the crisis Zimbabwe is said to be in, is a common feature in the region.

CONCLUSIONS AND IMPLICATIONS

The findings suggest the importance of a strategic approach in the management of small firms. Enhancing the capacity of owner-managers to make and implement appropriate strategic decisions should be of concern to everyone interested in small business firms. It is recommended that Zimbabwean female entrepreneurs seek managerial training that emphasizes the need to strategize and execute the chosen strategy. The planning model relevant for Zimbabwe’s small businesses is one that convinces the entrepreneurs on the need to plan despite environmental turbulence.

It is recommended that entrepreneurship development be separated from small business management and development. That way efforts and resources will be targeted. While business start-ups have been a target of several small business initiatives in Zimbabwe, fast growing SMEs deserve more attention than they currently receive. Significant attention needs to be given to growing existing firms that have shown potential.

Environmental hostility is not necessarily a constraint to strong willed potential entrepreneurs. It is possible to establish and operate high growth small businesses in Zimbabwe. To improve the women entrepreneurs’ contribution to the economy it is necessary to enhance their managerial competence and create an environment that encourages high growth aspirations in women entrepreneurs. Small business owners who have demonstrated their ability to enterprise through establishing businesses in an environment they perceive to be hostile have strong entrepreneurial competence. While gender stereotyping will not discourage female small business owners from having a desire to grow their businesses, societal lower expectations of women may negatively affect their achievement aspirations. Zimbabwe’s women entrepreneurs should be more ambitious. The women in the study were observed to be contented even when it was obvious their firms could have achieved higher growth. This satisfaction with below optimum performance limits the SME sector’s contribution to the economy. It is recommended that government expands its current initiatives to enhance the status of women to include achievement motivation aspects.
REFERENCES


GOZ, (1995). Zimbabwe’s first report on the convention on the elimination of all forms of discrimination against women, UNICEF.


An Exploratory Study into Factors Influencing the Willingness of Informal Businesses to become Formalised – A Case Study of Informal Businesses in a few Selected Townships of Port Elizabeth

Ronney Ncwadi, Nelson Mandela Metropolitan University, South Africa

Jacques Pietersen, Nelson Mandela Metropolitan University, South Africa

This paper examines the extent to which the informal businesses in the township are willing to formalise and register their businesses and the factors which inhibit the formalization of these businesses. Approximately 120 informal businesses were randomly selected from 5 black townships, namely, Kwa zakhele, Motherwell, New Brighton, Zwide and Kwa Dwesi, in Port Elizabeth. Face to face interviews were conducted using structured questionnaires. The results of a stepwise logistic regression analysis suggest that the significant factors which influence the informal sector businesses to become formalised are access to technology, small business regulatory environment, entrepreneurial skills, economic sectors of the businesses and gender issues.

INTRODUCTION
The motivation for starting an informal business is generally assumed to be personal survival, as opposed to return on investment. This sector is mainly composed of the survivalist enterprises. Returns tend to be low and intermittent, security and stability are minimal; working hours are long, and working conditions are poor (Devarintert & Watson 1981). Thus, the scope and importance of informal activities tend to parallel the levels of poverty and underemployment in the economy (Marius 1987). It therefore follows that the informal sector cannot be regarded as making a significant contribution to creating viable employment opportunities (Hirschowitz, 1992).

An alternative point of view holds that the informal sector serves as an incubator for a country's ongoing economic development. It acts as a dynamic training ground for the establishment of more formal businesses, and a major vehicle for reducing unemployment. Further, it serves as a vital component of the free market system by performing a number of functions, such as reducing the bargaining power of unions, preventing monopolies, and keeping inflationary pressures, caused by rising costs of rentals, rigid regulations, and high overheads in check (Thomas 1988). Others (e.g. Koray 1991) suggest that this sector is quite efficient at generating job opportunities and satisfying basic population needs at very low cost.

THE PROBLEM AND ITS SETTING
A large informal sector has serious consequences for private sector activity, economic growth and the consolidation of democracy because it hinders necessary reforms and contributes to misguided policies. Therefore, reforms that would increase private sector activity and growth are not implemented because the informal activities are not reported; policy makers do not have the necessary information to make adequate decisions. Resource allocation is distorted, while productivity and competitiveness are lowered, giving rich, but not necessarily efficient, producers an unfair advantage. The informal sector places

---

The financial assistance of the National Research Foundation (South Africa) towards this research is hereby acknowledged. Opinions expressed and the conclusions arrived at are those of the authors and are not necessarily to be attributed to the National Research Foundation.
significant constraints particularly on smaller firms, limiting their access to financial resources, public services and utilities, and narrowing the kind of contracts or investments they can make. Job creation and chances for upward social mobility are severely restrained.

The failure to attract firms to formal market activities results in foregone tax revenues, which reduces government’s ability to finance essential business related goods and services – and in turn discourages even more entrepreneurs from paying taxes and business-related fees. High business costs and a lack of information and transparency also invite corruption. ‘Informals’ are illegal and therefore do not benefit from law enforcement services. They, therefore, have to resort to bribery in order to avoid costly punishment or to obtain certain services and protection.

OBJECTIVE OF THE STUDY
The objective of this study was to assess to what extent the informal sector businesses in the townships of Port Elizabeth were willing to become formalised.

RESEARCH METHODOLOGY
Both quantitative and qualitative research methodologies were employed in this study. Face-to-face interviews with the owners and the employees of the informal businesses were conducted. Direct interviews allowed for observation and practical verification of the procedures that were put in place (Babbie & Mouton, 2001; Ssegawa, 2000).

The fieldworkers collected data under the direct supervision of the researcher. The fieldworkers were instructed to interview the owners or the persons that were most senior and responsible for running the informal businesses. The fieldworkers asked questions beyond those included in the questionnaires. This was particularly aimed at gaining qualitative data. The strength of qualitative data is based on the fact that data collection is focused on naturally occurring, ordinary events in natural settings. Thus the data have a strong handle on real life, richness, and holism (Fox, 1999).

Quantitative methodology was based on a logistic regression. In a regression setup, i.e. when a number of independent variables are used to explain the outcome on a single dependent variable, and the dependent variable only has two values (usually coded 0 and 1), an appropriate statistical technique is Logistic Regression. The independent variables may be numerical or categorical.

The goal of Logistic Regression is to correctly predict the outcome on the dependent variable for each case. The observed data are used to estimate coefficients for the independent variables that are used to predict a log odds ratio for each case based on its values on the independent variables. The log odds ratio is the log of the odds ratio that the case belongs to one of the two categories (usually code 1) of the dependent variable.

For interpretation of the effects of the independent variables on the outcome, the coefficients are transformed into odds ratios. The effect that each independent variable has on the outcome is interpreted as an odds ratio.

SAMPLING PROCEDURE
Since there are no records of informal businesses operating in the townships, a judgmental sampling technique was used in this study. Judgmental sampling technique is a form of convenience sampling in which the population elements are selected based on the judgment of the researcher (Malhotra, 1999:335). The researcher exercised judgment or expertise to choose elements which are representative of the population of interest in this study.
PRESENTATION OF EMPIRICAL RESULTS

Descriptive analysis

This section of the paper first presents the cross-tabulation of independent variables vs. dependent variable (viz. formalising). The second section presents the Stepwise Logistic Regression and the third section presents a discussion on the implications of the findings. Policy recommendations and the conclusion are presented towards the end of the paper.

Table1: Cross-tabulation of independent variables vs. dependent variable (viz. formalising)

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>% of those willing to formalise</th>
<th>Pearson Chi-Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>46.4%</td>
<td>.223</td>
</tr>
<tr>
<td>Female</td>
<td>35.3%</td>
<td></td>
</tr>
<tr>
<td>Ownership</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners</td>
<td>40.9%</td>
<td>.500</td>
</tr>
<tr>
<td>Employees</td>
<td>48.1%</td>
<td></td>
</tr>
<tr>
<td>Qualification</td>
<td></td>
<td></td>
</tr>
<tr>
<td>None - grade 7</td>
<td>33.3%</td>
<td>.200</td>
</tr>
<tr>
<td>Grade 9 – grade 11</td>
<td>54.1%</td>
<td></td>
</tr>
<tr>
<td>Grade 12 – tertiary</td>
<td>37.9%</td>
<td></td>
</tr>
<tr>
<td>Sectors*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail/wholesale/manufacturing</td>
<td>29.7%</td>
<td>.039</td>
</tr>
<tr>
<td>Services</td>
<td>57.1%</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>38.1%</td>
<td></td>
</tr>
<tr>
<td>Family businesses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Family business</td>
<td>45.5%</td>
<td>.523</td>
</tr>
<tr>
<td>Non-family business</td>
<td>39.6%</td>
<td></td>
</tr>
<tr>
<td>Form of business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sole trader</td>
<td>43.1%</td>
<td>.807</td>
</tr>
<tr>
<td>Other</td>
<td>40.8%</td>
<td></td>
</tr>
<tr>
<td>Renting or owning business premises</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renting</td>
<td>38.3%</td>
<td>.474</td>
</tr>
<tr>
<td>Owning</td>
<td>44.8%</td>
<td></td>
</tr>
<tr>
<td>Access to technology*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access to technology</td>
<td>48.5%</td>
<td>.003</td>
</tr>
<tr>
<td>No access to technology</td>
<td>13.6%</td>
<td></td>
</tr>
<tr>
<td>Duration of business*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0 – 24 months</td>
<td>59.5%</td>
<td></td>
</tr>
<tr>
<td>25 – 60 months</td>
<td>36.6%</td>
<td>.035</td>
</tr>
<tr>
<td>61+months</td>
<td>32.6%</td>
<td></td>
</tr>
<tr>
<td>Employment levels</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employing 0-2 persons</td>
<td>46.3%</td>
<td>.407</td>
</tr>
<tr>
<td>Employment 3+ persons</td>
<td>38.8%</td>
<td></td>
</tr>
<tr>
<td>informed about VAT* compliance requirements**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Informed about VAT requirements</td>
<td>34.4%</td>
<td>.067</td>
</tr>
<tr>
<td>uninformed about VAT compliance requirements</td>
<td>50.9%</td>
<td></td>
</tr>
<tr>
<td>Consulted with small businesses support service providers**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obtained assistance from the small business service providers</td>
<td>58.3%</td>
<td>.067</td>
</tr>
<tr>
<td>Did not obtain assistance from the small business service providers</td>
<td>37.6%</td>
<td></td>
</tr>
</tbody>
</table>
The cross tabulation (Table 1) of independent variables vs. dependent variable (viz. formalising) shows statistically significant relationships of the dependent variable and the following independent variables:

Economic sector of the enterprise (Pearson-Chi Square = .039), access to technology (Pearson-Chi Square = .003), period of business (Pearson-Chi Square = .035), information about VAT registration (Pearson-Chi Square = .067) and assistance from the local business service centres (LBSCs) (Pearson-Chi Square = .067).

Further analysis of the factors influencing the willingness to formalise was done by means of stepwise logistic regression. The results of stepwise logistic regression are reported in the following section.

**Stepwise Logistic Regression**

In a regression setup, i.e. when a number of independent variables are used to explain the outcome on a single dependent variable, and the dependent variable only has two values (usually coded 0 and 1), an appropriate statistical technique is Logistic Regression. The independent variables may be numerical or categorical.

The goal of Logistic Regression is to correctly predict the outcome on the dependent variable for each case. The observed data are used to estimate coefficients for the independent variables that are used to predict a log odds ratio for each case based on its values on the independent variables. The log odds ratio is the log of the odds ratio that the case belongs to one of the two categories (usually code 1) of the dependent variable.

For interpretation of the effects of the independent variables on the outcome, the coefficients are transformed into odds ratios. The effect that each independent variable has on the outcome is interpreted as an odds ratio.

Stepwise logistic regression entered the independent variables in the model in the following order:

Access to technology
Awareness about VAT registration
Ownership of business
Sector
Gender

For the interpretation of the effects of the independent variables on the outcome, the coefficients are transformed into odds ratios. The effect that each independent variable has on the outcome is interpreted as an odds ratio.
Table 2: Stepwise Logistic Regression

<table>
<thead>
<tr>
<th>Step</th>
<th>Independent variables</th>
<th>Coefficient</th>
<th>Odds Ratio</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Access to technology</td>
<td>1.205</td>
<td>3.34</td>
<td>The odds for business with access to technology to formalise is 3.34 times higher than the odds for those who had no access to technology to formalise.</td>
</tr>
<tr>
<td>2</td>
<td>VAT</td>
<td>-0.658</td>
<td>0.52</td>
<td>The odds for VAT aware businesses to formalise are about half the odds for VAT unaware businesses to formalise. Put differently: the odds for VAT uninformed businesses to formalise are 1.93 times higher than the odds for VAT informed businesses to formalise.</td>
</tr>
<tr>
<td>3</td>
<td>Ownership</td>
<td>-0.777</td>
<td>0.46</td>
<td>The odds for owners to formalise are 0.46 times the odds for employees to formalise. Put differently: The odds for employees to formalise are 2.17 times the odds for owners to formalise.</td>
</tr>
<tr>
<td>4</td>
<td>Sector</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Retail, wholesale &amp; manufacturers reference group</td>
<td>Services</td>
<td>0.742</td>
<td>2.10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other</td>
<td>0.01</td>
<td>1.01</td>
</tr>
<tr>
<td>5</td>
<td>Gender</td>
<td>0.382</td>
<td>1.47</td>
<td>The odds for males to formalise are 1.47 times the odds for females to formalise.</td>
</tr>
</tbody>
</table>

THE IMPLICATIONS OF THE FINDINGS

The analysis of the empirical findings in terms of stepwise logistic regression suggest that there are five most important factors which explain the willingness of the informal businesses in Port Elizabeth townships to formalise, namely, access to technology, VAT registration, Ownership of the business, economic sector of the enterprises and gender.

The stepwise logistic regression ranked access to technology high in the list. Technology is rapidly transforming business practices across the world and provides new enhanced business opportunities for both industrialised and developing countries. The past decades have seen the infiltration of Information and Computer Technology into all aspects of the global economy. Lefebvre and Lefebvre (1996) argue that the combination of technology with local human capacity can be instrumental in achieving major changes in the organisation. This study found out that lack of access to technology inhibits the growth of the small businesses.
A second factor which affects the willingness to formalise is VAT registration requirements. The odds for VAT informed informal businesses were half that of the informal businesses which had no information regarding VAT registration requirements. This finding suggest that the legal framework within which the small businesses operate places a burden on the development of small businesses some of which are being run by people with low levels of education.

VAT registration requires small business to take the responsibility of writing up accounting records in accordance with legal standards. Some of the small businesses in the black townships lack administrative, filing and bookwork experience and therefore choose not to register for VAT. International evidence suggests that the regulatory environment has a major influence on the survival and growth of small and new businesses. According to the World Bank, regulatory reforms in developing countries could add as much as 1.4% to average annual GDP growth in these countries (GEM, 2004). Although South Africa has a relatively favourable regulatory environment there are areas where improvement to the regulatory environment could be made. In particular, improvement in VAT tax and reductions in compliance costs is necessary.

A third factor which constrains the growth of the small businesses in the Port Elizabeth townships is the owners who lack the drive and motivation to formalise their businesses. The odds for non-owners to expand are 2.17 times the odds for owners. According to Schumpeter (1934), an entrepreneur is someone who creates an opportunity. He viewed an entrepreneur as an innovator and the one who can take risks. Kirzner (1973) asserts that an entrepreneur is someone who seeks profit and identifies market needs. Therefore, entrepreneurship occurs in the context of opportunities, alertness and economic process.

Recent studies on SMMEs development in Port Elizabeth revealed that approximately 85% of the owners of small businesses started their businesses because of unemployment (Ncwadi & Woolard, 2002). These entrepreneurs are regarded as necessity entrepreneurs as opposed to opportunity entrepreneurs (GEM, 2004:11). Necessity entrepreneurs work from hand to mouth and do not look for new opportunities. This finding call for a further research to test whether or not the owners included in this sample have what it takes to be entrepreneurs as suggested by Schumpeter (1934). However such an investigation falls beyond the scope of this paper. On the other hand the employees in these informal businesses desire for the formalisation of these small businesses mainly because these employees are uncovered by the labour law and are subject to harsh working conditions. For example, in the business of informal taxi operations Khosa (1993, 1994) reveals widespread existence of exploitative labour practices, including the use of children as queue marshals and car cleaners, the extension of working hours, the struggle to meet daily targets and an emerging trend for taxi fleet-owners to recruit new drivers from rural areas in order to cheapen their labour costs.

The fourth factor which influences the willingness of the informal businesses to formalise is the sector in which the small businesses operate. The odds for businesses in services sector to formalise were 2.10 times the odds for retail, wholesale and manufacturing to formalise. Businesses in services sector were hair salons, transport services, consultants, training services, public phone shops, cleaning services, driving school and estate agents. According to Lund (1998) township businesses tend to be concentrated in retailing and wholesale. This results in businesses in retailing and wholesale having lower incomes compared to those in the services sector.

Finally this study revealed that there were differences in terms of gender with regard to willingness to formalise. The odds for males to formalise are 1.47 times the odds for females to formalise. According to GEM Report (2004) men are more likely to be entrepreneurs than women. Lund (1998) concurs by stating that men are in a better position to become entrepreneurs not only because of the skills learned in the formal sector but also because they are more likely to have some savings for start-up costs. Women’s
Social role in the past which has been just taking care of children at home explains why males are more willing to formalise than females.

**POLICY IMPLICATIONS, RECOMMENDATIONS AND CONCLUSIONS**

The sample contained in this study consists of entrepreneurs from previously disadvantaged communities. These businesses are microenterprises and are non-VAT registered. The study found that the factors inhibiting the willingness of the informal businesses to formalise in the townships are access to technology, legal environment, ownership, sectors of the businesses and gender. We recommend that small businesses in the townships be exposed to technology. Small businesses often lack the awareness and skills to tap into the unprecedented opportunities offered by Internet-based computer applications. Moreover, networks to support Internet start-ups have been slow to develop in many emerging markets, often because they lack a dynamic environment for start-ups and for small businesses generally. E-commerce, for example, can help entrepreneurs with small budgets find new buyers in overseas markets that would otherwise be unreachable. Placement and fulfilment of orders, arranging of financing, accounting and insurance, and interaction with distributors can also be done online at a fraction of the offline costs. But such opportunities require affordable access to the internet and other new technologies. The small business advice centres should amongst others, provide training in use of technology in running a business and these small business advice centres must be accessible to the townships.

Regulatory environment needs to be improved. In particular, improvement in VAT and reductions in compliance costs is necessary. Regarding owners of the township businesses, it is necessary to give training in entrepreneurship skills, provide general management training in order to build capacity for the owners. This can be achieved through targeted training and experienced mentoring. A pool of trained mentors who go beyond “consultancy” should be created.

A number of township businesses are retailers and/or wholesalers. This leads to reduced income levels. Any intervention program should be geared to diversifying a number of these businesses so that more businesses venture into services sector. Finally training programs should address challenges facing female entrepreneurs in South Africa. Attention should be placed on evaluating the training needs of women owned businesses. Government interventions and proper strategies are needed to ensure efficient participation of women in the economy.

**REFERENCES**


Lund, F. (1998). *Women street traders in urban South Africa*: A synthesis of selected research findings CSDS Research Report No. 15; School of Development Studies, University of Natal, Durban


Local business service centres (LBSCs) are regarded as essential instruments for support of SMMEs. LBSCs are accredited organisations that provide non-financial business support to SMMEs. A nation-wide network of these LBSCs was created. The national government supports the LBSCs activities financially. This paper seeks to ascertain whether the LBSCs are effective in improving the welfare of the small businesses in Port Elizabeth. The research methodology comprised a multiple regression analysis of a few selected SMMEs who had received some form of support from the LBSCs and those that did not receive any LBSC support. The regression estimates suggest that although the South African government has shown interest in the development of the small medium enterprise sector, its policy strategies to support SMMEs in terms of LBSCs have not contributed to the firms’ profitability. More than just LBSCs is needed for boosting the small business sector.

INTRODUCTION
The accredited LBSCs provide a number of services to SMMEs. These services are, amongst others, business information, general business management advice and counselling as well as aftercare and networking to other business support services. LBSCs encourage private sector growth (Nieman, 2001). Similar services and programmes are offered to all SMME owners irrespective of their formal educational backgrounds. Those SMME owners who do not have formal education are at a disadvantage because the terms which are used in the LBSCs training programmes may be foreign to these particular individuals. Consequently some of the support programmes offered by LBSCs are not effective and are not yielding the expected results (Taylor, 1997). The arguments stated above indicate that the significance of assistance from local business service centres remains as a contentious issue in the society. LBSCs related expenditures account for a large percentage in the government budget and are reported to be R874million in 1997 (Nieman, 2001).

Considering that government uses scarce resources and has various other welfare responsibilities it is essential that resources are directed to initiatives that mostly encourage sustainable economic growth.

In order to provide deeper understanding on determinants of small business performance, this paper analyses data from local SMMEs in the Nelson Mandela Bay (Port Elizabeth). The analysis uses a multiple regression model to establish whether the independent variables contribute to the performance of SMMEs.

STATEMENT OF THEORY
The hypothesis to be tested is that small businesses that consult local business service centres for business related support have greater profits than the firms who do not consult.

The financial assistance of the National Research Foundation (South Africa) towards this research is hereby acknowledged. Opinions expressed and the conclusions arrived at are those of the authors and are not necessarily to be attributed to the National Research Foundation.
The theory to be tested can be represented statistically by the equation:

\[ \text{Profits} = \beta_1 \beta_2 \text{LBSC} + \beta_3 \text{EDU} + \beta_4 \text{PER} + \beta_5 \text{GEN} + \mu \]  

Where Profits = Profits earned in 2004;
\( \beta_1 \) = autonomous profits at year 2004;
LBSC = 1 if uses LBSC
0 otherwise
EDU = takes the value 1 for tertiary qualification
0 otherwise
PER = Number of years the business has been functioning.
GEN = 1 if female
0 otherwise

**DESCRIPTION OF THE DEPENDENT VARIABLES AND PRIOR EXPECTATIONS**

It is expected that there is a positive relationship between the variable LBSC and annual profits, as previously indicated LBSCs are government agencies providing support for improving the business environment, within the context of this study their impact is reflected through increased profits.

The variable EDU represents the education level of entrepreneurs. The coefficient of the variable is expected to be positively related to the dependent variable because studies confirm that with tertiary qualifications, training and work experience entrepreneurs are capable of producing using more efficient means of production and thus raising profits.

GEN stands for gender. Despite the fact that women-owned enterprises are contributing an increasing share to national revenue it is expected that there is a negative relationship between gender and annual profits because women are generally perceived to lack the capacity of their male equivalents. This is because women were excluded in business operations thus nearly all women-owned enterprises belong to the lower end of the SMME category, being either very small or micro sized companies.

The variable PER represents the period of the business. Large firms usually spend more on development of their businesses to improve their competitiveness in markets and to gain a bigger market share. Such developments encourage greater profits and therefore the PER coefficient is expected to be positively related to the dependent variable, profit.

**HYPOTHESIS STATEMENT**

For smaller firms managed by their owners, profit dominates almost all decisions. Firms that do survive in competitive industries make long-run profit maximisation one of their highest priorities (Pindyck & Rubenfeld, 1995).

Based on the above statement, a hypothesis statement is formulated as follows:

The profits of SMMEs which receive assistance from the LBSCs are greater than those which do not consult with LBSCs.

**RESEARCH INSTRUMENT, DATA COLLECTION, SAMPLING TECHNIQUES AND DATA ANALYSIS**

The survey of SMMEs in the Nelson Mandela Metropole was conducted during November 2005. A list of 56 micro-enterprises which had consulted with LBSCs in 2003 was obtained from the LBSCs in Port Elizabeth. Out of the 56 small businesses, a total number of 20 small businesses participated in the study. A total number of 15 small businesses refused to participate in the study whilst the remainder of 21 businesses did not keep any records of their transactions and therefore could not be included in the study. An additional number of 14 businesses which did not consult or receive any support from the LBSCs...
were surveyed and included in the sample as a control group. The total number of observations in the study is 34.

Face to face interviews using structured questionnaires were conducted. The data was analysed by means of a multiple regression model to estimate the impact of Local Business Service Centres on the development of SMMEs. In the model, annual profits for the period 2004 are specified as a function of Local Business Service Centre support, education level, gender and number of years in business.

REGRESSION ESTIMATES
The following regression output displays the regression parameter estimates.

SUMMARY OUTPUT

<table>
<thead>
<tr>
<th>Regression Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiple R</td>
</tr>
<tr>
<td>R Square</td>
</tr>
<tr>
<td>Adjusted R Square</td>
</tr>
<tr>
<td>Standard Error</td>
</tr>
<tr>
<td>Observations</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ANOVA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Df</td>
</tr>
<tr>
<td>-----</td>
</tr>
<tr>
<td>Regression</td>
</tr>
<tr>
<td>Residual</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

<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>29693.49872</td>
<td>13595.54779</td>
<td>2.18406</td>
</tr>
<tr>
<td>LBSC</td>
<td>7123.117977</td>
<td>11595.06588</td>
<td>0.614323</td>
</tr>
<tr>
<td>EDU</td>
<td>15828.63861</td>
<td>11007.59466</td>
<td>1.437974</td>
</tr>
<tr>
<td>PER</td>
<td>1293.197896</td>
<td>787.0253183</td>
<td>1.643146</td>
</tr>
<tr>
<td>GEN</td>
<td>-25296.82889</td>
<td>10794.74925</td>
<td>-2.34344</td>
</tr>
</tbody>
</table>

ASSESSING THE UTILITY OF THE MODEL
The study used three forms of hypothesis testing. Firstly the null hypotheses tests whether there is at least one parameter that is significant for estimating small firm profits, against the alternative stating that none of the parameters are different from zero.

Ho: $\beta_2 = \beta_3 = \beta_4 = \beta_5 = 0$

Ha: At least one $\beta_k \neq 0$

The F statistic is 3.514170092 and the corresponding p value is 0.018155661 and less than alpha = 0.005. It is thus evident that at least one of the variables included in the model contributes to the determination of firm profits. Thus with 95% confidence, it can be concluded the model presented in equation (1) is adequate. Similarly, at least one of the variables LBSC, GEN, PER and EDU can be used to explain annual business profits. Without undermining the importance of the other factors, the hypotheses of interest concerns $\beta_2$. 

325
A hypothesis test for the significance of LBSCs is presented as follows:

\[ H_0: \beta_2 = 0 \]
\[ H_a: \beta_2 \neq 0 \]

Since the test statistics highlighted in the regression is 0.614323 is less than the critical \( t = 1.6999 \), fail to reject \( H_0 \) and conclude that there is insufficient evidence of a linear relationship between firm profits and LBSC support. In addition, the \( R^2 \) value is 32 percent indicating that the explanatory variables included in the model only explain 32 percent variation in firm profits. It is thus evident that there are other important but omitted important variables in the model that explain small business profits.

The results are however not consistent with prior expectations. It is evident that the strategies implemented by LBSCs are ineffective and that the government has been overly optimistic about these support strategies. The results are consistent with experiences faced by some respondents who reported that the representatives of LBSCs have no knowledge or skill in retailing. In addition, one owner indicated that his business has grown well because of his personal efforts and that LBSCs had no role to play.

The findings thus suggest that government assumed that both opportunities and entrepreneurship were readily available in South Africa. Government was under the impression that all that was needed to boost the sector was a creation of support institutions. It follows that such an assumption was overly optimistic.

Further findings from the study suggest that the profits of individuals lacking formal education fall below the profits of those individuals with formal education. The fact that the \( p \) value highlighted in the regression is less than 5% confirms the significance of education in estimating business profits. It can therefore be concluded that a long term solution should involve major drive to improve the education system.

Finally, the findings of the study reveal that there have been no significant changes in the status of women in business, they are still generally perceived to lack the capacity of their male equivalents.

**POLICY IMPLICATIONS OF THE FINDINGS**

The regression estimates suggest that although the South African government has shown interest in the development of the small medium enterprise sector, its policy strategies to support SMMEs in terms of LBSCs have not contributed to the firms’ profitability. The SMME development strategy in South Africa has a more complex challenge than thought. The issue of SMME development goes beyond support provided by LBSCs.

The important question is how does one improve the entrepreneurial performance of an individual by means of a training intervention? Van Vuuren and Nieman (1998) developed a model which attempts to address this question. The model postulates the following variables: \( E/P = a + bM(cE/S \times dB/S) \). This model indicates that entrepreneurial performance (E/P) is a multiplicative function \( (f) \) of motivation (M) times entrepreneurial skills (E/S) and business skills (B/S). The constants a, b, c & d is merely an indication of a certain level of skill that is accepted to be part of the average individual’s skills before the training intervention is made.

Areas of training could be categorised into motivational, business and entrepreneurial skills training. It seems as though many training institutions conduct training wherein only one area of training is provided, to the detriment of other areas of training. Institutions that mainly focus on business skills (i.e. management training) or mainly on motivational skills and perhaps very little or nothing on
entrepreneurial skills are doing a disservice to the SMME sector. The SMME training should be understood like a three-legged pot; one cannot do without the other.

Entrepreneurial performance (E/P) is based on starting of a business/utilising an opportunity and growth of the business idea. Motivation (M) is seen as the level of the need for achievement of the entrepreneur. Entrepreneurial skills (E/S) include creativity, innovation, risk-taking, the ability to interpret successful entrepreneurial role models and the identification of opportunities. Business skills (B/S), on the other hand, include business plans, financial skills, marketing skills, operational skills (technical), human resources skills, legal skills, communication skills and management skills.

One contends with some researchers and those respondents of the study that training alone may not make the magic for small businesses to flourish. Constraints like lack of financial resources, lack of access to markets, lack of support services and low literacy levels should be addressed. According to Hisrich and Peters (1995) training plays a pivotal role in supporting the emerging entrepreneur e.g.: one may have the needed finances, but if there is lack of financial controls, it would not make any difference. In the same manner, one may have access to the markets but if there is no knowledge as to how to be a competitive marketer of your products and services, there will still be no progress to enable small businesses flourish. An effort should be made to balance the three constructs indicated in the model (Van Vuuren and Nieman 1999) in the training programmes of the LBSCs.

Entrepreneurial skills training is however, relatively new in South Africa. The government’s Reconstruction and Development Programme (RDP) place a major emphasis on entrepreneurial awareness and training. It is only in the early 1990s that colleges for Vocational Education and National Senior Certificates started recognising the need for intensive training in entrepreneurship as a subject (Bowler and Dawood; 1996).

Many studies conducted proved that entrepreneurs can be trained and developed. While most authors agree that SMMEs are important for development, Bechard and Toulouse (1998) indicate that organisations wishing to develop entrepreneurship by education presuppose that the lack of training for entrepreneurs is the main reason for failure of small and medium enterprises (SMEs). In a similar note, Gupta (1989) cited the results of the research done in the state of Gujarat, India; which revealed that trained entrepreneurs had less than 10 percent business closure rate as compared to 20 to 25 percent among other small enterprises. Profit and loss analysis in the research done in the state of Gujarat, India, revealed that 80 percent of the educated and trained entrepreneurs were making profits, as opposed to 60 to 70 percent of the other small enterprises who had low levels of education (Gupta, 1989).

CONCLUSIONS AND RECOMMENDATIONS
The results of this study reveal that LBSCs alone are not sufficient in helping the SMMEs in order to run profitably. Education seems to play a determinant role in ensuring that small businesses are viable and profitable. In order to avoid a large failure of SMMEs in South Africa, there is an urgent need for young people to be educated and trained in the field of entrepreneurship. In order for them to become job creators rather than job-seekers, children should learn, from an early age, to be knowledgeable consumers, develop the right attitude towards work, and develop the skills needed to identify viable business opportunities and eventually start their own business undertakings. Entrepreneurship education will therefore contribute to the ideal of empowering as many people as possible in order to unleash the previously stifled human potential of all South Africans (Hanekom, 1995). Esterhuizen (1996) is of the opinion that this ideal will be better accomplished when parents also become actively involved in entrepreneurship education for their children at home.

The teaching of entrepreneurship should undoubtedly contribute to the full development of learners and the social wellbeing of the nation at large. Care should be taken to ensure that entrepreneurship education
does not become another activity where learners acquire predominantly theoretical knowledge. Entrepreneurship education should focus on ways to ensure that the practical and "fun" element (Gouws, 1997:144) will be an integral part of the programme. Consideration should be given to mentorship programmes where older learners can for example be recruited for an internship at a company. Research is also necessary to determine how teachers can assume ownership "... both of the curriculum itself and the implementation process" (Rogan, 2000:121).

In addition to entrepreneurship education at schools, the existing LBSCs should review their training materials so that they can provide relevant training. LBSCs should also benchmark their services with successful similar institutions in other cities and provinces. Emerging and potential entrepreneurs should be encouraged to take courses in entrepreneurship in established formal education centres. SMME stakeholders should also form business forums where issues of common interest are discussed. Finally, the individual’s educational background should be taken into consideration when deciding which training programmes will be offered and the method that will be used to offer the training to them. Perhaps the training programmes should be categorised according to beginners’ course for those who do not have adequate levels of formal education, intermediate phase for those who are fairly exposed to formal education and advanced programmes to those who have attained some degree of formal education.

REFERENCES


Although micro and small retail units are discouraged and often demolished under strong anti-establishment campaigns. The objective of this paper is to develop a conceptual framework that guides development of micro, small and medium retail enterprises as job creators, sources of incomes and a means of eradicating poverty in a developing country. Micro, small and medium retails are interrelated institutions that support each other in their developments. Over time Micro retails change; develop into small retail establishments, before expanding to medium scale retails. That interdependence questions the persistent demolition and eviction of micro retail businesses given inherent valuable jobs, cash incomes, internship for entrepreneurship development, experience to run business, grow into small retail enterprises. The model has implications to policy urging planners to spare micro, small & medium retails development creating an enabling environment that allows entrepreneurs’ create jobs to fight poverty. The model has wider use to other sectors of the economy.

INTRODUCTION
In the past 10 years Dar es Salaam retail stores especially those who establish micro retail have experienced persistent harassment, demolition, evictions (Chatanda, 2000 & Maigala 2008) and hard policies and directives and hawkers chased from their businesses by city officials. The move to demolish informal retails was supported by arguments that retailers did not follow procedures or established and operated businesses illegally since they were not registered. Demolitions of 2005/06 witnessed registered retails also being demolished in the central business district and in residential areas. What came out of this practice is that micro retails were not being useful in the development of small and medium enterprises despite of creating jobs and eradicating poverty in a globalise economy. The paper develops a framework of micro, small and medium retail enterprises development in Tanzania. The interrelated nature of small, medium and large scale retail businesses prompted the writing of this paper. The sector provides jobs, eradicates Poverty and links the country with the rest of the world. The paper develops a conceptual framework to guide development for micro, small and medium retail enterprises in a developing country. Desk survey from existing body of knowledge, experience and observations drawn from Dar es Salaam retail enterprises was a method used to develop the paper.

LITERATURE REVIEW
Micro, Small and Medium Retail businesses
Micro, small and medium business enterprises are established to produce or deliver tangible items or services for the purpose of making a profit. There is no common definition of a small business (Hirsch and Peters, 1995) such that each country tries to come up with its own definition because of differences in situation, economic levels and magnitude of selected indicators. For example, in the USA, sales turnover or numbers of employees or capital employed are used to define a small business. These indicators cannot be generalised in every country or sector (Mboma 1999). Some of the yardsticks which have been commonly been used are total number of employees, total investment, and sales turnover (Rutashobya and Olomi, 1999),

Since the analysis focused on Tanzania a working definition adopted was from Small Scale Development Organisation (SIDO) and URT (2003) that hold that small enterprises (SEs) are firms that employ between 5 and 49 people, or with capital investment from Tzs. 5 million to Tzs. 200 million. They are mostly formalized undertakings. Medium enterprises employ between 50 and 99 people or use capital investment from Tzs. 200 million to Tzs. 800 million. Large enterprises have 100 or more people and
capital investment above TZS800 million. In the Tanzanian context, more micro-enterprises prevail that engage up to 4 people, or employing capital amounting up to Tzs. 5.0 million. The majority of micro enterprises fall under the informal sector. The Micro, small and medium enterprises are considered to be the largest sector that occupies a variety of economic activities world-wide. Each level of enterprise has unique features, including high failure rates, which influences studies in examining causes and performances as categorised in Table1.

Table1: Micro, Small and Medium Enterprises Categories in Tanzania

<table>
<thead>
<tr>
<th>Categories</th>
<th>Employees</th>
<th>Capital Investment inMachinery (Tzs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro enterprise</td>
<td>1 - 4</td>
<td>Up to 5mil.</td>
</tr>
<tr>
<td>Small enterprise</td>
<td>5 – 49</td>
<td>Above 5mil to 200mil.</td>
</tr>
<tr>
<td>Medium enterprise</td>
<td>50 - 99</td>
<td>Above 200mil. To 800mil.</td>
</tr>
<tr>
<td>Large enterprise</td>
<td>100+</td>
<td>Above 800mil.</td>
</tr>
</tbody>
</table>


Studies conducted in 1972, 1973, 1985 and 1991 by the International Labour Organisation (ILO) and others showed contributions made by micro, small and medium enterprises.

Poverty

Poverty is a state of deprivation of access to basic needs to individuals, households and local communities as expressed by poor dwellings, low per capita income, dilapidated infrastructure, and undesirable behaviour, malnourished people; wearing tarts and beggars on the streets; small farms with poor yields and factory low output; high pre-mature death rates; agitated people; disorganised homes, ignorance, ill-health and negative attitude toward life (World Report of 1997). Poverty is a global phenomena where 1.3 billion people lived in poverty surviving on less than TZS1,000/= per day for all their needs (DFID 1997) whose majority were found in South Asia (39%), East Asia & the Pacific (34%), 17% in Sub-Saharan Africa and others 10% elsewhere. Governments, non governmental organisations and individuals have addressed the problem (DFID, 1997; URT, 2000) helping people to have food, basic education and health care, clean water, good physical environment, shelter and increased welfare. In Tanzania poverty reports show that 65% of population is poor out of which 35.7% live below poverty line (URT 2000, World Development Report, 1999/2000 and 2002, 2004).
Causes of Poverty in Tanzania

Table 2 summarises reasons given by Economists, politicians, and other social scientists as causes of poverty.

Table 2: The causes of poverty in Tanzania

<table>
<thead>
<tr>
<th>Authors</th>
<th>Factor Source of poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rwegasira 1992</td>
<td>Collective ownership including general and unspecified directives</td>
</tr>
<tr>
<td>Wangwe, 1977, BOT, 1980s-1990s.</td>
<td>Underproduction in all sectors of the economy</td>
</tr>
<tr>
<td>Rwegasira &amp; Kanneworff 1980; and Bagachwa, Mbelle and van Arkadie, 1992.</td>
<td>Dissolution of co-operatives and the East African Community (EAC) in 1977 accompanied by natural droughts as well as floods between 1970s and 1980s</td>
</tr>
<tr>
<td>Tibaijuka, 1998; Mtalo, Lwaatama and Mboma, 2001.</td>
<td>Breakdown of all social services including health, water, housing, food security as well as education</td>
</tr>
<tr>
<td>Tripp, 1993; Bryceson, 1993; Lugalla, 1995.</td>
<td>Unstable World market prices and theft in cop-operatives, low earnings for farmers and workers. Low wages failed to sustain lives in town or villages</td>
</tr>
<tr>
<td>UNICTAD, 2002.</td>
<td>The private sector is still domestic oriented and has a low output as export manufacturing is only 0.53% of GDP.</td>
</tr>
<tr>
<td>BOT and URT 1980-2007 reports.</td>
<td>Low National Product and per capital incomes over years</td>
</tr>
<tr>
<td>URT 2007/08 &amp; Nipashe 07/03/08</td>
<td>Corruption diverts resources policy development initiatives &amp; injustice demolitions</td>
</tr>
</tbody>
</table>

Low producer prices, deterioration of infrastructure (roads, factory buildings and hauling facilities), poor marketing strategies associated with no added value to farm produce and poor quality of manufactured products both failing to realise adequate incomes although employment level has remained low. People’s mindset, systems and procedures change slowly from centralised to a liberalised economy where people’s perception together with understanding of the concept of liberalisation and globalisation have not crossed minds of many. Globalisation has been perceived negatively where majority of people’s attitudes rely on government and/or donor support to foster development. The current circumstances require individuals and institutions to support their existence through their own means whereas government’s role as an enabler.

Current studies by World Bank (1994 – 2006) show improvements in economic performance in Tanzania (Kitururu, 2000; Ally, 2000; BOT 2003). The economy has been growing from 0.3% (1993) to 6.2% (2002) and 6.8% in 2006-07 but foreign direct investment (FDI) has been directed to medium or large projects such as infrastructure (transport and communications) and mining. Inflation rate has dropped from 35% in 1995 to 4.5% in 2003, 6.4% in 2007 and a decline in money supply (URT, 2003, BOT reports 2006 & 2007). Despite current positive developments, Tanzania is still among the poorest countries in the world (Maliyamkono and Bagachwa 1990 & Lugalla 1995) and researchers as this one are looking for alternative develop model to increase incomes to address poverty -hunger, shelter, health issues and other needs.
Entrepreneurship in Micro, small & medium Enterprises and Job Creation

Entrepreneurship is a primary factor in economic development and growth (Schumpeter 1934, McClelad 1961). Entrepreneurial behaviour is characterised by taking initiative, innovating, mobilising resources and taking risks in order to achieve desired goals for succeeding (Katzin, 1964, Kilby, 1971). Resources include land, buildings, people, finances, technology, information and time. Engagement of people provides employment opportunities in micro, small & medium enterprises and linked with entrepreneurship. Many of the micro, small & medium enterprises start-ups is derived from an entrepreneurial idea that creates business enterprises. Small business grows to medium and even to a large enterprise.

Retailing & Poverty eradication
Types of retails stores
Retailing links production and household consumption (Kotler, Armstrong, Saunders & Wong, 2003, McGoldrick, 1990) through distribution chain continuum. Its role provide place and time utility, access and convenience adding value chain of distribution as retailers improvise different skills to create attractive and needed assortments, inform, location and delivery of products. Retail institutions are of different types based on ownership and marketing strategies. Using the form of ownership is the Corporate Chain, the independent and contractual Vertical Marketing System (VMS) - Franchise systems, Retail co-operative and wholesale. Based on marketing strategies are department stores, discount houses, limited-line stores, Speciality store, Super Market, Convenience stores are established and Warehouse clubs (Lucas, Bush, & Gresham 1994).

Retail Stores found in Tanzania
Retail services are available in Tanzania just as they are found in many other countries. There are different in type, many in number and vary in sizes. Mboma (1999, 2001) observes different types of retail stores that are found in Tanzania as presented in Table 3.

The different retails include Micro Scale Retailers: street traders, itinerant traders, hawkers, open market traders’ kiosks, tied shops, canteens and unit shops. These retail services are offered at small scale and occupy a small physical space set up business along streets in the city. The micro retail businesses are part of informal sector and few are registered. Small scale retails: Small Fixed Shops, kiosk, canteen and groceries while Medium scale level is tied shops found at are petrol stations. Large scale Retailers: Multiple shops or chain stores and Super markets: are large stores that stock many items and operate on “self service” system such as Imalaseko, Shoprite, and Shamjee. Shopping malls include the Kariakoo market complex, shoppers’ plaza and Mlimani City.
Table 3: Different Types of micro, small and medium Established in Tanzania

<table>
<thead>
<tr>
<th>Retail Services</th>
<th>Goods and service retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport: urban bus services “daladala”, inter-regional and national registered and unregistered taxi “bubu”, services</td>
<td>Farming: Milk, beef, pork, chicken, eggs, vegetables, bananas, fruits, ice cream, pea nut and so on.</td>
</tr>
<tr>
<td>Hair saloons and tailoring marts (for men and women)</td>
<td>Catering and services Processing: Fruits and other foods.</td>
</tr>
<tr>
<td>Photocopying, secretarial, binding, word processing</td>
<td>Bar/Club*: Beer**, soft drinks, roasted meats and other foods</td>
</tr>
<tr>
<td>Personal services: Masters'/Mistresses of ceremonies, security guards, professional: legal, taxes</td>
<td>Artefacts to mark events such as anniversaries, weddings, family matters</td>
</tr>
<tr>
<td>Mobile catering services for seminars, conferences, workshops, funerals, weddings, graduations etc</td>
<td>Shops: selling maize, rice, sugar, cooking oils, kerosene, soap, clothes Canned, bottled and packed foods-fruits, grains</td>
</tr>
<tr>
<td>Communication: Phone booths</td>
<td>Bookstores and streets vendors</td>
</tr>
<tr>
<td>Consultancy services, tuition, data entry, research a</td>
<td>Local markets and “magenge”: Sell local foods such as potatoes, vegetables, rice, beans, tubers, fruits.</td>
</tr>
<tr>
<td>Training educational institutions including nursery, primary, secondary and specialised skills</td>
<td>Decorations: decorations to wedding ceremonies, graduation ceremonies, Gardening: Flowers</td>
</tr>
<tr>
<td>Mobile sanitary, funeral, Laundry &amp; cleaning &amp; carpentry,</td>
<td>Hawkers: on the streets, offices and residential areas.</td>
</tr>
</tbody>
</table>

*A club is a traditional bar, which sells local brew. ** Beer includes both types of traditional and modern produced brews.


Employment opportunities

The retail business sector has grown very fast in Dar es Salaam since 1990s to date. For example, in transport services private individuals use buses of various capacities of 15, 25, 35 and 65 passengers; bajaj -tricycle (3 people), saloon cars as taxis, and and one to three tonne pick-ups haul customers’ parcels to different locations. All micro production, manufacturing and services are combined with retailing to generate income sought. The sector also harbours a large group of hawkers popularly known as “machinga” who sell goods on the streets, offices and residential areas. Dar es Salaam had 6,520 enterprises in the informal sector in 1984 that increased to 21,100 and 500,000 in 1991 and 1998, respectively. Of 500,000 firms, only 120,000 of those establishments were registered (Limbu, 1998). Micro businesses were three to four folds (Mboma 2001). The number still grows due to increased unemployment and increased demand for retail services as a result of city expansion. The stated firms above employ 5.8 people on average. The number of employees, according to the Japanise report of February 2000 showed that the informal sector employs 955,647, while the formal sector employs a total of 817,626 people.

Micro, small and medium retail enterprises as Alternative Sources of Incomes

People of Tanzania establish businesses of varied sizes to get goods, services and earn incomes. Micro, small and medium create extra incomes (Maliyamkono and Bagachwa, 1990) so that they could lead a decent life. The main motivating factor in establishing MSMEs was pressed needs and change of business environment as pointed out before. Micro retail activities create occupations that occupy people’s minds otherwise more unpleasant social behaviour among people might have increased.

In establishing a micro retail business earns extra cash income to dispose off excess farm produce (Mboma 2001) and as an occupation for those who produce for markets as the case of vegetable growers in urban areas (Mboma 1999). Bryceson, (1993) observed that income from retailing was higher than that gained from permanent jobs either in the civil service or private firms -civil servants, teachers, secretaries, accountants, engineers, doctors, economists, lawyers, community workers and entrepreneurs. Retail stores establishment takes place in both rural and urban areas though most vibrant businesses are found in urban areas because of larger number of customers in the commercial channels than in the rural areas. The general low wages paid in an environment that needs more cash to pay for education, medical, recreation,
and domestic needs force people to look around to earn extra cash. Women dominate in retail of foods than men in the rural areas (Mboma, Chazinga and Kagya, 1994) while men dominate in the urban areas.

The retail businesses were established in high, middle and low income areas by people of different ethnic, racial and educational backgrounds as Mboma (1999) pointed for Tanzania, Findlay and Dawson (1990) for Asia and Dawson 2002 for Ghana and Tanzania. Similar patterns are observed in many cities of Africa such as Nairobi, Zimbambwe and Swatziland. In particular retailing has been an easy task done by individuals in different forms and styles such retailers start small, simplified manner using low investment that is as low as selling farm produce from own garden or farm (Mboma 2001).

CONCEPTUAL DEVELOPMENT FRAMEWORK
The Roles and interrelationship of Micro, small and medium retails – analysis shows that Micro retail businesses grow into small businesses that may remain small or grow into medium or large enterprises over time it its life history. The micro business owner networks; learn other network members plus formalising businesses creating small businesses. Both micro and small businesses start with small capital that are easy to manage, easy transfer of skills and apprenticeship (learning by doing) especially to emerging entrepreneurs of African Tanzanians whose history was limited in terms of enterprising knowledge and behaviour. The micro, small and medium institutions take place in different sectors of the economy, stimulating production, utilising local resources, enhancing distribution and consumption of goods and services.

The discussion shows that Micro, small and medium retails are interrelated institutions that are linked as presented in Figure 1. The developments are part of retail changes observed in literature explained by entrepreneurial behaviour (Mboma 1999).

**Figure 1: Development of Micro, Small and medium retails as interrelated institutions in food business**

This understanding allows planners to rethink of retails demolitions (Figure 1). A planned retail develops through a change process over time certain type of retail store desired by an entrepreneur. For example a micro retail store that sells fresh foods, change supplies, modifies physical structure and registers a small shop, employ people, turning into a grocery then a mini market. Further developmental changes a retailer may get loan, import goods turning a mini super market to a large supermarket or establish another store in a different location.

Effective and efficient conceptual development of retails considers micro enterprises in addressing poverty. Figure 1 demonstrates that micro retail start-up begins easily and informally that changes into small business that grows into medium enterprise because business has an internal inherent characteristic of growth in Figure 2. The model observes that the micro, small and medium enterprises are subjected to pressure from business environment that originates from global and national blocks. The global block (meta environment) comprising of international politics and economics, standards, logistic infrastructure, technology and information technology to mention a few, challenge and offer opportunities that can be
explored and exploited by retailers especially at advanced and matured small, medium and large scale businesses. The national (local) environment comprising of macro and micro policies, address the role played by policy makers, financial infrastructure, communications, supply systems, knowledge of business and so on that creates enabling environment that allows business to operate leading to survive, profit and growth in Dar es Salaam.

The framework Figure 2) is seen as a system where micro, small and medium retail system requires inputs of the entrepreneur and enabling environment. Entrepreneurs as agents of changes establish retails in the categories of micro, small and medium institutions that address poverty and foster retail development process. Brady, Mills and Mendenhall (1989) identify few retail programs that include service delivery, store features, branding and promotion.

The entrepreneur has motive and willingness to establish a retail business, mobilise resources, invest, change retails, manages, gaining experience and employing others - creating jobs. Employment enables people earn incomes, get purchasing power and buy goods and services. A successful retailer attracts other retailer who joins stimulating competition hence more retail stores, jobs, customer choices in goods and services as well as competitive prices. A competitive environment enables Micro; small and medium retails use competitive advantages to challenge other businesses for effective and efficient services enhancing more production, increasing employment opportunities, incomes, increased living standards, a healthy nation and the like. Low incomes earners have realised retailing do support lives in urban and rural areas hence many players. Let policy makers allow micro businesses operate and support them to change into small businesses unlike the current thinking.

International, local government other institutions and individuals see to it that micro, small and medium retails mean something to peoples’ lives. Knowledge base reflecting on local environments is needed to guide and direct the right path institutions should take. The role of researchers, policy makers and practitioners work as a team to develop retail sector that provides incomes that address poverty states in our society.

Challenges and Limitation in Micro, small and medium retails developments
Management skills’ Limitations (Keasey and Watson, 1993; Rutashobya and Olomi, 1999; Storey, 1994; Rwegasira, opcit.); involvement of minors in micro, small and medium; Limited availability and Short fall of start-up and working capital; Limited market size and insufficient quantities to meet market demand; Anti-enabler practices to retails; and Retailers’ attitudes and practices contribute to failure to separate a business from owner, their labour not valued, Unplanned spending behaviour that erode business incomes (Mboma 1999 &2001).
The conceptual framework promotes production of goods and services that create employment, generate income, and eradicate poverty.
IMPLICATION OF THE FRAMEWORK AND CONCLUSION
The inter-relationship among micro, small and medium retail enterprises through change from one level to the other questions the discouragement of micro retail businesses being part of a system. This relationship has implication for policy guidance and practical support for business undertakings in different sectors of the economy.

The author recommends that researchers, policy makers and entrepreneurs’ team up to use this model of develop retails and other sector to fight poverty. Demolishing and none guidance of Micro enterprises as the case for Dar es Salaam continues to deter development of retail businesses in Tanzania that will challenging success of VIBINDO and property and business formalisation programme (MKURUBITA) (Mohamed 2008). The government’s enabling environment includes investing in roads, shopping complex infrastructures and communication networks to allow entrepreneurs to more dynamic in innovations. The future of small, medium and large retail firms lies as a stimulant of increased welfare as well as healthy nation leading to poverty eradication.

SELECTED REFERENCES
Bryceson D. F (1993), Liberalising Tanzania’s food trade, public and private faces of urban marketing policy 139-1988, UNRISAL, UK.
ILO (1982), Basic needs in Danger, JASPA, Addis Ababa.
Japan external trade organisation workshop proceedings on formalisation of informal sector in Tanzania, February 17th, 2000, Sheraton Hotel
Business Development Services to SMEs: Experiences from an Online Business Plan Competition in Tanzania

A Paper Submitted to the 9th Annual International Conference: International Academy of African Business and Development (IAABD)

Authors:
1. Dr. Donath Olomi
   Director, University of Dar es Salaam Entrepreneurship Center,
   Senior Lecturer, Department of Marketing,
   University of Dar es Salaam, Tanzania.
   P. O. Box 110115, Dar es Salaam, Tanzania.
   Tel. Office: +255 22 2410 115/ Fax +255 22 2410 510
   E-mail: olomi@fcm.udsm.ac.tz

2. Tobias Swai
   Assistant Lecturer, Department of Finance,
   University of Dar es Salaam, Tanzania.
   P. O. Box 35046, Dar es Salaam, Tanzania.
   Tel. Office: +255 22 2410 257/ Fax +255 22 2410 510
   E-mail: tobias@udsm.ac.tz
Business Development Services to SMEs: Experiences from an Online Business Plan Competition in Tanzania

Abstract

Many initiatives have been taken to promote the private sector, which is now considered the engine for growth in all economies. A common approach to private sector development is the building of capacities for identification of innovative ideas and transforming these into bankable business plans. Unfortunately, little effort has been done to systematically learn from such experiences and hence inform improvements and replication for impact. This paper analyses the experience of organising an online internet based business plan competition by the University of Dar es Salaam Entrepreneurship Centre in collaboration with Business in Development Network Foundation based in Netherlands in 2007. The aim is to explore and share challenges, lessons and critical success factors for such and related initiatives.

Background

It is now generally agreed that the private sector plays a critical role in economic vitality, growth and competitiveness in all economies. In attempts to boost the performance of the private sector, various institutions in both developing and developing countries do provide business support services to the existing and potential business operators with a special focus on SMEs. These services include training and support in business plan development. Business plans are drafting, learning and communication tools for businesses. They also serve as the basis for evaluating viability of business proposals by bankers, investors and other business analysts (Gumpert, et al, 2003). Indeed, the literature suggests that the development of the business plans is motivated mainly by the need for external finance (Duncan, undated; Gumpert; et al, 2003). The existence of a business plan document may improve performance by serving as a tentative guide and identifying challenges and providing for mitigation mechanism (Honig, B. and Karlsson, T. 2001).

In Tanzania, as in many developing countries, limited access to finance from formal financial institutions by Small and Medium Scale Enterprise is identified as one of the main obstacle to business development (Kuzilwa, et al, 1997; Olomi, 2001; Pissarides, 2001; URT, 2001). The main reason for this limited access is that SMEs lack capacity to prepare bankable business proposals and generally to operate businesses in ways that are consistent with the requirements of formal financial institutions. While appropriate business development services could help reduce this problem, their quality and access by SMEs is also problematic.

Problem Statement and Objectives

Effective provision of business development services, including building capacity for SMEs to develop bankable business plans is an important issue for any government concerned with improving the performance of SMEs. Many initiatives have been taken in various countries towards this end. However, little is documented about these experiences and the lessons that can be learnt by other actors. As part of its agenda of promoting entrepreneurial capacities in Tanzania, the University of Dar es Salaam, Entrepreneurship Centre (UDEC) organized a business plan competition in collaboration with the Business in Development Foundation Based in the Netherlands in 2007. The aim was to stimulate creative business ideas and to support learning among the promoters so that they could come up with bankable plans. The competition involved mobilizing financial support, extensive media communication to create awareness, recruiting and working with local and international teams of screeners and coaches, receiving and screening proposals, coaching participants mainly through an online platform and a final physical judgment event for the 25 finalists. The experience provides useful insights and lessons on low cost ways of facilitating competence building in business planning, using an online platform. This paper analyses the experience with a view to exploring and sharing the challenges, lessons and critical success factors for stakeholders in enterprise development.
The UDEC’s Involvement in BID Challenge 2007

UDEC organized the Business Plan competition in 2007 following the signing of a Memorandum of Understanding with the Business in Development Foundation based in the Netherlands which already had the online platform and experience in supporting business plan competitions in other countries. The business plan competition was branded “The BID Challenge Tanzania 2007”. BID Challenge is an established global competition with the objective of using the private sector to address societal concerns, such as the preservation of the environment and poverty reduction, including meeting the Millennium Development Goals. In July 2003, the UN Secretary General Mr. Kofi Annan had two basic questions: 1) How can the potential of the private sector and entrepreneurship be unleashed in developing countries? 2) And how can the existing private sector be engaged in meeting that challenge? The BID challenge was thus established to bridge the gap between the issues raised (BiNF, 2007). The business plan competition was thus branded “make poverty reduction your business”. The Business in Development Network Foundation worked simultaneously with six countries in three continents to organize namely Tanzania and Kenya (Africa), India and Philippines (Asia), and Argentina, Colombia and Peru (South America). To meet the cost of organizing the competition, UDEC recruited four commercial banks with an SME focus the national investment promotion agency and one oil company “Prizes Partners” whose contributions were used for the prize money and to meet some of the operational expenses. The organizers also recruited six supporting partners to provide screeners, coaches and to promote the competition amongst their clients. These included government owned BDS providers, a credit guarantee agency, NGOs and a private sector company. Through this network, the organizers were able to recruit more than 40 volunteer screeners, coaches and judges for the plans. In order to have an effective promotional campaign that would both reach many potential participants and meet the publicity expectations of the prize and support partners, a media company was engaged throughout the competition.

Organization of the 2007 Business Plan competition

The business plan competition was organized in three phases. The first was the promotional phase whereby invitation for a three page proposal was announced. There were concerns, from the very beginning, that response could be very low due to limited capacities of the targeted audience, both in terms of the confidence and skills for developing the plan and the use of internet. It was therefore important to raise awareness to as many people as possible. This was done through a massive promotional campaign, involving direct e-mail, press conferences, press releases, fliers, radio and TV talks as well as public lectures in various areas. This period was between 2nd April to 1st June 2007. A total of 319 outlines were submitted, out of which 208 were judged as meeting the basic criteria. Participants were allowed to register more than one plan. The second phase followed by selecting the plans for the second round where by 94 plans were chosen. Local and international screeners, who had been identified and requested to register and sign a confidentiality statement on the website screened the plans, with each being assessed by three screeners. The plans were assessed and scored with regard to innovation, market viability, contribution to societal objectives (poverty, environment) and motivation of the proposer. The average score for each plan was used to rank the plans. Screeners also indicated which plans they were interesting in coaching. The best 94 plans were selected for Round 2 of the competition. Round 2 participants were offered two one-day workshops focusing on market assessment and financials respectively. In addition to the training, the best 34 participants were allocated coaches based on the preferences indicated during screening. Participants were required to submit fully developed business plans by 3rd of September 2007. A total of 53 complete plans were submitted. The third phase involved screening of the full plans by a group of highly experienced people. The plans were printed and given to the screeners with an elaborate score sheet assessing all the important aspects of the plan. The highest scoring 25 plans were selected and their promoters were invited to present these plans to a Jury constituted by experienced senior staff selected from supporting and prize partners. The Jury first selected the best 5 plans for start-up and the best 5 from existing businesses. The Jury met again to rank
the 10 best plans. Then, the 10 plans were ranked according to their scores and the prizes were offered according to the rank. Also the Jury selected the Most Innovative Plan, for which a special prize had been set. The process can be summarized in the figure below.

**Figure 1: The Business plan flow**

![Business plan flow diagram](image)

Source: Modified from BiD Challenge International Guidelines, 2007

**Notable Challenges**

The first challenge experienced was to find the sponsors. It was important for UDEC to seek partners to cover both the prize and operation costs. Due to the newness of the business plan competition in Tanzania, it was very difficult to convince corporate organizations and other potential partners of the viability and value of the competition. Most of those approached expressed skepticism and tended to take the view that they would like to see how it works first. It took a lot of time and effort to get enough sponsors. The second challenge relate to the low know how experience of participants in using the Internet, the limited access and slowness of the Internet and frequent power outages, which sometimes disrupted online submissions and screening. Some participants preferred to submit by e-mail or hard copy, and some could not submit on time. To address this problem, UDEC assigned one staff to support those seeking assistance through telephone as well as those who came to the office with soft copies to upload or submit to the website. Thirdly, there was a challenge in the management of the supporting partners especially getting the volunteer staff to participate in screening and provide value added services to the entrepreneurs. This was not possible for most of the volunteers of these services either due to the lack of incentives to do so or due to the lack of volunteering culture. Fourthly, some of the potential and actual participants feared that their ideas could be stolen and some even suspected that the main motive behind the organization was to get and steal business ideas. Other challenges were operational. The organizer (i.e. UDEC) is a virtual centre which relies on associates for its outreach activities. These associates are mainly University lecturers and other consultants who have no time or passion for such operational activities. Related to this is the issue of space and facilities. As the deadline for the submission of the plans approached there were more visitors in UDEC offices looking for IT know how and support in some aspects of the
plan than could be handled by the space and staff. These challenges were handled by recruiting some part-time support staff, hiring facilities outside UDEC.

**The Results from the Process**

All business plans were submitted through secured internet based platform. Entrepreneurs were required to change the concepts only up to the deadline dates which were communicated before official submissions. The submission rate was focusing investment projects to be invested in Tanzania by Tanzania citizens or non Tanzania citizens. The results were above the set target of attracting 150 business concepts, taking consideration of the ICT infrastructure.

**Originality and Business Location**

All business plans were submitted through secured internet based platform. Entrepreneurs were required to change the concepts only up to the deadline dates which were communicated before official submissions. Out of 208 businesses registered 72.9% indicated as residents of Tanzania, 26.0% did not indicate their residency while 1.5% indicated that they were not Tanzania residents 30% of the participants indicated that their businesses were located in Dar es Salaam, 1.9% in Arusha. Other regions indicated in the submitted plans were Iringa, Mbeya, Kilimanjaro, Ruvuma, Tanga, Tabora, Mwanza, Pwani and Zanzibar. However, 62.0% did not indicate their region of originality. Out of the submitted businesses, 11.5% submit along with the concepts, already developed business plans.

**Occupation of the Entrepreneurs**

Leaving along the missing categories, for the occupations, it is indicated from the submissions that 42% were self employed followed by students. The challenge was well publicized at the University of Dar es Salaam, Sokoine University of Agriculture and College of Business Education. Considering the occupation status of the top 25 plans, 56% of the entrepreneurs were self employed while in the student category only one plan made it to top 25.

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Missing</td>
<td>64</td>
<td>30.8%</td>
<td>-</td>
</tr>
<tr>
<td>Self-employed</td>
<td>42</td>
<td>20.2%</td>
<td>29.2%</td>
</tr>
<tr>
<td>Student</td>
<td>30</td>
<td>14.4%</td>
<td>20.8%</td>
</tr>
<tr>
<td>Employed in a non-governmental organization</td>
<td>24</td>
<td>11.5%</td>
<td>16.7%</td>
</tr>
<tr>
<td>Employed in government organization</td>
<td>23</td>
<td>11.1%</td>
<td>16.0%</td>
</tr>
<tr>
<td>Employed in a company with less than 250 employees</td>
<td>18</td>
<td>8.7%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Employed in a company with more than 250 employees</td>
<td>7</td>
<td>3.4%</td>
<td>4.9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>208</strong></td>
<td><strong>100%</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

*Source: Data Analysis from submitted plans*

**Business Establishment**

The competition was looking for either new business ventures of expansion businesses. The startups were 77.9% and existing accounts for 21.1% of all the businesses. In the jury session,
out of selected 25 plans 13 were start up businesses and 12 were existing ones. 68% of the entrepreneurs indicated that their businesses were to start between 2007 and 2008. In the selection process it was decided that the startup to be assessed separately from the existing ones. Some of the existing businesses were not formally registered although they were still in the business.

Sectors
Small and medium scale in Tanzania spread in various sectors. Among the leading sectors in Tanzania is the agriculture sector. In total agriculture sector scored 34.5% of all business plans submitted. Some of the business plans were having more than one sector. The identified ones were the most related sector to the plan. The figure below shows various sectors indicated in the initial business plan submissions. Considering the top 25 plans, energy plans were 16%, agriculture and food processing 12% each.

![Figure 2: Sector Representation](image)

Source: Data Analysis from submitted plans

Business Services Needs
The entrepreneurs indicated various business services needs which they will require from the businesses indicated. In terms of financial intervention table 2 below shows the needed.

<table>
<thead>
<tr>
<th>Financial Intervention needed</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant</td>
<td>53</td>
<td>43.1%</td>
</tr>
<tr>
<td>Medium Term Loans</td>
<td>48</td>
<td>39.0%</td>
</tr>
<tr>
<td>Growth Loans</td>
<td>2</td>
<td>1.6%</td>
</tr>
<tr>
<td>Private Investors</td>
<td>20</td>
<td>16.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>123</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Source: Data Analysis from submitted plans
The results observed that the entrepreneurs were looking for grant for their business may be due to the development nature of the proposed projects. This can also reflected based on the occupation of the entrepreneurs as indicated in table 1, especially for the students and those entrepreneurs in the non government organizations. Considering the final 25 plans, the grant element was not a matter to the entrepreneurs.

In terms of other business services and advice the following table indicates some of the results.

Table 3: Advice and Resources requirement for the SMEs

<table>
<thead>
<tr>
<th>Advice/Resources</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Missing</td>
<td>82</td>
<td>39.4%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Resources: Business management</td>
<td>42</td>
<td>20.2%</td>
<td>33.3%</td>
</tr>
<tr>
<td>Resources: Buyer</td>
<td>13</td>
<td>6.3%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Advice: IT/Telecom</td>
<td>11</td>
<td>5.3%</td>
<td>8.7%</td>
</tr>
<tr>
<td>Advice: PR/Marketing</td>
<td>10</td>
<td>4.8%</td>
<td>7.9%</td>
</tr>
<tr>
<td>Advice: Agriculture</td>
<td>9</td>
<td>4.3%</td>
<td>7.1%</td>
</tr>
<tr>
<td>Advice: Logistics/Supply chain</td>
<td>9</td>
<td>4.3%</td>
<td>7.1%</td>
</tr>
<tr>
<td>Advice: Construction</td>
<td>8</td>
<td>3.8%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Resources: Local &amp; Central Government</td>
<td>6</td>
<td>2.9%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Resources: Trade Import/Export</td>
<td>6</td>
<td>2.9%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Resources: Material</td>
<td>5</td>
<td>2.4%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Advice: Production</td>
<td>3</td>
<td>1.4%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Advice: Engineering/Architecture</td>
<td>2</td>
<td>1.0%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Resources: Personnel</td>
<td>2</td>
<td>1.0%</td>
<td>1.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>208</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Source: Data Analysis from submitted plans

Investment Value

One of the criteria in the invitation of the business plan is that the businesses should not have more than Tshs 800mil in their investment value. This is approximately equivalent of US $ 680,000. The businesses above this range were not considered favorable for the purpose of the competition. This was take into consideration due to among others the fact that some the entrepreneurs who may required more than the stated amount can easily be able to pay for professionals to develop their plans and access bank loan or other financial intervention with little hassles.

Table 4: Indicative Investment Value of the businesses

<table>
<thead>
<tr>
<th>Investment value</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Valid Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>US $ 0 – 10,000</td>
<td>5</td>
<td>2.4%</td>
<td>2.7%</td>
</tr>
<tr>
<td>US $ 10,000 – 50,000</td>
<td>65</td>
<td>31.3%</td>
<td>34.8%</td>
</tr>
<tr>
<td>US $ 50,000 -100,000</td>
<td>66</td>
<td>31.7%</td>
<td>35.3%</td>
</tr>
<tr>
<td>US $ 100,000 - 500,000</td>
<td>38</td>
<td>18.3%</td>
<td>20.3%</td>
</tr>
<tr>
<td>More Than US$ 500,000</td>
<td>13</td>
<td>6.3%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Missing</td>
<td>21</td>
<td>10.1%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>208</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Source: Data Analysis from submitted plans
Other Issues

Other issues which were observed from the business concepts submitted were involvement of women entrepreneurs (50, 24%), Social entrepreneurship (47, 22.6%), technology and innovation requirements (26, 12.5%) and SMEs support services (79, 38%). More than 88% of the entrepreneurs indicated that they would like to have a coach to develop their plans. Other issue of concern was struggling of the entrepreneurs in meeting the deadlines. 87.0% of the business plans were submitted on the last week of May, while 42.8% submitted on the deadline days (May 31st and June 1st 2007). Further analysis shows that start up businesses have more struggles in submitting the business plans than do the established businesses. 41.3% if the established businesses submit their plans in the deadline dates as opposed to 45.0% of the startups. 36% of the top 25 finalists were submitted on the deadline dates. This can be due to the fact that some of the start up businesses may not had have access to the internet and computers as do the start up ones. Based on the international competitive of the plans, the first winner in Tanzania satellite was also the first winner in all satellites which gave more concern to the foreign investors on the Tanzanian plans.

Lessons learned

Various lessons were leant during the business plan competition process. Some of the notable issues are: Firstly, the technology outsourcing is important. The online platform which was used in accepting and providing feedback was developed by the foreign counterpart which was merely a heavy investment. Secondly, provide support for the entrepreneurs as much as possible. One of the support activities provided to the entrepreneurs is training. This has enhanced the entrepreneurs in the development of the business plans and makes them effective in submitting the final business plans. Thirdly, online business plan competition can be supported by non online versions. In this case, it was very difficult for the team to get entrepreneurs from every angle in Tanzania due to the ICT infrastructure and availability of internet services. The support by the UDEC help desk was badly required by the entrepreneurs who no only are not aware with the internet use but also the computer use. This can be indicated by the number of the business concepts submitted which was 319 and the approved ones which were only 208 or 65% of the plans.

The fourth lesson is that some the entrepreneurs who participate in business plan competition cannot be regarded as real entrepreneurs but prize mongers. In this case it is difficult to distinguish true entrepreneurs when conducting a business plan competition due to the fact that some of the entrepreneurs were looking for the grants to fund their dreamed business operations. Fifth, engagement of the partners is important for a successful business plan competition organization. There should be a support of various partners in the business plan competition and this is important to pool resources such as manpower and financial to run the activities. Supporting partners are important for the whole process of publicity, screening, coaching and judging the business plans backed on their experiences in dealing with entrepreneurs in various levels. Lastly, personnel volunteerism is not among the cultures of many. Through the business plan competition, we requested supporting institution to allow their employees to devote time, knowledge and their skills to assist the entrepreneurs in coming up with good bankable plans. Most of the supporting institutions employees did not buy the idea of giving away their time for others. Only two institutions had their employees fully committed to the task as agreed.

Discussions, Conclusion and Implications

Based on the results from the business plans it can be indicated that there is a lot to be done in terms of the access to credit for the Tanzania SMEs. As indicated in table 2, 43.2% of the entrepreneurs think that they can access grants to run their businesses. Depending on grant is not a business goal and hence it cannot be sustained. Another observation is based on the issue of business development services required by the entrepreneurs. One of the prominent issues which are coming out is the issue of business management. This is a very important factor for the sustainability of small businesses and is indicated in table 3.
Based on the submission of the plans on an online platform it can be argued that there is still a big problem in the use and application of the ICT among the SMEs. This is indicated among other on the responses of the communication to the SMEs which were experienced during the execution of the competition. In the final days there was interaction many calls from the SMEs on the technicalities of the business plans submissions. One of the key obstacles coming from the evaluation was inability to access internet by most of the SMEs. This can also be indicated on the location aspect where by most of the plans were originating from Dar es Salaam and major cities in Tanzania.

The competition also brought up issue on the policy making where by the participants formulated a venture capital association. This will have an influence in the changes in various policies regarding the financing of the SMEs in Tanzania. One of the measures taken is establishment of a Ministerial committee to find out ways to assist the entrepreneurs with potential from the business plan competitions.

It can be concluded that the experience in the organization of the business plan competition by UDEC in Tanzania had been a catalyst to many of the activities in the business SMEs development and a key to the future organization of further business support to the SMEs in Tanzania. The collaboration with international organization has not only benefited from the information technology platform but also exposure of the Tanzanian plans to the venture capitalists.

Regarding the lessons learnt it can be concluded that an online ICT application platform can be applied into developing countries to assist SMEs despite challenges which can be observed. In his own words one entrepreneur had this to say “I have learned a tremendous amount from participating in the competition. I have been busy the last three months putting to work the lessons I learned during the process and I must tell you that I can now see my company more clearly than I did before November 2007”. The use of contracted services such as Media Company can help reduce the weight of logistical workload which can be incurred by the organizers of a business plan competition especially in a franchise mode as the BID Challenge. The use of supporting partners and associates is important in running a successful business plan as observed by UDEC.

The implication of the results calls for a SMEs involvement in the use of ICT and online training. It is also creating further challenges for multinational collaboration through local/multinational support towards empowering SMEs through ICT application technologies which may be cheaper than physical delivery of such services. The business plan competition also created a contribution towards meeting the Millennium Development Goals (MDGs) by applying the slogan “Making Poverty your Business”.

References


Internationalisation Expectations of Entry-level and Senior University Students - A Malaysian Perspective

Johan de Jager, Tshwane University of Technology, South Africa
Werner Soontiens, Curtin University of Technology, Australia

A more competitive and commercialised educational environment has contributed to not only the introduction of service quality measurement at higher education institutions but also an increased notion to internationalise. While traditionally institutions assume that students have relatively homogeneous expectations over time this approach is questioned, particularly when students study across national and cultural borders. It is argued that entry level students are required to adapt to academic and service systems and standards while senior students have a better and more realistic understanding of the actual environment. Ultimately this exposure impacts on student interpretations of the international position and standing of institutions. The aim of this paper is to investigate the expectations of entry level and senior students in respect of international image and academic related issues. The data represents these two student groups in a Malaysian tertiary institution undertaking an Australian course and considers the extent to which these elements are viewed differently. Findings indicate that both groups deem high quality students and international accreditation as crucial aspects of internationalisation expectations.

INTRODUCTION
Both increased internationalisation and measuring service quality at higher education institutions worldwide is a common phenomenon (Aldridge & Rowley, 1998; Athiyaman, 1997; Oldfield & Baron, 2000). It was until recently assumed that the importance of attributes considered when evaluating tertiary institutions in an international context are similar for all levels of students. However, various studies have found that there are differences in perceptions of quality elements and have concluded that these elements do change over the duration of studies (Oldfield & Baron, 2000; Moogan, Baron & Bainbridge, 2001). Hill’s (1995) study focuses on first and final year students and reiterates the importance of further research in the expectations and experiences of these groups.

DYNAMICS OF INTERNATIONAL TERTIARY EDUCATION
International education has developed over time into a commodity that can be purchased by ‘consumers’ that subsequently demand quality standards. More often than not, students enrolling in international education are financially privileged which further contributes to the exclusive and competitive character of the industry (Stephenson, 2006). Meares (2003) argues that universities consider internationalisation as a strategy that enables expansion and a solution for the increased financial pressures experienced due to limited government funding. Apart from raising additional and often lucrative income, an international presence simultaneously facilitates an expanded profile. International education involvement is predominantly driven by commercial drivers leading to initiatives to getting larger, more lucrative and more competitive all the time (Stephenson, 2006).

Service delivery and customer satisfaction in an education environment, particularly international, is dependent on personal interaction between students and staff. The personal interaction and labour intensive nature of this service translates in a potentially highly heterogeneous quality service experience (Hill, 1995). In respect of service delivery students are not interested in organisational hierarchies and
expect all staff (irrespective academic or administrative) to work together to represent the institution in their service delivery (Oldfield & Baron, 2000). Students therefore are expected to view any dealing with staff, irrespective of the nature of the dealing, to impact on their experience of service delivery.

All learners entering international tertiary education have expectations with regard to the learning exercise and individual preferences. Various authors have attempted to identify issues more directly related to higher education institutions in order to determine factors that influence a student’s decision making process. More often than not these include support facilities and infrastructure, image and marketing, academic issues, administrative issues, location and access (Peterson & Augustine, 2000; Sporn, 1999; Woodhouse, 1996; Strydom, Lategan & Muller, 1997).

It has been argued that the decision making process of students is based on five factors (Cubillo, Sanchez & Cervino, 2006). Three of these, external to the institution, are personal reasons, previous experiences by acquaintances and the location of the program. The importance of experiences by acquaintances implies that experience by alumni translates in an important marketing tool, particularly in an international environment, and serves as an image builder outside the local realm of the institution. The other two, directly related to and managed by the institution, are the image of the university and the perceived quality of the program of study. Although the relative importance of these factors is not ascertained it is imperative that universities build and protect both institution and program images to maintain their competitive international position in the industry.

Increasingly, quality as component of service delivery dominates as one of the prime aspects impacting student decision making for education (McBurnie & Ziguras, 2007). The quality of the overall experience for students is crucial to the success of international programs. Ensuring international quality content delivery is important as the educational value in education is embedded in the rigour and image of programs (Desoff, 2006).

THE MALAYSIAN TERTIARY EDUCATION SECTOR

On a global scale tertiary education has experienced a dramatic decline in government subsidies and an increase in student fees in countries such as the United Kingdom and Australia (Palihawadana, 1999; Soutar & Turner, 2002) that have similar educational systems to Malaysia. This is due to various changes in the respective environments. This has also translated in a conscious and commercially driven internationalisation exercise by these institutions.

Malaysia has recently embarked on the initiative to become a regional centre for education excellence in an attempt to establish Malaysia as an educational hub with a world-class education system (EIU, 2006). Malaysia attracts, amongst others, students on the back of internationally recognised study programmes and twinning arrangements with Western universities and affordable study and living costs (Azam Shuib, 2007). Private higher education in Malaysia has expanded significantly since the 1980s as private colleges in Malaysia are not allowed to confer degrees, translating in a strong impetus to pursue formal agreements with foreign universities (Lee, 2003). In 2003 the Malaysian tertiary education system comprised 4 foreign, 14 private and 16 public universities alongside about 700 private colleges. Between them they cater for more than 350,000 students of which 15,000 are international students (EIU, 2006).

Australia has always been one of the top destinations for Malaysian students with a number of universities offering a wide selection of courses successfully (Malaysian Business, 2006). Malaysian student enrolled in international education claim to seek to develop an „international‟ outlook as well as a passport to employment with multinational corporations (Pyvis & Chapman, 2007). In addition the completion of an international degree is seen as a stepping stone towards a position in a multinational corporation.
The impact of technology and the demand for a technologically literate workforce, particularly in the international sphere, has created another stream of private educational institutions that not only compete for school-leavers, but also on post-graduate level. Private providers meeting a specialised demand are often highly responsive and provide international credentials in areas that the public sector does or can not (Kruss, 2002). This increased level of competition in the international education environment has led to institutions of higher education employing marketing, managerial and promotion techniques to improve the image and quality of programs and services (Paliwawadana, 1999) and thus switch from a passive to a more active market approach (Naudé & Ivy, 1999). If universities are to satisfy student requirements they must be aware of their own offerings and how these are perceived in the international market place. Being aware of the influential factors and the associated impact on potential students, is important for institutional policy makers (Moogan et al., 2001).

INTERNATIONAL IMAGE AND REPUTATION IN TERTIARY EDUCATION

Kotler and Fox (1995) define image as the sum of beliefs, ideas and impressions that a person has of an object. Implicit in the definition of image is that it is based on various objects and will vary from person to person simply because a person's beliefs, ideas, feelings and impressions originate from different backgrounds and perceptions (Dowling, 1986). Harvard University may for example try to maintain a quality image and apply higher tuition fees compared to competitors by claiming to accept only top quality students. The key issue is that the image should match the needs of a specific target market in order to be effective.

Higher education institutions are becoming increasingly aggressive in their marketing activities and need to be clear about their positioning in order to convey a favourable image to distinctive interest groups (Russel, 2005). Ivy (2001) states that as competition for students increases and funding decrease universities need to create and maintain a distinctive image in the market place. Paramewaran and Glowacka (as cited by Russel, 2005) concludes that higher educational institutions need to maintain or develop a distinct image to create a competitive advantage in an increasingly competitive market.

Barich and Kotler (1991) points out that the critical role of institutional image and institutional reputation in customer buying intentions are well known in marketing. Duncan (2005) states that the difference between image and reputation is sometimes confusing because the two are somewhat related. The difference between image and reputation lays in the fact that image can be created and reputation is earned. Both these concepts are important and are known as integrity. Raj (1985) points out that institutional image and reputation are important to develop and maintain a loyalty relationship with customers. This is reflected in the trend that students often choose to attend a university based on impressions and experiences by acquaintances. In the university environment image and reputation may also impact on student decisions to enroll or to stay for advanced studies. In other respects institutional image and reputation are considered as two distinct but strongly related social entities (Nguyen & Le Blank, 2001). Rao (1994) as cited in Nguyen and Le Blank (2001) is of the opinion that this relationship is intuitively appealing given the idea that image and reputation may share a certain number of components, while they constitute the global outcome of the process of legitimating or the credentialing mechanism.

INTERNATIONAL ACADEMIC ISSUES AND REPUTATION

Yoon, Guffey and Kijewski (1993:215) point out that a company’s reputation has long been recognized as a critical factor in successfully marketing a service. They come to the conclusion that a typical model of customer buying intention holds that a firm’s reputation interacts with both information about an offering as well as other elements of the marketing mix. By signalling consumers about product quality and subsequently establish a favorable reputation service institutions may enable charging premium prices and attract better applicants (Fombrun & Shanley, 1990). Research by Tait, Van Eeden and Tait (2002) indicates that presentation of lectures is significantly correlated to the perception of university studies and
the learning process, emphasising the crucial role of lecturing staff for learners. The perception and experience of university studies is partially based on the presentation capability of academic staff.

Academic quality is often addressed by means of accreditation, course reviews and teaching and administration assessment. A more effective assessment of internationalisation requires the identification of elements of internationalised service quality as interpreted by students themselves (Gardner, 1998). From an efficiency perspective Cloete and Bunting (2000) indicate that institutions with an above average percentage of highly qualified academic staff are generally more efficient universities. A study by Ben Ami (2005) determined that almost a third of university students across various institutions indicate that academic expectations are not met, thus confirming a gap between expectations and experience. This study also confirmed the importance of highly qualified and skilled academic staff to deliver programs and enhance the international position or standing of the institution.

DIFFERENTIATION - LEVEL OF STUDY

Quality aspects of higher education in an international context have traditionally concentrated on effective course delivery and quality of courses and teaching. In this context it is largely assumed that the generic elements such as physical environment, availability of academic and administrative staff are perceived similar by all students. Amongst universities there is a tendency to assume that students across all years of study require the same service provision suggesting a uniform model of quality across years. The challenge for universities is to establish if this is indeed the case or if student needs and expectations change over time.

Oldfield and Baron (2000) argues that interaction between international students and their influence on each other is a powerful determinant of overall satisfaction. It is therefore likely that as students progress through their course the composition of expectations is likely to change over time. Findings indicate that the distinction between academic and administrative staff roles changed over time. For example entry level students perceive administrative staff as sources of information while senior students perceive administrative staff as enforcers of policy. Likewise expectations of available information technology facilities change over time as students develop higher levels of computer skills. It is further argued that students develop higher levels of awareness as they progress through courses and subsequently alter levels of expectations accordingly. According to Pittman (2003) there is a variance in expectation and achievement amongst students when considered against seniority in the tertiary environment. Interaction between peers and faculty and residential campus life not only develop a better understanding of the environment but also impact on more realistic expectation and subsequently higher levels of satisfaction.

OBJECTIVES OF THE STUDY

The objective of the study is to determine the levels of importance and presence of significant differences in respect of internationalisation and academic variables between entry level and senior students when making the decision to attend tertiary education.

In the larger study variables were grouped into five main categories; support facilities and infrastructure; international image and marketing; academic issues; administrative issues; and location and access. For the purpose of this study, the categories on internationalisation image and academic matters are dealt with.

RESEARCH METHODOLOGY

Research hypotheses

With regard to the objectives the following hypotheses were formulated:

- \( H_0 \): There exist no significant differences with regard to the importance of the internationalisation variables between the entry-level students’ sample and the senior students’ sample.
- Hp: There exist no significant differences with regard to the importance of the academic variables between the entry-level students’ sample and the senior students’ sample.

**The sample framework**

A total sample of 158 business students enrolled in an Australian degree delivered in a twinning arrangement at a private college in Malaysia was selected at random. Sixty eight of the respondents were entry-level students while thirty six respondents were senior (final year) students. The sample comprised of 55 per cent male and 45 per cent female students. The attitudes of the two student samples were tested regarding the importance of pre-identified internationalisation issues when selecting a specific tertiary institution.

A structured questionnaire was used as measuring instrument and included eleven variables related to internationalisation of higher educational institutions; six relating to image and five relating to academic matters. A five-point Likert-type scale (one being very important and five not important at all) was used to measure the levels of importance with regard to these variables. An item analysis was carried out to test the validity and the reliability of the questionnaire and an overall Cronbach’s alpha of a 0.903 was obtained. Cronbach alpha measures the internal homogeneity or consistency among a set of items, i.e. the extent to which the same set of respondents replies in a consistent manner to similar items (Diamantopoulos & Schlegelmilch 1997:36).

**FINDINGS OF THE STUDY**

Selected demographics summarized in Table 1 indicate an about even gender balance in the student composition. Respondents maintain an extremely high level of parental dependence in that about two thirds still live with their parents while more than 90% are financially dependent on their parents. The respondents are further influenced by friends in that almost 60% recognise this influence confirming the notion that decisions in respect of service providers in tertiary international education are indeed impacted by personal reasons.

<table>
<thead>
<tr>
<th>Table 1: Respondent profile</th>
<th>Malaysia n = 158</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selected Demographics</td>
<td>M</td>
</tr>
<tr>
<td>Gender</td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>55 %</td>
</tr>
<tr>
<td>F</td>
<td></td>
</tr>
<tr>
<td>Level</td>
<td></td>
</tr>
<tr>
<td>1st Yr</td>
<td>43 %</td>
</tr>
<tr>
<td>3rd Yr</td>
<td></td>
</tr>
<tr>
<td>21-22 yrs old</td>
<td>52 %</td>
</tr>
<tr>
<td>Better job prospects</td>
<td>47 %</td>
</tr>
<tr>
<td>Influenced by friends</td>
<td>57 %</td>
</tr>
<tr>
<td>Parents pay fees</td>
<td>94 %</td>
</tr>
<tr>
<td>Living with parents</td>
<td>63 %</td>
</tr>
</tbody>
</table>

**Importance of International Image and Marketing**

In terms of international image both entry level and senior level students rate attracting high quality students (v120) as most important. Incidentally both groups rate different notions of attracting foreign students (v121, v122) as second most important. A slight difference occurs in determining the least important factor as entry level students rate this to be reputation for easy access (v131) while senior level students indicate this to be aggressive international positioning (v130). In all though there are no significant differences between the ratings of both groups.
Table 2: Level of importance of international image

<table>
<thead>
<tr>
<th>Item</th>
<th>Item wording</th>
<th>Entry level</th>
<th>Senior level</th>
<th>df</th>
<th>p-value</th>
<th>Conclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td>v120</td>
<td>Attracts high quality students</td>
<td>1.37</td>
<td>1.34</td>
<td>1</td>
<td>0.68</td>
<td>df = 1  p-value = 0.7631</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.66</td>
<td>0.68</td>
<td></td>
<td></td>
<td>Conclusions: Ho accepted</td>
</tr>
<tr>
<td>v121</td>
<td>Priority of attracting foreign</td>
<td>1.51</td>
<td>1.40</td>
<td>3</td>
<td>0.68</td>
<td>df = 1  p-value = 0.4010</td>
</tr>
<tr>
<td></td>
<td>students</td>
<td>0.79</td>
<td>1.40</td>
<td></td>
<td></td>
<td>Conclusions: Ho accepted</td>
</tr>
<tr>
<td>v123</td>
<td>Well known for attracting foreign</td>
<td>1.49</td>
<td>1.53</td>
<td>2</td>
<td>0.74</td>
<td>df = 1  p-value = 0.5736</td>
</tr>
<tr>
<td></td>
<td>students</td>
<td>0.69</td>
<td>1.53</td>
<td></td>
<td></td>
<td>Conclusions: Ho accepted</td>
</tr>
<tr>
<td>v128</td>
<td>International postgraduate</td>
<td>1.56</td>
<td>1.71</td>
<td>4</td>
<td>0.76</td>
<td>df = 1  p-value = 0.0942</td>
</tr>
<tr>
<td></td>
<td>reputation</td>
<td>0.74</td>
<td>1.71</td>
<td></td>
<td></td>
<td>Conclusions: Ho accepted</td>
</tr>
<tr>
<td>v130</td>
<td>Aggressive international</td>
<td>1.57</td>
<td>1.76</td>
<td>5</td>
<td>0.76</td>
<td>df = 1  p-value = 0.1494</td>
</tr>
<tr>
<td></td>
<td>positioning</td>
<td>0.81</td>
<td>1.76</td>
<td></td>
<td></td>
<td>Conclusions: Ho accepted</td>
</tr>
<tr>
<td>v131</td>
<td>Reputation for easy access</td>
<td>1.73</td>
<td>1.64</td>
<td>6</td>
<td>0.87</td>
<td>df = 1  p-value = 0.3694</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.83</td>
<td>1.64</td>
<td></td>
<td></td>
<td>Conclusions: Ho accepted</td>
</tr>
</tbody>
</table>

No sig difference on 0.01

Importance of International Academic Issues

A consideration of rating international academic issues reveals that international acceptance of qualifications (v126) is deemed most important by both entry and senior level students. Although entry level students consider admission requirements (v101) second most important, senior level students rate international competitive research (v129) second most important. It is interesting to note that both groups rate the offering of courses of international standard (v122) the least important academic issue. In the context of the importance of international academic issues there is no significant difference between entry and senior level students.

Table 3: Level of importance of international academic issues

<table>
<thead>
<tr>
<th>Item</th>
<th>Item wording</th>
<th>Entry level</th>
<th>Senior level</th>
<th>df</th>
<th>p-value</th>
<th>Conclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td>v101</td>
<td>Admission requirements</td>
<td>1.58</td>
<td>1.57</td>
<td>2</td>
<td>0.84</td>
<td>df = 1  p-value = 0.9002</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.84</td>
<td>0.89</td>
<td></td>
<td></td>
<td>Conclusions: Hp accepted</td>
</tr>
<tr>
<td>v122</td>
<td>Offers courses of international</td>
<td>1.87</td>
<td>1.74</td>
<td>5</td>
<td>1.11</td>
<td>df = 1  p-value = 0.7842</td>
</tr>
<tr>
<td></td>
<td>standard</td>
<td>5</td>
<td>0.85</td>
<td></td>
<td></td>
<td>Conclusions: Hp accepted</td>
</tr>
<tr>
<td>v124</td>
<td>Has international acclaimed faculty</td>
<td>1.73</td>
<td>1.64</td>
<td>4</td>
<td>0.90</td>
<td>df = 1  p-value = 0.6049</td>
</tr>
<tr>
<td></td>
<td>and staff</td>
<td>4</td>
<td>0.78</td>
<td></td>
<td></td>
<td>Conclusions: Hp accepted</td>
</tr>
<tr>
<td>v126</td>
<td>International accepted qualifications</td>
<td>1.56</td>
<td>1.49</td>
<td>1</td>
<td>0.77</td>
<td>df = 1  p-value = 0.5057</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1</td>
<td>0.75</td>
<td></td>
<td></td>
<td>Conclusions: Hp accepted</td>
</tr>
<tr>
<td>v129</td>
<td>International competitive research</td>
<td>1.62</td>
<td>1.55</td>
<td>3</td>
<td>0.82</td>
<td>df = 1  p-value = 0.5043</td>
</tr>
<tr>
<td></td>
<td>outputs</td>
<td>3</td>
<td>0.79</td>
<td></td>
<td></td>
<td>Conclusions: Hp accepted</td>
</tr>
</tbody>
</table>

No sig difference on 0.05

CONCLUSION AND IMPLICATIONS

The perception of importance of international image and academic issues is largely similar for both entry level and senior level students as there is no significant difference in respondent data. This implies that – by and large – the level of study does not severely impact on what students seem to be matters of importance to be addressed by tertiary education institutions wanting to operate in the Malaysian market.

In terms of international image it is deemed important for institutions to attract not only high quality students but also attracting foreign students. Being renowned for quality education and having a significant foreign student composition is deemed to strengthen the international image and position of
In this respect it would be wise for institutions to publicise extraordinary student performance and diversity and to actively pursue a multinational presence on campus. The development of an induction program is traditionally seen as a strong instrument to attract foreign students and could also be considered as mode to enhance the international standing of the institution.

Since both entry level and senior students rate the international acceptance of qualifications as crucial it would serve institutions well to consider accreditation avenues for programs and the institution as a whole. Various international accreditation bodies render legitimacy and imply quality standards of education and thus strengthen the international position and standing of the institution. Although the notion of offering courses of international standard is deemed significantly less important by respondents, the differentiation is possibly associated with the international recognition and acceptance of the course. A remarkable difference between entry level and senior students is the notion that senior student deem international competitive research outputs as somewhat more important than entry level students. This is most likely a result of the higher level of awareness of, and involvement in, research and its value to tertiary education by senior students.

Overall it remains important for tertiary education providers to establish and strengthen the image of quality, including students and the prominence of attracting foreign students. In addition it is crucial to produce qualifications that can be used and are respected and accepted in the international education arena.

REFERENCES


Globalization: Africa’s Role in Early Global Trading Connectedness

Chris Ehiobuche, Berkeley College New Jersey, USA
Chizoba “Zee” Madueke, Walden University, USA
Marieta Velikova, Belmont University, USA

Once upon a time, Africa was known, not only as the continent with the largest number of countries, cultural diversity, and natural resources but also the richest, oldest in history and as the cradle of all trade and human connectivity to civilization. Africa today is not only the most impoverished continent but also the one with the least participation by volume in globalization and level of regional economic integration. This fact is already causing lots of scholarly curiosities. Regrettably Africa's position in the world has always been influenced by Eurocentric images of the continent. In the face of the current economic crises of African nations, and trends in globalization, these dark images of extreme marginalization have gained new momentum to the extent that the historic role of Africa in international trade and business are rarely written or taught by American scholars. This paper presents the contribution of African as the origin of globalization, focusing on the role of Africa as an important part of the world trading system before the era of the European voyages (1492-1690). The argument centers on the role of Africa as a major facilitator of global commerce and cross-cultural exchange.

INTRODUCTION
Africa's position in the world has always been influenced by Eurocentric images of the continent. In the face of the current African economic development crisis, and participation in globalization, these dark images of extreme marginalization have gained new momentum to the extent that the historic role of Africa in international trade and business are rarely written or taught by American scholars. This paper presents the contribution of African as the origin of globalization, focusing on the role of Africa as an important part of the world trading system before the era of the European voyages (1492-1690). The central argument is that Africa is a major facilitator of global commerce and cross-cultural exchange.

By most accounts, the twenty first century has been one of the most revolutionary periods in world history, not just politically or socially, but economically, except for the African continent. Insidious poor governance and ineffective leadership has weakened the African continent ability to function effectively and severely detracted from the equity goal in the provision of civil services. As the scope of poor governance and leadership widens, the effect has been enlarged to impact Africa’s ability to engage in globalization and function in the international arena.

AFRICA'S ROLE IN EARLY GLOBAL TRADING CONNECTEDNESS
Africa today is not only the most impoverished continent but also the one with the least participation by volume and level of economic development. A fact that impels Western historians and American scholars to look for the root causes of this underdevelopment. When African history emerged as a field in the 1950s, the focus of historians lay elsewhere. As the 1970s unfolded, however, and Africa lagged further behind most other parts of the world regardless of their wealth in natural resources and culture, historians began to look at the slave trade era and the colonial period for the roots of African poverty. Historical scholarship has continued to demonstrate the importance of developments over the past several hundred years to explain Africa's current disadvantaged state in this globalization era. Teaching earlier African history, when Africa was in the forefront of global developments, is important for understanding
contemporary Africa as well. It shows that there was nothing inherent in the African condition that produced the current distressed state.

**ORIGIN OF GLOBALIZATION**

In considering the history of globalization, some authors focus on events since 1492, but most scholars and theorists concentrate on the much more recent past. But long before 1492, people began to link together disparate locations on the globe into extensive systems of communication, migration, and interconnections. This formation of systems of interaction between the global and the local has been a central driving force in world history in which Africa is the pioneer location. There is little agreement on whether globalization is new or old. Some observers contend that the unfolding global order is entirely new. Others claim that it is not fundamentally different from the order that prevailed in the nineteenth century roughly between 1840 and 1914 under the political and economic hegemony of Great Britain. Nonetheless, the term globalization as it is used today has emerged since the closing decades of the twentieth century after an interlude of approximately seventy-five years that were characterized by the episodes of the welfare state system and socialism; two social systems characterized by the relative ascendancy of working-class influence in global politics and the absence of a hegemonic power and a hegemonic ideology. Although there are many definitions of globalization, such as political, technical, social, definitions, the most common definition is the one used in international business that of economic globalization—the international integration of goods, technology, labor, and capital; that suggested, that firms implemented global strategies which link and coordinate their international activities on a worldwide basis. Globalization is the process of social, political, economic, cultural, and technological integration among countries around the world.

Although globalization introduces promising prospects for long-term competitiveness and overall economic growth, anti-globalization and protectionism present tempting solutions for pressing contemporary problems. The paper focuses on the role of Africa as an important part of the world trading system before the era of the European voyages (1492-1690). The central argument is that Africa has been a major facilitator of global commerce and cross-cultural exchange. This is in line with Pomeranz and Topi’s seminal study *The World that Trade Created*, which elucidates the role of global commerce in the development of international trade and global culture from 1400 to present. The pace of the global trade and culture gained radical and revolutionary momentum with the advent of the European explorations propelled by their advanced knowledge of navigation and technology from the early fifteenth century. Nonetheless, there are ample evidences attesting to the fact that the Africans and their contacts from the Asian continent were the forerunners of this global connectedness.

*A student of pre-colonial African economic history is often faced with challenges as to the sources of historical records left by the Africans. Rather, the scanty information available is usually the records left by Greek, Roma, Arab or European sailors and merchants. It is therefore important to quickly state that sometime these documents do not represent the entire story. Trade and commerce on the continent goes back to the period prior to the ancient times. Like everywhere across the world, the vent for surplus and the economies of comparative advantage has led people in diverse ecological zones to seek alternative sources for products they lacked in exchange for those they produced in relative abundance. Because knowledge of writing was neither widely practice nor distributed across the African continent, recent archaeological studies in Africa are now providing glimpses into the role of the pre-colonial Africans in the evolution and expansion of international trade.*

*Among other places, archaeological excavations along the Nile River to the northeastern parts of modern Sudan has shown that the Nubians, as the people were known in the ancient times, were very active in international activities with both their African and non-African contacts. The earliest recorded of these contacts are connected with the city of Kerma, which emerged around 2500 BC as perhaps Africa’s first recorded city. Kerma as a world-class city-state of its era and the inhabitants of the kingdom played a key*
role in a complex trading network, which involved exchange of goods from north to south and east to west through entrenched routes and paths that embraced the African hinterland to the southwest, the Mediterranean to the north, and the Arabian world across the Red Sea. The commercial contacts facilitated the movement of people north and south of the Nile Valley regions. These migrations also involved a dynamic cross-exchange of material cultures, rituals, religious and political ideas. Soon, Kerma-Nubia emerged as a powerful rival to Egypt and conflict between the neighbors became more frequent.

KUSH-NUBIA (1550-275 BC)
Like its precursor state, the mainstay of the Kush-Nubian economy was agriculture. It also exported to Egypt such commodities as ivory, incense, gold jewelry (worked by their master craftsmen), and carnelian, a semiprecious stone also used in jewelry and in arrowheads. Kush’s position was central to the trade routes between Egypt, the Red Sea and along the Nile further into sub-Saharan Africa, which helped bring wealth to the area. Its hills contained gold and emerald mines, ivory, timber, animal products and slaves procured from the African hinterland. Some of these slaves were exported to Egypt, and served as soldiers in the armies of the pharaohs.

Also closely related with the trade involving the Nubians was that involving the ancient Ethiopians, which was best developed during the Aksumite (Axum) era (c. 300 BC- 100AD). From as far back as the Egyptian Fifth Dynasty (c.2494 – 2345 BC), the pharaohs of Egypt sent trade expeditions to the “Land of Punt,” which some scholars now believe to be the area south of modern Sudan—that is Ethiopia located to the further down between the Red Sea and the Nile River. Others also believe that Punt lies at latitude 1 14’N 30 45’E which actually places its location at somewhere in the region of modern Uganda. The rulers of Punt traded incense, ivory, ebony from their own country and the skins of giraffes, cheetahs and panthers obtained further south. Queen Hatshepsut, who ruled Egypt from 1490 to 1468 BC, undertook the most famous of these trade expeditions. Temple relief from her reign describe this journey in which the Queen held an audience with Puntite King Perehu and his Queen, and in which the Egyptian Pharaoh-Queen returned to Egypt with boat loads of ivory, ebony, tortoise-shell, myrrh and wild panther skins.

Although Arabian settlements in Ethiopia and Eritrea may have begun as early as the middle of the first millennium, Aksum was first documented in the Periplus of the Erythraean Sea (or Red Sea) written by an anonymous Roman sailor who lived in Egypt around 70s AD. The book, which primarily focused on the conditions encountered by merchants sailing to East Africa and India, reveals that already in the first century AD, the bulk of the trade between northeast Africa and the Red Sea passed through the Aksumite port of Adulis. The Periplus of the Erythraean Sea further reveals that the local people imported cloth made in Egypt, robes from Arsinoe, cloaks of poor quality dyed in colors, double-fringed linen mantles, many kinds of glass stones made in Thebes, and brass, used for ornament, copper, used for bracelets and ornaments for women and for cooking, swords, drinking cups, small axes and adzes and other items.

In the ninth century BC, traders on the Arabian side of the Red Sea coast, known as Saba (or Sheba), began migrating to the African side in order to take advantage of the growing and lucrative trade in ivory and other tropical products traded through the Red Sea. They intermarried with the indigenous Africans living in the area. The resulting fusion created a new Ethiopian or Abyssinian culture, in which the population spoke Ge’ez or ancient Ethiopic (one of very scarce Africa’s indigenous written script) and wrote in a new alphabet derived from the Semitic alphabet of the Sabaeans (inhabitants of Saba).

This society centered in the northern Ethiopian Highlands, and known as Aksum or Axum (c. 100-700 AD) emerged approximately in the first century BC as a unified strength of Ethiopia. Some of the scanty facts about the emergence of Aksum are extracted from the Greek sailor Cosmos Indicopleustes (The Indian-Sailor), who on a visit to the port of Adulis in the sixth century (547AD) was asked by the Aksumite governor of the port Adulis to translate an ancient text recovered from the area. Cosmos later
included part of his translations in his book entitled *The Christian Topography*. The translated text reveals that Aksum emerged in the first century AD as a large and powerful kingdom under a “pagan Axumite king” and the territories under his control included modern Ethiopia and Yemen. Of particular interest is the mention of a highway built by the king of Aksum in order to facilitate direct travels from Aksum to Egypt. While Aksum benefited immensely from revenues accruing from the Red Sea trade in gold, ivory, and slaves acquired from the decentralized societies to the south, agriculture surpluses remained the backbone of its economic and political life.

Like Kush, the continued prosperity and security for the kingdom of Aksum was rested upon the ability of the rulers to control pastoral nomads who lived in the deserts between the Nile and the Red Sea. Aksum reached its height in the sixth century BC, when it expanded across the Red Sea, invading Saba, and incorporating it into its sphere of influence. The rapid development and expansion of Aksum could be attributed to a number of crucial factors. First, its growth is linked to the development of an extensive trade at the seaport of Adulis, which became its capital city. Its strategic location between Red Sea and Indian Ocean provided Aksum with a cosmopolitan image, which it harnessed in developing extensive trade with the Nubians, Egyptians, Greeks, Indians, Ceylon, and later Romans. The people inhabiting the areas surrounding the Ethiopian Highlands exported ivory, glass, crystal, copper, brass, frankincense, and myrrh. Aksum imported spices, silk, and fine cloths.

**THE TRANS-SAHARAN TRADE**

Meanwhile, international trade originating from the West Coast of Africa was first dominated by the trans-Saharan trade, which was an established international commercial network between the people of West Africa and the Mediterranean world across the Sahara. The Sahara desert is a difficult expanse of wasteland separating the economy of the Niger basin from the Mediterranean economy beginning from North Africa. While the Sahara has always been home to people engaged in local and short distance trade in the period before the desertification process commenced around 2500 BC, existing contact with the Mediterranean world, brought extra incentive with the growth of the seaport of Carthage established in about 800 BC.

Carthage would become an important terminus for West African gold, ivory and slaves. These goods were exchanged for salt, cloth, beads and metal goods. As the trade expanded, it stimulated the emergence of the city of Aoudaghost which lies directly along the Saharan trade route in 600 BC. Generally, the trade continued through a network of middlemen along the trade routes. However, the introduction of Camels by the Romans in the third century would revolutionize the conduct of the trans-Saharan trade by means of travels and contact. The main trans-Saharan trade routes include the run from modern Morocco to the Niger Bend. The second originates from modern Tunisia to Lake Chad area. The longer route ran from Fezzan in modern Libya through the valley of Kaouar to Lake Chad, and another route from the Niger Bend to Egypt was abandoned in the eleventh century due to obvious dangers.

The rise and fall of the various Sudanese kingdoms in the medieval times were to a great degree determined by the rise and fall of the trans-Saharan trade. For instance, the rise of Ghana Empire, located in modern Mauritania, mirrored the increase in the trans-Saharan trade. The West African people imported salt and other Mediterranean products while they principally exported gold and slaves that served as domestic helps to the nobilities of the Mediterranean world.

All the time, the Europeans had directly participated in this trade and learnt a lot about the Western Sudanese people from their North African contacts. While they desired to contact the Africans directly, they dreaded the challenging desert and tropical conditions. It was not until the advent of the European voyages of discovery did the first Portuguese arrived on the coast of sub-Saharan Africa in the fifteenth century AD.
In conclusion, today the terms globalizations, world market, world economy are commonplace, appearing in sound bites of politicians, economist and mass media, but few know that the most important source for globalization originated from the continent of Africa. At a time when the mainstream assumption of accepted social, political and economic development held that the wealth of a nation reflected mainly on the cultural developments within those nations, growing groups of economist have recognized that the national development could be best understood as the complex outcome of local interactions with an aggressive expanding of global centered system.

Whereas this study did not focus on the African leadership and governance, the authors found that ineffective leadership and poor governance has played a greater role in the demise of African businesses engaging more in this era of globalization. The authors believed that this is an area that is will requires further studies. In the last two decades, governance has become an important issue in development policy discourse and social science research (Olowu, 2002). Yet a lack of conceptual consensus on the term results in a multiplicity of definitions. Moreover, the relationship of leadership to governance, institutional reforms, and public policy processes and outcomes remains ambiguous (Olowu, 2002). According to Olowu (2002) the underlying argument is that governance changes in African polity and economy since the 1990s necessitate the building and substance of critical institutional capacities within and outside of the state if they are to impact poverty alleviation and development.

Good governance is important for economic development not only through establishing clear developmental vision that stipulates the strategic choices that define the economic paradigm the public sector would adopt. It relates to building accountability and transparent economic management and equipping the business sector apparatus with the capacity to design and implement programs that are aimed at realizing that shared development vision of globalization. The role of leadership in the bureaucratic structure of organizations, especially in the public sector, is becoming of greater importance to the policy practitioners. Many international organizations and financial institutions believe that there is a connection between the high level of poverty and corruption in Africa and political misrule and bad governance (Oyelaran-Oyeyinka, 2006). Therefore, the role of leadership in governance and implementation of public service reforms cannot be underestimated.

REFERENCES
Frank, A. G. & Gills, B. K. The five thousand year world system: an interdisciplinary introduction.
Trade, Foreign Direct Investment and Inequality within countries: Evidence from Panel Data on African Countries

Khaled Elmawazini, KIMEP (Kazakhstan) and University of Ottawa, Canada

Pran Manga, University of Ottawa, Canada

Previous studies show mixed support for the impact of trade and foreign direct investment on inequality within individual countries. This paper develops the IMF (2007) panel data model and contributes to the empirical literature by investigating trade and foreign direct investment as channels of inequality in 6 African countries from 1970 to 2000. Using Cross-sectionally Correlated and Timewise Autoregressive (CCTA) model, the results of panel data regressions indicate that both trade and FDI widen the income gap within 6 African countries. This result partially contradicts the result of IMF (2007) model.

INTRODUCTION
The growth in global inequality can be defined as the growth in income and wage inequalities, both between and within individual countries (Melanovic, 1999). In recent years, there has been increasing concern about the relationship between trade, foreign direct investment (FDI), and global income inequality, especially inequality within countries (Melanovic, 2006a). However, this topic still needs more research for five reasons. The first one, there is no agreement between researchers about the main determinants of income inequality (Odedokun and Round, 2004). The second one is that there is no agreement between researchers about the optimal measure of inequality within countries (World Bank, 2005). The third one, there are few studies focus on the relationship between FDI, the main source of financial globalization, and income inequality (IMF, 2007, p. 32). The fourth one is that previous studies show mixed support for the hypothesis that trade and foreign direct investment are channels of the growth in income inequality within countries (see Melanovic (2006b) and Goldberg and Pavcnik (2007) for a survey)). The fifth one is that previous studies did not extensively examined the channels that make trade and financial flows affect inequality. The trade and financial globalization can affect the inequality within countries through three channels. The first channel is the changes in wages. The second channel is the changes in relative prices and consumption. The third channel is the change in household production. Previous studies focused only on the first channel (Pavcnik, 2007).

Some previous studies support the hypothesis that trade and foreign direct investment reduce the poverty and income inequality within countries (See for example, Dollar (2005), Dollar and Kraay (2001), Lawrence (1996) and Cline (1998)). These studies support Stolper-Samuelson theorem. Stolper and Samuelson (1941) argues that trade liberalization may increase the unskilled-labor-intensive product prices and this may lead to an increase in factor returns (i.e. wages) in the unskilled-labor-intensive products, at the same time, it (trade liberalization) may lead to import skilled-labor intensive products and a decrease in the skilled labor wages. This may reduce inequality within countries (for more discussion about this theorem and its limitations, see Goldberg and Pavcnik (2007)).

On the other hand, Cornia and Kiiski (2001) show that the inequality within countries has increased from 1960s to 1990s in 48 developed and developing countries. Cornia and Court (2001) indicate that technological change, trade and foreign investment flows, and changes in labor market are the main reasons of the increase in inequality. Similar results can be found in Lee (2002), Maddison (2001), Milanovic (2001) and UNDP (1999).
Moreover, the empirical results of many previous studies did not support what Stolper and Samuelson theorem predicted. For example, Hanson and Harrison (1999) argued that trade liberalization widened wage gap in Mexico during 1987-1994. The contradiction between this result and the Stolper and Samuelson theorem can be explained by the fact that the trade protection in unskilled labor-intensive sectors, prior to trade reform (i.e. tariff cuts), is higher than skilled labor-intensive sectors (IMF, 2007). If pattern of protection is taken into consideration, the Stolper-Samuelson theorem will predict that the wage of unskilled labor will be decreased because trade reform was happened in unskilled labor-intensive sectors (Goldberg and Pavcnik, 2007). This may increase the wage gap and inequality within countries. Similar results can be found in Currie and Harrison (1997) for Morocco and Topalova (2004) for India.

In more recent study, IMF (2007) argues that financial globalization, especially foreign direct investment (FDI), leads to a significant increase inequality within countries, and at the same time, trade globalization leads to a reduction in inequality in 51 developed and developing countries. We argue that IMF (2007) has four limitations. (1) The IMF (2007) did not examine the causality between FDI, Trade, and Inequality. (2) IMF (2007) did not separately estimate the impact of trade and FDI on African countries. The study divided the developing sample to three sub-samples. The first sub-sample is Latin America and the Caribbean sample. The second sub-sample is developing Asia sample. The third sample includes other developing countries. (3) The least squares dummy variables (LSDV) is used to estimate the panel data regression in IMF (2007). This method did not consider the cross-section correlation. (4) The panel data regressions results of IMF (2007) may be spurious, because many explanatory variables (e.g. capital account openness index and trade openness ratio) move in the same direction. In addition, the explanatory power of the panel data model is weak (IMF, 2007, table 4.3).

To overcome the above limitations. This paper develops the IMF (2007) panel data model and contributes to the empirical literature by investigating trade and foreign direct investment as channels of inequality in 6 African countries from 1970 to 2000. The remainder of this study is organized as follows. Section 2 is the empirical specification. Section 3 is the data. Section 4 is the empirical findings. Section 5 is the conclusion.

**EMPIRICAL SPECIFICATION**

The panel data regression equation that examines the impact of trade and FDI on income inequality within countries in 6 African countries from 1970 to 2000:

\[
\ln (\text{Inequality}_{it}) = \sum_{j=1}^{N} \beta_{0j} D_{jt} + \beta_1 \ln (\text{Trade}_{1,it}) + \beta_2 \ln (\text{FDI}_{1,it}) + e_{it} \tag{2.1}
\]

Inequality is measured by GINI index. World Bank (2006) discusses the measures of inequality and their limitations. The Djt are cross-section dummy variables. When j=1, D_{jt}=1 and otherwise D_{jt} = 0. Trade variable is the trade openness, (Import + Export) / GDP. Previous studies (e.g. Frankel and Romer (1999)) used this measure to examine the impact of trade on inequality within countries. There are two points related to trade and FDI variables. (1) Both of them are divided by GDP. (2) It is well known that trade and FDI are the main sources of globalization and they move together. These two points may lead to spurious regression. To avoid spurious results, lagged trade at time t-1 is used, rather than trade at time t. The regression of trade on lagged trade indicates that lagged trade is a good proxy for trade.

Much work has been made to examining the effect of trade liberalization on inequality (see section 1); however, previous studies did not extensively discuss the effect of FDI on inequality in both theoretical and empirical points of view (Basu and Guariglia, 2004). Basu and Gurglia (2004) found that FDI widens the inequality in 72 developing countries from 1970 to 1999. Similar results can be found in UNDP
FDI variable is FDI to GDP ratio. This ratio is used to measure the effect of FDI. The construction and the limitations of FDI to GDP ratio and Gini Index will be discussed in the next section.

**DATA**

The dataset of this study contains data for six African countries: Egypt, Kenya, Morocco, Nigeria, and South Africa covering the period 1970-2000. The dataset has 5-year observations (see table 4.1). We use data from World Income Inequality Database (UNU, 2007), prepared by United Nations University and World Institute for Development Economics Research (UNU/WIDER), for inequality variable. Gini index is used to measure the inequality within six African countries. The Gini index is the Gini coefficient multiplied by 100. The Gini coefficient summarizes the degree of inequality, from 0 (absolute equality) to 1 (absolute inequality). It measures the deviation shown in the Lorenz curve. Most previous studies use Gini Index. However, this measure is not additive across groups. To avoid this limitation, Theil-index may be used. However, Theil index is not available for African countries. For more discussion about inequality measures, see World Bank (2006) and Litchfield (1999).

Trade openness and FDI variables are constructed based on World Bank (2007). The effect of FDI on inequality is measured by the FDI to GDP ratio. Hejazi and Safarian (1999) indicate that the calculation of FDI differs between countries. FDI stock has a complex definition. FDI stock at any point is:

\[
FDI_t = FDI_{t-1} + \text{retained earnings} + \text{net flows of FDI} \quad (3.1)
\]

Retained earnings and the flows are calculated using current dollars. However, the previous year FDI stock is not calculated based on current dollars. With this fact in mind, there is a difficulty to calculate the real values of FDI stock (Hejazi and Safarian, 1999).

Table 4.1 Nigeria: Trade, FDI, and Inequality

<table>
<thead>
<tr>
<th>Year</th>
<th>Gini Index*</th>
<th>FDI/GDP (%)**</th>
<th>Trade openness** (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>30.99</td>
<td>1.6340</td>
<td>19.6206</td>
</tr>
<tr>
<td>1975</td>
<td>35.50</td>
<td>2.4600</td>
<td>41.1703</td>
</tr>
<tr>
<td>1980</td>
<td>36.70</td>
<td>-1.1509</td>
<td>48.5713</td>
</tr>
<tr>
<td>1985</td>
<td>37.02</td>
<td>1.7093</td>
<td>28.5379</td>
</tr>
<tr>
<td>1990</td>
<td>41.15</td>
<td>2.0647</td>
<td>72.2405</td>
</tr>
<tr>
<td>1995</td>
<td>44.95</td>
<td>3.8396</td>
<td>86.4722</td>
</tr>
<tr>
<td>2000</td>
<td>51.95</td>
<td>2.4794</td>
<td>86.4676</td>
</tr>
</tbody>
</table>


From table 4.1, it is clear that inequality is dramatically increased in Nigeria during 1970-2000. In the next section, we will present the empirical results of the impact trade and FDI on income inequalities in six African countries from 1970 to 2000.

**EMPIRICAL FINDINGS**

Tables 4.1 and 4.2 present results from panel data regression. The data for the six African countries from 1970 to 2000 are pooled. Since our data set has T (time periods) relatively large to N (Cross sections), Least Squares Dummy Variables (LSDV) model generates very similar results to the random effects model (Greene, 2000). To avoid spurious regression, lagged trade at time t-1 is used, rather than trade at time t (see section 2). To examine the cross section correlation, Parks (1967) method is used. The
assumptions of Parks method (1967) may generate Cross-sectionally Correlated and Timewise Autoregressive (CCTA) model. The empirical findings based on equation 2.1 can be summarized in the following table:

Table (4.1) presents panel data regressions results for the Inequality variable. Values in parentheses are t-statistics.

<table>
<thead>
<tr>
<th>Regression Method:</th>
<th>LSDV Model (Regression 4.1)</th>
<th>CCTA model (Regression 4.2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ln (Trade)</td>
<td>0.15217 (0.2650)</td>
<td>0.38235 (9.931)</td>
</tr>
<tr>
<td>Ln (FDI)</td>
<td>0.45650 (0.5733)</td>
<td>0.056348 (3.237)</td>
</tr>
<tr>
<td>R²</td>
<td>0.5992</td>
<td>0.9026 *</td>
</tr>
<tr>
<td>DW</td>
<td>2.3623</td>
<td>1.8385</td>
</tr>
<tr>
<td>RUNS (Geary) test</td>
<td>15 RUNS, 14 POS, 28 NEG</td>
<td>18 RUNS, 18 POS, 24 NEG</td>
</tr>
<tr>
<td>N</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>T</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>NT</td>
<td>42</td>
<td>42</td>
</tr>
</tbody>
</table>

* BUSE RAW-MOMENT R²

The results of LSDV model in table (4.1), which is used in IMF (2007), indicates that both trade and FDI has no impact on inequality within six African countries. However, we cannot rely on this result because the following diagnostic tests indicate that the LSDV model has two problems: (1) Breusch-Pagan (1980) Lagrange multiplier test indicates that there is an evidence to reject the hypothesis of no cross-section correlation. (2) Lagrange multiplier test for cross-section heteroskedasticity indicates that there is an evidence to reject the hypothesis of homoskedasticity. With these two problems in mind, CCTA model is used. Using CCTA model, the results of regression (4.2) indicate that both trade and FDI widen the income gap within countries in six African Countries during 1970-2000. This result contradicts IMF (2007) and other previous studies (e.g. Dollar and Kraay (2000) and Dollar (2005)). One explanation is that this study uses better econometric techniques (see section 1 and table 4.1). For example, the IMF (2007) did not examine the cross section correlation, which may lead to inefficient results (Greene, 2000). The second explanation is that the trade protection in unskilled labor-intensive sectors, prior to trade reform (i.e. tariff cuts), is higher than skilled labor-intensive sectors in these African countries (IMF, 2007). If pattern of protection is taken into consideration, the Stolper-Samuelson theorem will predict that the wage in unskilled labor will decrease because trade reform was happened in unskilled labor-intensive sectors (Goldberg and Pavcnik, 2007). This may increase the income inequality within countries. Similar results can be found in Currie and Harrison (1997) and Topalova (2004).

CONCLUSION

The study has three contributions to the empirical literature. The first one is that the study investigates trade and foreign direct investment as channels of inequality in 6 African countries from 1970 to 2000. The second one is that the study develops the IMF (2007) panel data model by using Cross-sectionally Correlated and Timewise Autoregressive (CCTA) model. The third one is that the results of this study can be considered as further empirical evidence on the hypothesis that FDI affects inequality within countries; previous studies did not extensively discuss the effect of FDI on inequality in both theoretical and
empirical points of view. The results of panel data regressions indicate that both trade and FDI widen the income gap within 6 African countries. This result may be consistent with Stolper-Samuelson theorem if the pattern of protection across sectors before liberalization is taken into account.

REFERENCES


Examining Causality between Exports and Economic Growth in Mauritius

Allan C. K. Mukungu, University of Westminster, UK

This paper examined the causality between the growth of exports and economic growth in Mauritius using annual data covering the period 1970 to 2004. It tested the exports-led hypothesis for Mauritius using co-integration estimation and the Granger causality test. Although the empirical evidence suggests 3 cointegrating vectors, it fails to show a unique causal link between real exports and real growth. The framework also included additional factors that may explain the growth rate performance. These factors were found to be part of the explanatory set for the growth rates of both real exports and real production. The main conclusion of the study is that although the variables are clearly co-integrated, the evidence does not prefer one hypothesis against another and there is need to employ more rigorous techniques to isolate the causality.

INTRODUCTION

Since the 1970s, the role of exports in stimulating economic growth has been a subject of key debates among development economists and planners. These debates were further precipitated by phenomenal growth in output and exports in the so-called newly industrialising countries of East Asia. The dismal performance of the relatively inward-oriented African and Latin American economies have fuelled rather than helped moderate the debate. In Africa, Botswana and Mauritius seem to be the exception with steady growth of GDP and exports observed over two decades since the 1980s. Elsewhere, to stalk the debate even further, recent studies (such as Mah, 2005) point to China’s export growth from 21 billion yuan in 1979 to 2203 billion yuan in 2001 representing a share of 23% of GDP, in a period where average growth rates have stayed above 5%. There are two competing explanatory hypotheses. The first, entertained by early analysts such as Chen (1979), proposes that growth in exports causes economic growth – termed as Growth-Led Exports (GLE) - while the second backed by Shinohara (1975) proposes that exports’ growth leads to economic growth – termed Export-Led Growth (ELG).

Intuitively, growth in exports could be a catalyst of growth in production through its being a part of aggregate output whereby increase in export production may result in increase in employment and incomes in the exportable sector. According to some analysts (notably Helpman and Krugman, 1985; and, Ben-David and Loewy, 1998), export growth may also improve the efficiency of allocation of resources, greater utilisation of domestic capacity, exploitation of economies of scale and stimulate technological improvement in order to survive competition in foreign markets. On the other hand, Balassa (1978) and Buffie (1992) argue that foreign exchange earnings from exports permit more imports of capital goods and intermediate goods, raising capital formation and thereby stimulating the growth of output in the economy.

Formally though, there is no guidance in trade theory on the causal relationship between exports and output growth. The debate is informed, to a large extent, by empirical studies which have so far yielded ambiguous results both longitudinally (such as Shan and Sun, 1998; and Mah, 2005) and cross-sectionally (such as Narayan and Narayan, 2005). Further examples cited in Awokuse (2003) include: Chow (1987) and Sengumpta and España (1994) in support of the ELG and Darrat (1986) and Holman and Grave (1995) in support of the GLE hypothesis for Korea. Nevertheless, the main question in the causality debate between the growth rates of exports and production is whether an outward-oriented trade policy is preferred to inward-oriented trade policy in stimulating economic growth.
Although earlier studies (such as Balassa, 1978; and Ram, 1987) have examined the ELG hypothesis on developing countries, more recent studies (such as Marin, 1992; Shan and Sun, 1998; and Awokuse, 2003) have mostly examined the ELG in respect of industrialised countries such as Japan. Tony Blair’s 2005 Commission for Africa and the celebrity-led Make Poverty History campaign and Live8 have refocused the debate on Africa. Some of the countries cited for exemplary steady GDP growth and growing exports are Botswana and Mauritius. According to Subramanian (2001) between 1973 and 1999, real GDP in Mauritius grew on average by 5.9% per annum compared with 2.4% for Sub-Saharan Africa as a whole. In academia, Subramanian and Roy (2001) examine different explanations of the Mauritian growth experience since the mid-1970s, showing that the transmission mechanism for this growth is insufficiently identified. This study, contributes to the GLE and ELG debate literature by using cointegration techniques applied to other countries to test the extent to which Mauritius’ steady growth may be explained by growth in exports. Botswana was left out of the study due to unavailability of a complete set of data for the study period.

The rest of the paper is organised as follows. Section 2 provides a brief description of the empirical framework we use to analyse the hypotheses. Section 3 describes the source and data used in the analysis. Section 4 discusses the findings of the empirical estimations, while section 5 provides a conclusions and implications of the study.

**EMPIRICAL FRAMEWORK OF ANALYSIS**

Recent literature stemming from the seminal article by Engle and Granger (1987) suggests that long-run relationships between variables can be studied using cointegration techniques. Since Engle and Granger’s 1987 article, the technique of cointegration has been advanced by, among others, Johansen and Juselius (1990) and is now incorporated in most econometric and statistical software packages such as Pesaran’s Microfit 4 employed in this study. Moreover, the 1990s have seen further developments leaving no want of exposition of the technique in most empirical journals. In this section, we provide the salient features of the Johansen and Juselius’ (1990) multivariate cointegration model.

If $X_t$ is an $(n \times 1)$ column vector of $p$ variables, $\nu$ is an $(n \times 1)$ vector of constants, $\varphi$ is a matrix of coefficients, $k$ denotes the lag length and $\varepsilon_i$ is white noise disturbance term i.e. a $p$-dimensional normally distributed error term with mean of zero and variance of $\Sigma$. According to Johansen and Juselius (1990), the VAR in equation (1) should be estimated and its residuals then used to compute two likelihood ratio (LR) test statistics: the Trace and the Maximum Eigenvalue test statistics. These test statistics would then be used to determine the unique cointegrating vectors of $X_t$.

A dynamic causal relationship process between economic growth and its potential determinants can be examined through a levels-VAR specification such as the following:

\[
(2) X_t = \nu + \sum_{i=1}^{k-1} \varphi_i X_{t-i} + \varepsilon_t
\]

Where $\Delta$ is a difference operator, $\varphi$ and $\Pi$ are matrices of coefficients also known as the impact matrix containing information about the long-run relationships, while $\varepsilon$ is a normally distributed error term with mean of zero and variance of $\Sigma$. According to Johansen and Juselius (1990), the VAR in equation (1) should be estimated and its residuals then used to compute two likelihood ratio (LR) test statistics: the Trace and the Maximum Eigenvalue test statistics. These test statistics would then be used to determine the unique cointegrating vectors of $X_t$. 

A dynamic causal relationship process between economic growth and its potential determinants can be examined through a levels-VAR specification such as the following:

\[
(1) \Delta X_t = \nu + \sum_{i=1}^{k-1} \varphi_i \Delta X_{t-i} + \Pi X_{t-i} + \varepsilon_t
\]

Where $\Delta$ is a difference operator, $\varphi$ and $\Pi$ are matrices of coefficients also known as the impact matrix containing information about the long-run relationships, while $\varepsilon$ is a normally distributed error term with mean of zero and variance of $\Sigma$. According to Johansen and Juselius (1990), the VAR in equation (1) should be estimated and its residuals then used to compute two likelihood ratio (LR) test statistics: the Trace and the Maximum Eigenvalue test statistics. These test statistics would then be used to determine the unique cointegrating vectors of $X_t$.
order of integration, a levels VAR is estimated with a total of \( p=[k+d(\text{max})] \) lags. Finally, standard likelihood Ratio tests are applied to the first \( k \) VAR coefficient matrix (but not all lagged coefficients) to make the Granger causal inference.

**THE DATA**
The dataset, obtained from the IMF’s international financial statistics, consists of Mauritius’ annual time series observations from 1970 through 2004 on real GDP (Prod), real exports (Trad), real terms of trade – unit value divided by import unit value (Term), gross fixed capital formation (Cap) as a proxy for capital and the US index of industrial production (USIP) as a proxy for foreign output shock, all expressed in terms of natural logarithms. The US industrial production index is used to control for export growth that is independent of Mauritius’ competitiveness or productivity but is influenced by growth in the rest of the world. All estimations were carried out using Microfit 4.

**EMPIRICAL FINDINGS**
Charts 1 and 2 present graphs plotting the evolution of the logarithm of Mauritius’ Prod, Trad, Term, Cap and USIP series. It shows that, except for the terms of trade (Term), all were trended upwards over the period. Prod, Trad and Cap variables trend steeply upwards while USIP’s upward trend is gradual. The variable Term, a ratio of price indices, was more volatile, increasing between 1970 and 1975, declining between 1975 and 1983, increasing again between 1983 and 1988, stabilizing over the decade 1988 to 1997, then declining between 1997 and 2000, before increasing towards 2004.
Before specifying the vector error-correction model, the order of integration of the series was determined using the well-documented augmented Dickey-Fuller (1979) and Phillips-Perron (1988) tests. These tests are based on null hypothesis that a unit root exists in the autoregressive representation of the series under consideration. Existence of a unit root in time series would otherwise lead to spurious results in regression-based estimations.

Table 1. Stationarity (Unit Root) Test Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>ADF statistic</th>
<th>IC Suggested Order</th>
<th>Phillips-Perron Statistic</th>
<th>Probability to reject at 95%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prod</td>
<td>-0.38882</td>
<td>1</td>
<td>-5.96250</td>
<td>0.000</td>
</tr>
<tr>
<td>Trad</td>
<td>0.21823</td>
<td>3</td>
<td>-4.73610</td>
<td>0.000</td>
</tr>
<tr>
<td>Term</td>
<td>-5.7461</td>
<td>0</td>
<td>-6.06000</td>
<td>0.000</td>
</tr>
<tr>
<td>Cap</td>
<td>-1.5822</td>
<td>1</td>
<td>-4.52140</td>
<td>0.000</td>
</tr>
<tr>
<td>USIP</td>
<td>3.0535</td>
<td>1</td>
<td>-0.89358</td>
<td>0.378</td>
</tr>
<tr>
<td>DUSIP*</td>
<td>-9.52100</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

95% Critical Value= -3.5671

Source: Results from estimations in Microfit 4 using dataset obtained from IMF’s IFS online database.

The results show that except for the terms of trade variable, the null of a unit root is not rejected in the ADF tests of all other variables. Furthermore, the information selection criteria (AIC, SBIC and HQIC) suggest that production, capital formation and US industrial production regressions are of order 1 while those for trade are of order 3. The Phillips-Perron tests suggest that the hypotheses that production, trade, terms of trade and capital formation contain unit roots, cannot be rejected at the 95% level. However, the hypothesis that the US industrial production index contains a unit root can be rejected at 70% confidence level. Furthermore, other test results (not presented here) show that the first differences of all variables (except USIP) are stationary. The US industrial production index is stationary after differencing twice (see the Phillips-Perron results). Therefore, while all the other variables are integrated to the first order, the US industrial production index is of the second order. Table 2 below presents the results of the cointegration tests.

Table 2. Johansen Cointegration Results

<table>
<thead>
<tr>
<th>Number of cointegrating vectors</th>
<th>Trace Statistic</th>
<th>Critical Value (5%)</th>
<th>Maximal Eigen Value</th>
<th>Critical Value (5%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Null</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>r=0</td>
<td>125.2747</td>
<td>75.9800</td>
<td>58.5112</td>
<td>34.4000</td>
</tr>
<tr>
<td>r&lt;=1</td>
<td>66.7635</td>
<td>53.4800</td>
<td>29.1334</td>
<td>28.2700</td>
</tr>
<tr>
<td>r&lt;=2</td>
<td>37.6301</td>
<td>34.8700</td>
<td>21.7858</td>
<td>22.0400</td>
</tr>
<tr>
<td>r&lt;=3</td>
<td>15.8443</td>
<td>20.1800</td>
<td>9.5565</td>
<td>15.8700</td>
</tr>
<tr>
<td>r&lt;=4</td>
<td>6.2879</td>
<td>9.1600</td>
<td>6.2879</td>
<td>9.1600</td>
</tr>
<tr>
<td>List of eigen values (in descending order)</td>
<td>0.83019</td>
<td>0.58639</td>
<td>0.48324</td>
<td>0.25143</td>
</tr>
</tbody>
</table>

Model Selection Criteria

<table>
<thead>
<tr>
<th>Rank</th>
<th>Maximized LL</th>
<th>Akaike Information</th>
<th>Schwarz Bayesian</th>
<th>Hannan-Quinn</th>
</tr>
</thead>
<tbody>
<tr>
<td>r=0</td>
<td>169.9619</td>
<td>144.9619</td>
<td>126.2555</td>
<td>138.6678</td>
</tr>
<tr>
<td>r=1</td>
<td>199.2175</td>
<td>164.2175</td>
<td>138.0286</td>
<td>155.4057</td>
</tr>
<tr>
<td>r=2</td>
<td>213.7842</td>
<td>170.7842</td>
<td>138.6093</td>
<td>159.9583</td>
</tr>
<tr>
<td>r=3</td>
<td>224.6771</td>
<td>175.6771</td>
<td>139.0126</td>
<td>163.3406</td>
</tr>
<tr>
<td>r=4</td>
<td>229.4553</td>
<td>176.4553</td>
<td>136.7978</td>
<td>163.1118</td>
</tr>
</tbody>
</table>

Source: Results from estimations in Microfit 4 using dataset obtained from IMF’s IFS online database.
From Table 2, the cointegration tests suggest the existence of between 2 (Maximal Eigen value and Schwarz Bayesian Criterion) and 3 (Trace Statistic and Hannan-Quinn Criterion) cointegrating vectors. According to Pesaran and Pesaran (1997), where there are more than 2 cointegrating vectors, there is indicative rather than economic interpretative value, as presented in Table 3 below.

Table 3. Estimated Cointegrating Vectors
{Noramlized in Brackets}
With restricted intercepts and no trends in VAR

<table>
<thead>
<tr>
<th></th>
<th>Vector 1</th>
<th>Vector 2</th>
<th>Vector 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prod</td>
<td>-0.072149</td>
<td>0.132940</td>
<td>0.437500</td>
</tr>
<tr>
<td></td>
<td>{-1.0000}</td>
<td>{-1.0000}</td>
<td>{-1.0000}</td>
</tr>
<tr>
<td>Trad</td>
<td>0.010373</td>
<td>-0.973840</td>
<td>-1.150600</td>
</tr>
<tr>
<td></td>
<td>{0.14377}</td>
<td>{7.3255}</td>
<td>{2.6299}</td>
</tr>
<tr>
<td>Term</td>
<td>-0.548990</td>
<td>-0.936440</td>
<td>0.846130</td>
</tr>
<tr>
<td></td>
<td>{-7.6091}</td>
<td>{7.04441}</td>
<td>{-1.9340}</td>
</tr>
<tr>
<td>CAP</td>
<td>0.076935</td>
<td>0.768680</td>
<td>0.739800</td>
</tr>
<tr>
<td></td>
<td>{1.0663}</td>
<td>{-5.7822}</td>
<td>{-1.6910}</td>
</tr>
<tr>
<td>USIP</td>
<td>1.350700</td>
<td>2.396600</td>
<td>-0.621970</td>
</tr>
<tr>
<td></td>
<td>{18.7211}</td>
<td>{-18.0276}</td>
<td>{1.4217}</td>
</tr>
<tr>
<td>Intercept</td>
<td>-3.160000</td>
<td>-2.076500</td>
<td>0.940660</td>
</tr>
<tr>
<td></td>
<td>{-43.7985}</td>
<td>{15.6198}</td>
<td>{-2.1501}</td>
</tr>
</tbody>
</table>

Source: Microfit 4 estimation using IMF’s IFS online data

Notwithstanding Pesaran and Pesaran (1997), from Table 3, all three cointegrating vectors show a positive relationship between production growth and exports growth. However, while vector 1 shows that Prod is inelastic to changes in Trad, vectors 2 and 3 show positive elasticity between them. Thus while these results suggest evidence of existence of a long-term relationship between export and output growth, they are ambiguous on the nature of this relationship.

To determine the extent to which growth in exports and growth in production influence each other, the granger non-causality tests were applied to the multivariate VAR in Mauritius’ real gross domestic production growth, real exports growth, terms of trade, gross capital formation and the US industrial production index. Table 4 reports the results.

Table 4. Block Granger Non-Causality Tests in the VAR

<table>
<thead>
<tr>
<th></th>
<th>Prod</th>
<th>Trad</th>
<th>Prod and USIP</th>
<th>Trad and USIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximized value of log-likelihood in unrestricted VAR</td>
<td>271.2742</td>
<td>271.2742</td>
<td>271.2742</td>
<td>271.2742</td>
</tr>
<tr>
<td>Maximized value of log-likelihood under the null hypothesis</td>
<td>253.4977</td>
<td>248.4094</td>
<td>239.8941</td>
<td>233.0565</td>
</tr>
<tr>
<td>LR test of block non-causality, Chi-Square with degrees of freedom</td>
<td>35.5530</td>
<td>45.7298</td>
<td>62.7603</td>
<td>76.4355</td>
</tr>
<tr>
<td>Probability of rejection</td>
<td>{0.000}</td>
<td>{0.000}</td>
<td>{0.000}</td>
<td>{0.000}</td>
</tr>
</tbody>
</table>

Source: Microfit 4 estimation using IMF’s IFS online data
In Table 4, column 1 row 3 shows the log-likelihood ratio statistic for the non-causality of Trad, Term, Cap and USIP in Prod. Similarly for Column 2 in respect of Trad as the dependent variable. These ratios are asymptotically distributed as chi-square variates with 12 degrees of freedom, and are very significant. The last row shows the probabilities of rejection of the null. The high significance of the LR test statistic for both when Prod and Trad are the dependent variables suggests that causality is bi-directional over the period 1970-2004. Even removing the USIP variable from the block (column 3 and 4) did not provide additional information. Therefore, these results fail to uphold one hypothesis to the exclusion of the other.

CONCLUSION AND IMPLICATIONS OF THE STUDY

This study examines the relationship between growth in exports and growth in output in Mauritius in the context of the debate of whether growth in exports is output-growth-led or output growth is export-growth-led. It uses cointegration techniques hitherto mostly used in the study of developed and middle-income countries. The analysis focussed on the causal relationship between growth of real gross domestic product, growth of real exports, real terms of trade, gross fixed capital formation as a proxy for investment, and controlled it with use of US industrial production index over the period 1970 – 2004.

The empirical evidence from the cointegration suggests the existence of a long-term relationship among the variables, but does not indicate its unique nature. Nor do Granger causality tests uniquely support any one of the two hypotheses, GLE or ELG, to the exclusion of the other. It therefore suggests that causality may be bi-directional between real gross domestic product growth and real exports growth. This may well mean that Mauritius has simultaneously experienced periods when output growth was export growth-led and when exports growth was output growth-led.

However, this inconclusiveness points to a need for a more rigorous analysis, including other factors such as the initial conditions and ethnic composition of the Mauritian population suggested by, for instance, Subramanian (2001) and Szmendra (2002), contributing to growth in output and exports. In particular, the relationship between composition of exports and their share in production will be important to consider along the institutional factors suggested by other analysts.

Unfortunately, like studies for other countries (see for example Chow, 1987; Ram, 1987; Holman and Grave, 1995; and Mah, 2005) this study was not able to show whether the Mauritian experience provides specific lessons for African countries to emulate or whether indeed they should prefer outward- to inward-oriented trade policy, and vice versa.

REFERENCES


Liberal/Restrictive External Sector Policy Eras and the Dynamics of Economics of Economic Growth in Nigeria

Esther O. Adegbite, University of Lagos, Nigeria

Babatunde O. Oke, University of Lagos, Nigeria

There is no doubt that the external sector is of crucial importance to the Nigerian economy given its contributions in terms of revenue, opportunity to earn foreign exchange, and opportunity for technology transfer. Policies that have allowed freer trade have traditionally been associated with greater GDP growth rate. This study attempts to ascertain the role external sector policies play in economic growth of Nigeria. Taking an expost analysis of the Nigerian data and focussing on the export subsector, we employed both descriptive and econometric analyses to pinpoint the exact nexus between external sector policies and economic growth in Nigeria. Evidence from our econometric analysis indicate that there is no causal relationship between export and output in Nigeria. Indeed, the results from the Granger-causality tests overwhelmingly show no causality between exports and GDP in Nigeria. Moreover, our findings further revealed that although a long run relationship exists between exports and GDP (as shown by the cointegration tests), the results from the error correction specification clearly indicate that external trade (as proxied by exports indicators) is not a predictor of economic growth in Nigeria. Our findings may really give credence to the conclusions of Rodrik (1998) and Rodriguez and Rodrik (1999) that although external policy reforms may raise trade volumes, effects of trade policy on economic growth is quite weak.

INTRODUCTION

The external sector of the Nigerian Economy had always been an extremely important one to the country. The reasons for this are not far-fetched. First is the fact that the external sector generates considerable revenue to the government, sometimes the external sector alone generates as much as 80-90 percent of total government revenue. Secondly the external sector is the main source of foreign exchange. Third, the sector permits the inflow of capital goods, intermediate inputs and technology know-how, skills, talents, etc. (through both imports of goods and services and through foreign direct investment).

In Nigeria the issue of importation is a critical one given that every sector of the Nigerian economy is import-dependent manufacturing, agriculture, construction even service-sector. The implication of the above is that the performance of the external sector of the Nigerian economy provides a good gauge of the performance of the whole economy, whenever the external sector is performing poorly (as it had been from the early 1980s to about 2005) then the general economic indicators also perform poorly. In particular the performance of oil-export has provided a lead for the economy. In the 1970s when there was oil boom (given the unprecedented rise in the price of crude oil in the world market) there was tremendous increase in government revenue, and per capita income was as high as USA $2000. In the 1980s when there was oil doom the economy also plunged downwards and per capita income fell to as low as USA $300.

The crisis that engulfed the external sector as a result of trade deficit resulting from poor performance of oil-exports and even non-oil exports, as well as the unsustainable debt burden that arose from attempts to wipe-off the current account deficits through external borrowing, all led to a change in economic-management paradigm by mid – 1986. The new paradigm involved taking measures that were radically different from what the country was used to. The measures pertained to all the sectors of the Nigerian economy, financial sector, the external sector, the government sector etc. these measures were popularly known as “reform measures”.

377
In particular, in the external sector there have been reform measures that involve reduced tariff rates, reduced product coverage of non-tariff barriers, as well as generous incentives for promotion of exports. What difference the transition from highly restrictive trade policy era to fairly liberal trade policy era has made to economic growth (as measured by GDP) is what this paper is all about. This paper is divided into five: the introduction, the literature review, the methodology employed, analysis of our data and finally, our findings, conclusions and recommendations.

EXTERNAL TRADE AND ECONOMIC GROWTH: THE LITERATURE

Beginning from Adam Smith in the eighteenth century – using the theory of “absolute advantage”, down to Ricardo in the nineteenth century using the theory of comparative cost/advantage, down to the neoclassical theories and contemporary theories of trade, a major conclusion in the literature is that, free unfettered international trade promotes specialization, increased division of labour, increased growth rate of output, and improved welfare. Both the theoretical and empirical literature are replete with arguments for, and evidence in support of, free external trade as the engine of economic growth.


There are however a few dissenting voices, especially those that are called the structuralists (Myrdal 1958) who insist that increased specialization arising from free international trade may not necessarily translate to economic growth for all the trading – partners, depending on the nature of good each country is specializing in. This school of thought contend that when a country is specializing in a product such as unprocessed-primary-commodity or a product that does not involve so much of technological input then the country may not necessarily experience growth from free external trade (Grossman and Helpman 1991).

Grossman and Helpman (1991) argue that whether free trade and openness will promote long-run economic growth or not depends on whether the forces of comparative advantage push the economy’s resources in the direction of activities that generate long-run growth or divert them away from such activities. Activities that generate long-run growth include those that expand production variety, those that upgrade production quality, and those that produce externalities in research and development.

Forster (2000) in his study looked at the pattern of trade between 52 developing countries and 21 OECD countries over a 15-year period (1976-1990). Forster was particularly interested in trade in manufactures. He tried to predict the pattern of trade between these developing countries and the developed ones; using a variety of factor – endowment measures, [ e.g. capital stock, skilled/unskilled labour and gravity – determinants (e.g. area, distance from exporter, the GDP, the GDP per capita of the importer and exporter countries etc.) ]. Forster found that trade restrictions impede growth, while the higher the level of the free-trade (or degree of openness of an economy) the higher the level of growth generated.

UNCTAD (2005) tried to develop what is called – Trade and Development Index (TDI). To do this a total of 110 countries were investigated – cutting across development boundaries. The countries were divided into three main groups – these are:

(i) the 15 old European Union members, plus other OECD members
(ii) the 10, newly acceding European Union members
(iii) the developing countries.

Amongst the variables or determinants of a TDI are, the extent of openness to trade, market access, human capital, institutional quality and physical infrastructure. The higher the TDI the more developed an economy is. This study found that openness to trade was quite significant in determining the TDI for these countries, such that the more open the countries, (i.e. the less trade restrictions the country had) the
greater or higher was its TDI. The research concluded that trade liberalization in the absence of externalities could bring about long-term growth.

Dinopoulos and Segerstrom (2006) in looking at North-South Trade and Economic Growth, argued that free trade between the North and the South (i.e. developed and developing countries) actually promote economic growth in the developing world and benefit the whole world. They argue that while the developed countries engage in Innovative Research and Development (R&D) the developing countries engage in Imitative R&D which tries to copy the state of the art quality of the products from the developed world. Dinopoulos and Segestrom argue that the world benefits from the kind of trade that makes this imitation possible, because the developed country that trades with developing countries involved with imitation R&D is able to access a greater or bigger market than it would have if it were not trading with these developing countries, while the consumers in the developed country benefit from the imitative research that brings down the product price when production shifts from the high-wage Northern country (i.e. the developed country) to the low-wage southern country (i.e. the developing country).

With particular reference to trading in manufactured goods the literature is replete with conclusions that free trade in manufactured goods promotes economic growth. Thus there had always been the recommendation that developing countries interested in growth should focus on manufactured exports. However Bernard and Jensen (1998) maintained that it is not the fact of being involved in exporting that made manufacturing firms grow, rather it is the efficient, productive growing firms that enter the export market, so that exporting by these firms is driven by the growth of the firms and not vice-versa.

In terms of method of analysis there are two broad trends observable in the literature. First is the group of those who take exports as the only determinant of output (GDP) and using a simple bivariate correlation framework (employing the Spearman’s Rank Correlation) measure the extent of correlation between export growth and output growth. Such studies include – Balassa (1978), Bhagwati (1978), and Krueger (1978). A major weakness with this approach is that it assumes implicit causality from export growth to output growth without explicitly testing for causality. Secondly, given that the data used were usually cross-sectional the studies tend to gloat over the several peculiarities of individual countries.

The second approach, which interestingly produces all kinds of findings tend to be country-specific utilizing trend-data, using augmented neoclassical framework. This set of studies usually test for the long-run stationarity of data used, test for cointegration between the variables included in the objective function and test for lag-structures. Following this approach, we ascertain the effects of external trade on economic growth in Nigeria.

**METHODOLOGY**

In this study, we employ both descriptive method of analysis and time series econometric techniques to ascertain the nexus between external sector and economic growth in Nigeria. Given the controversy in the literature, we employ Granger causality tests (to determine the direction of causality between trade and growth), and cointegration and error correction modelling to ascertain the short-term and long run dynamics between the two variables. To analyze the trade policy eras we focus on exports and economic growth nexus and divide the periods into: the period of fairly restrictive trade policies (1970 to 1986), and the period of liberal trade reforms (1987-2004). Macroeconomic data (from 1970 to 2004) used in this study were obtained from Central Bank of Nigeria (CBN) publications.

Before conducting the cointegration analysis, we carried out unit root tests to determine the stationarity or otherwise of the time series data over both time periods. Thus, we employ the widely used augmented Dickey-Fuller (ADF) and the Philips - Perron (PP) tests (Dickey and Fuller 1979; and Philips and Perron 1988). The null hypothesis of a unit root is rejected against the one-sided alternative if the t-statistic is more than the critical value in absolute terms. Moreover, cointegration tests are carried out to find
determine if a stable long-run (equilibrium) relationship exists between the nonstationary time series variables.

Engle and Granger (1987) linked the long-run relationship derived from cointegrating relationship with the short term dynamic process by associating cointegration with error correlation model. The Engle Granger Representation theorem, states that "if two series are cointegrated then they will be most efficiently represented by an error correction specification and furthermore, if the series are cointegrated, this dynamic specification will encompass any other dynamic specification, including any partial adjustment model”

We estimate the following system of five equations:

\[
\Delta Y = f (TX, Y_{t-1}, U) \quad (1)
\]

Where:
- \(\Delta Y\) = change in output or GDP
- \(TX\) = Total exports
- \(Y_{t-1}\) = Previous level of GDP
- \(U\) = Other variables that impact output

From equation (1), change in output or GDP is a function of total exports, previous output level and other variables that impact output.

\[
\Delta TX = f (TX_{t-n}, Y_{t-n}, Z) \quad (2)
\]

Where:
- \(\Delta TX\) = Change in total exports
- \(TX_{t-n}\) = Previous levels of total exports
- \(Y_{t-n}\) = Previous level of output.
- \(Z\) = Other variables that impact total exports.

In equation 2, change in total exports is a function of previous levels of exports, previous levels of output, and other variables represented by \(Z\).

Given the prevailing view in policy circles that non-oil exports should be the main export-type to rely on for long-run growth, (in the face of exhaustible oil-deposits), we try to capture the impact of non-oil exports on output and vice versa in equations (3) and (4). Thus,

\[
\Delta Y = f (NOX, Y_{t-n}, U) \quad (3)
\]

Where:
- \(\Delta Y\) = change in output or GDP
- \(NOX\) = Non-Oil exports
- \(Y_{t-n}\) = Previous level of GDP
- \(U\) = Other variables that impact output

\[
\Delta NOX = f (NOX_{t-n}, Y_{t-n}, Z) \quad (4)
\]

Where:
- \(\Delta NOX\) = Change in Non-oil exports
- \(NOX_{t-n}\) = Previous level of Non-oil exports
- \(Y_{t-n}\) = Previous level of GDP
- \(Z\) = Other variables that impact Non-oil exports

The error correction specification between the dependent variable \(w\) and a vector of independent variables \(q\) is of the form.

\[
\Delta w_t = \delta_0 + \alpha_1 \Delta q_t - \quad (w - k \quad q_{t-1}) \quad (5)
\]
where k is the long-run proportionality between q and w. The specification thus relate the short run change in the dependent variable (ΔW) to two effects: the short run change in the independent variable Δq (also called the impact effect) and the correctional effect on the deviations from long-run trend of the relationship through a feedback effect (w-kq).

External Sector-Management Policies
Prior to the 1986 Structural Adjustment Programme, the economic development paradigm adopted by the federal government of Nigeria is known as the Import-Substitution – Industrialization Strategy (ISIS). Industrialization was taken as a proxy for economic development. Import substitution industrialization involved the importation of heavy machineries and equipments to produce at home certain imported goods. There are four implications of this strategy. First it meant heavy reliance on imported machineries and intermediate inputs for the industries to grow. Hence there was conscious effort to keep the exchange rate stable and to refuse to devalue it when economic fundamentals dictated devaluation. Second high tariffs were placed on those goods the country was trying to substitute for (through home production) in order to protect domestic industries. Third the kind of industries the government encouraged were highly capital-intensive, which was not in consonance with the abundant labour supply nature of the economy. Fourthly the industries that were being encouraged were not those that produced capital goods (which is crucial for growth and development) but those that produced consumer goods, usually light consumer goods.

Given the above scenario, between 1960 and 1969 the country had high tariff walls in place to shut-out the imports she was substituting for. However the period of the civil-war 1967 – 1970 January, was characterized by acute shortages and high level of inflation. So immediately the war ended in January 1970, government tried to adopt a more liberal stance with respect to imports. Tariff rates were reduced, the ad-valorem import taxes of between 33% to 150% previously placed on what were called non-essential imports, were removed. Given the oil-boom that started in 1973, government stance towards imports became even much more liberal.

However by 1982, Nigeria had suffered the first oil-shock of 1979 whereby price of crude-oil tumbled in the world market and the second oil-shock of 1981 whereby there was a glut in crude-oil supply. The fall in export earnings was tremendous. And desperate attempts to step-down the import-bills were made. From 1981, import – policy became restrictive again. By third quarter of 1986 there was a more fundamental change in approach to external sector management. However just before we discuss that we wish to discuss the policies put in place with respect to exports. With respect to exports the Federal government’s objective had always been (i.e. from the time of political independence in 1960) to expand the export-base of Nigeria, (in the early years from agricultural to manufactured exports, later from crude-oil exports to all other non-oil exports). To access new export markets and ensure that export prices (at least what the individual exporter gets) are stable. In line with the last objective commodity-boards were put in place that purchased agricultural exports from the farmers and sold in the world market, paying farmers, prices, the boards thought were “adequate”, but stable.

By the mid 1970s, in the face of a booming oil-sector, not much attention was paid to both the primary exports and the manufactured exports – due to the Dutch Disease Syndrome (Oyejide 1986) Pinto 1987, Ojo 1989). However by 1976 government created the Nigerian Export Promotion Council (NEPC) with the express purpose of helping government to identify export-oriented industries and assisting government in the provision of necessary incentives to make such export-oriented industries grow. By 1979 government made further incentives available such as Export Credit Guarantee and Insurance scheme, as well as Rediscounting facility for short-term trade bills. One interesting thing about all the
export promotion measures is that they had little or no impact on non-oil-export performance (the actual exports targeted by government).

Another major tool of external sector management is the exchange rate. From 1960 to 1986 August, Nigeria maintained a fixed exchange rate system. Initially the Nigerian currency was tied to the pound sterling, and later to the dollar, and by 1978 it was tied to a basket of currencies, (currencies of Nigeria’s major trading partners). Over all of this period, the naira was hardly devalued, in fact it was deliberately left to appreciate so that imports of needed capital and intermediate inputs could be cheap in order to promote import-substitution – industrialization.

**External Sector Reform Policies 1986-2006**
The external sector reforms that took place from the 3rd quarter of 1986 were fundamental, because they represented a complete paradigm shift in economic management. From July 1986, the 30% surcharge on all imports put in place in 1982 was abolished. Some of the items that were outrightly prohibited previously were now allowed to come in. Import duties were generally revised downwards, and import duties on some goods were as low as 5% (five percent) while none exceeded 60%. By 1988 a new tariff schedule was put in place that cascaded tariff structure downwards.

On the export side, first, the Commodity Marketing Boards were abolished, because their existence had meant declining real returns to the exporter – farmers whose incomes were stabilized by the activities of the marketing boards. Secondly the issue of the exchange rate was tackled, given that the naira exchange rate then, was said to be overvalued. The previous strategy of keeping naira exchange rate low was meant to allow for cheap importation of needed inputs and machines for industrialization. However the overvalued naira penalized Nigerian exports and encouraged imports. To devalue the naira what government simply did was to set up a foreign exchange market and allow the forces of demand and supply to depreciate the naira. The depreciation that took place in the naira exchange rate made exports to rise by leaps and bounds between 1987 and 1993. Major reform policy in the external sector was the provision for non-oil exporters to retain 100% of their foreign exchange earnings. To facilitate this, Domiciliary Accounts were introduced, which allowed Nigerians to hold foreign-currency denominated accounts in Nigerian banks.

An Export Credit Guarantee and Insurance Corporation was established by decree in 1988, and the corporation metamorphosed into what is now known as the Nigerian Export-Import Bank (NEXIM) in 1991. From the name it is obvious that NEXIM’s function was to promote exports and imports in such a way that there will be a virtuous cycle between them, and to enhance economic growth. By 1991 the Nigerian Export Processing Zone (NEPZ) Decree 34 established Export Processing Zones (EPZ) or Free Trade Zones. It also established Export Processing Zone Authority (EPZA) to oversee the implementation of the EPZ decree. The EPZs are supposed to be free from normal custom duties both on imported inputs and on exported products. One rational for setting up EPZ, is that they are likely to attract foreign investors who can come in and establish their firms in the EPZ and help boost exports.

Another measure that helped to promote exports was the establishment of bureau-de-change. The policy measure was essentially meant to cater for small users of foreign exchange and to bring into the official-orbit activities of parallel markets. However creation of bureau-de-change helped exporters in that it gave them market for selling the foreign exchange earned on their non-oil-exports at rates suitable to them. During the financial crises that engulfed the economy in the 1990s bureau-de-change were abolished, but in 2004 they were reintroduced.

**MODEL ESTIMATION RESULTS**
In addition to the descriptive analysis in 4a above, we also carried out econometric analysis using the techniques discussed in section 3. In this subsection we present the results of our econometric analysis
Unit Root Tests
The results of the unit root tests presented in Table 1 below show that the time series (i.e. GDP, Non-oil exports, and Total Exports) are non-stationary, both pre-reform and post reforms. They are however stationary after the first difference.

<table>
<thead>
<tr>
<th>Pre Reform</th>
<th>ADF</th>
<th>PP</th>
<th>First Diff ADF</th>
<th>First Diff PP</th>
<th>Order of Integration</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>-1.552489</td>
<td>-2.14434</td>
<td>-3.439547</td>
<td>-4.004023</td>
<td>I(1)</td>
</tr>
<tr>
<td>Nonoilexport</td>
<td>-1.9704</td>
<td>-1.864019</td>
<td>-3.43955</td>
<td>-2.839716</td>
<td>I(1)</td>
</tr>
<tr>
<td>Totalexport</td>
<td>-1.856594</td>
<td>-1.698662</td>
<td>-3.752715</td>
<td>-3.387396</td>
<td>I(1)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Post SAP</th>
<th>ADF</th>
<th>PP</th>
<th>First Diff ADF</th>
<th>First Diff PP</th>
<th>Order of Integration</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>-0.58096</td>
<td>0.103547</td>
<td>3.138054</td>
<td>-3.96712</td>
<td>I(1)</td>
</tr>
<tr>
<td>Nonoilexport</td>
<td>0.90333</td>
<td>0.863349</td>
<td>-3.14368</td>
<td>-4.1392</td>
<td>I(1)</td>
</tr>
<tr>
<td>Totalexport</td>
<td>1.224162</td>
<td>-1.61334</td>
<td>-3.35776</td>
<td>3.793321</td>
<td>I(1)</td>
</tr>
</tbody>
</table>

Cointegration Test
For the cointegration tests we find that for both pre-reform and post-reform periods (as well as the pooled data), there are 2 cointegrating equations at 5% level of significance (see Table 5).

<table>
<thead>
<tr>
<th>Pre- Reform</th>
<th>Amax</th>
<th>95% critical value</th>
<th>Trace</th>
<th>95% critical value</th>
</tr>
</thead>
<tbody>
<tr>
<td>r = 0</td>
<td>16.004921</td>
<td>20.97</td>
<td>23.46954</td>
<td>29.68</td>
</tr>
<tr>
<td>r = ≤ 1</td>
<td>6.143833</td>
<td>14.07</td>
<td>7.464619</td>
<td>15.41</td>
</tr>
<tr>
<td>r = ≤ 2</td>
<td>1.320786</td>
<td>3.76</td>
<td>1.320786</td>
<td>3.76</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Post- Reform</th>
<th>Amax</th>
<th>95% critical value</th>
<th>Trace</th>
<th>95% critical value</th>
</tr>
</thead>
<tbody>
<tr>
<td>r = 0**</td>
<td>32.97612</td>
<td>20.97</td>
<td>56.32833</td>
<td>29.68</td>
</tr>
<tr>
<td>r = ≤ 1**</td>
<td>21.412297</td>
<td>14.07</td>
<td>23.35221</td>
<td>15.41</td>
</tr>
<tr>
<td>r = ≤ 2</td>
<td>1.939913</td>
<td>3.76</td>
<td>1.939913</td>
<td>3.76</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pooled Data</th>
<th>Amax</th>
<th>95% critical value</th>
<th>Trace</th>
<th>95% critical value</th>
</tr>
</thead>
<tbody>
<tr>
<td>r = 0**</td>
<td>42.24741</td>
<td>20.97</td>
<td>59.9667</td>
<td>29.68</td>
</tr>
<tr>
<td>r = ≤ 1**</td>
<td>14.95632</td>
<td>14.07</td>
<td>17.71929</td>
<td>15.41</td>
</tr>
<tr>
<td>r = ≤ 2</td>
<td>2.762969</td>
<td>3.76</td>
<td>2.762969</td>
<td>3.76</td>
</tr>
</tbody>
</table>

*(**) denotes rejection of the hypothesis hypothesis of no cointegration at 5% (1%) significance level using Osterwald-Lenum (1992) critical values. Both Trace and Maximum Eigenvalue test indicates 2 cointegrating equation(s) at 5% significance level.
With these results we proceeded to use the Error Correlation model. However, before reporting the result of the error correlation model, we present the results of the Granger causality tests.

**Causality Tests**

The results of our Granger causality tests, as displayed in Table 3, show that in the case of both the pre reform era and the period from 1970-2004 (i.e. the pooled data) there exist no causality between exports and GDP on one hand, and non-oil exports and GDP on the other. We therefore do not reject the null hypothesis that total exports do not Granger cause GDP at 5% significance level. Similarly, we do not reject the null hypothesis that non-oil exports do not Granger cause GDP at 5% significance level.

On the other hand, results of the analysis of the post reforms era indicate that at 2 year lag, there exists a feedback relationship between total exports and GDP at 10 percent level of significance. In other words, total exports Granger cause GDP and GDP Granger cause total exports at 10% significance level. However, at 3 year lag, causality runs one way from total exports to GDP at 10% significance level. In other words, there exists a unidirectional causality between total exports and GDP at 10 percent level of significance. Finally, the results show that non-oil exports Granger cause GDP at 10 percent level of significance when 2 year lag is considered.

The analysis of the results from table 3 (the Granger Causality Tests) thus indicate an overwhelming evidence of no causality between exports and GDP in Nigeria. This is consistent with Rodrik (1998) and Rodriguez and Rodrik (1999)
Table 3. Tests of Granger Causality

<table>
<thead>
<tr>
<th>Null Hypothesis</th>
<th>2–year lag</th>
<th>3–year lag</th>
</tr>
</thead>
<tbody>
<tr>
<td>NONOILEXP does not Granger Cause GDP</td>
<td>1.45179</td>
<td>1.23331</td>
</tr>
<tr>
<td></td>
<td>(0.25124)</td>
<td>(0.31849)</td>
</tr>
<tr>
<td>GDP does not Granger Cause NONOILEXP</td>
<td>1.45159</td>
<td>1.01268</td>
</tr>
<tr>
<td></td>
<td>(0.25129)</td>
<td>(0.40365)</td>
</tr>
<tr>
<td>TOTALEXP does not Granger Cause GDP</td>
<td>2.19667</td>
<td>1.54144</td>
</tr>
<tr>
<td></td>
<td>(0.12997)</td>
<td>(0.22842)</td>
</tr>
<tr>
<td>GDP does not Granger Cause TOTALEXP</td>
<td>0.64932</td>
<td>0.14655</td>
</tr>
<tr>
<td></td>
<td>(0.53009)</td>
<td>(0.93093)</td>
</tr>
</tbody>
</table>

Pre-Reform (1970 – 1986)

<table>
<thead>
<tr>
<th>Null Hypothesis</th>
<th>2–year lag</th>
<th>3–year lag</th>
</tr>
</thead>
<tbody>
<tr>
<td>NONOILEXP does not Granger Cause GDP</td>
<td>1.45179</td>
<td>0.54051</td>
</tr>
<tr>
<td></td>
<td>(0.25124)</td>
<td>(0.66962)</td>
</tr>
<tr>
<td>GDP does not Granger Cause NONOILEXP</td>
<td>1.45159</td>
<td>0.57087</td>
</tr>
<tr>
<td></td>
<td>(0.25129)</td>
<td>(0.65184)</td>
</tr>
<tr>
<td>TOTALEXP does not Granger Cause GDP</td>
<td>2.19667</td>
<td>2.27924</td>
</tr>
<tr>
<td></td>
<td>(0.12997)</td>
<td>(0.16651)</td>
</tr>
<tr>
<td>GDP does not Granger Cause TOTALEXP</td>
<td>0.64932</td>
<td>1.43454</td>
</tr>
<tr>
<td></td>
<td>(0.53009)</td>
<td>(0.31162)</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Null Hypothesis</th>
<th>2–year lag</th>
<th>3–year lag</th>
</tr>
</thead>
<tbody>
<tr>
<td>NONOILEXP does not Granger Cause GDP</td>
<td>3.71585</td>
<td>1.2139</td>
</tr>
<tr>
<td></td>
<td>(0.05849)</td>
<td>(0.3656)</td>
</tr>
<tr>
<td>GDP does not Granger Cause NONOILEXP</td>
<td>2.80731</td>
<td>6.94246</td>
</tr>
<tr>
<td></td>
<td>(0.1035)</td>
<td>(0.01287)</td>
</tr>
<tr>
<td>TOTALEXP does not Granger Cause GDP</td>
<td>3.25083</td>
<td>3.03484</td>
</tr>
<tr>
<td></td>
<td>(0.07775)</td>
<td>(0.093)</td>
</tr>
<tr>
<td>GDP does not Granger Cause TOTALEXP</td>
<td>3.55433</td>
<td>0.51384</td>
</tr>
<tr>
<td></td>
<td>(0.06446)</td>
<td>(0.68407)</td>
</tr>
</tbody>
</table>

Note: The table shows computed F-Statistics, with probabilities in parenthesis.

Also for the pooled data we reject the null hypothesis that Total exports do not Granger-cause non-oil exports at all the different lag levels, and at 1% level of significance. So we accept the alternate hypothesis that total exports Granger-cause non-oil exports. In the pre-reform era it was negative causation (given the Dutch disease syndrome in the reform era it is a positive causation). Pre-reform the causality test shows that at 1% level of significance total exports Granger-cause non-oil exports, but not GDP. Post reforms we find that there is a bi-directional relationship between total exports and GDP, each Granger causing each other with a two year lag and at 10% level of significance. This final finding seems to confirm previous positions in the literature (see Idowu 2005) that total exports promote increased output while increased output also lead to increased exports.
Error Correction Model Result

Finally, having ascertained that the variables are cointegrated and that there are 2 cointegrating equation(s) at 5% level of significance, we then formulate the error correction model for each time period well as the pooled data.

From table 4 below, the equilibrium structure of the error correction model for the pre-reform data is invalidated by the insignificance of the error correction term (ECM -1). The error correction term shows insignificant correction of about 13 percent from short run disequilibrium to long run equilibrium. Also, the results from the table show that only the coefficients of lagged GDP is significant and wrongly signed while both the coefficients of total export and non-oil export are not significant, although rightly signed.

<table>
<thead>
<tr>
<th>Table 4: Error Correction Model: Pre Reform (1970 – 2004)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coefficient</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>C</td>
</tr>
<tr>
<td>D(GDP(-))***</td>
</tr>
<tr>
<td>D(NONOILEXP (-1))</td>
</tr>
<tr>
<td>D(TOTAL EXP (-1))</td>
</tr>
<tr>
<td>ECM (-1)*</td>
</tr>
<tr>
<td>ECM (-2)**</td>
</tr>
</tbody>
</table>

R-squared 0.575073  Akaike AIC 20.84903
Adj. R-squared 0.339002  Schwarz SC 21.13225
Sum sq. resids 4.48E+08  Mean dependent 357.9267
S.E. equation 7051.452  S.D. dependent 8673.183
Log likelihood -150.3677

Note: *** significant at 1%, ** significant at 5%, * significant at 10%

Similarly, the equilibrium structure of the error correction model for the post liberalized era is invalidated judging by the insignificance of the error correction term (ECM -1). The coefficient also shows that the adjustment from short run to long run equilibrium is only about 4.2 percent (See table 8). Moreover, the table indicates that the coefficients of both lagged GDP and non-oil exports are significant although the former is rightly signed while the latter entered with the wrong sign. Also, the non-oil export coefficient is only significant at 10 percent level while total export is not significant although it is rightly signed.

<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Coefficient</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>C</td>
</tr>
<tr>
<td>D(GDP(-))**</td>
</tr>
<tr>
<td>D(NONOILEXP (-1))</td>
</tr>
<tr>
<td>D(TOTAL EXP (-1))</td>
</tr>
<tr>
<td>ECM (-1)</td>
</tr>
<tr>
<td>ECM (-2)</td>
</tr>
</tbody>
</table>

R-squared 0.777190  Akaike AIC 17.18350
Adj. R-squared 0.665785  Schwarz SC 17.47322
Sum sq. resids 12841690  Mean dependent 4226.719
S.E. equation 1133.212  S.D. dependent 1960.189
Log likelihood -131.4680

Note: *** significant at 1% ** significant at 5% * significant at 10%

Finally, from the results of the table 6 below, the equilibrium structure of the error correction model for the pooled data is invalidated by the insignificance of the error correction term (ECM -1). The error
correction term shows insignificant correction of about 1 percent from short run disequilibrium to long run equilibrium. Also, the results from the table show that none of the variables is significant although they all entered with the right sign.


<table>
<thead>
<tr>
<th></th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>2354.144</td>
<td>1438.79</td>
<td>1.63620</td>
</tr>
<tr>
<td>D(GDP(-))</td>
<td>0.002337</td>
<td>0.18509</td>
<td>0.01263</td>
</tr>
<tr>
<td>D(NONOILEXP (-1))</td>
<td>0.018352</td>
<td>0.15502</td>
<td>0.11838</td>
</tr>
<tr>
<td>D(TOTAL EXP (-1))</td>
<td>1.79E-05</td>
<td>0.00527</td>
<td>0.00341</td>
</tr>
<tr>
<td>ECM (-1)</td>
<td>-0.009278</td>
<td>0.03211</td>
<td>-0.28898</td>
</tr>
<tr>
<td>ECM (-2)</td>
<td>-0.027292</td>
<td>0.14652</td>
<td>-0.18627</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.075258</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adj. R-squared</td>
<td>-0.095990</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sum sq. resids</td>
<td>1.16E+09</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S.E. equation</td>
<td>6557.337</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Log likelihood</td>
<td>-333.5291</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: *** significant at 1% ** significant at 5% * significant at 10%

Taking the findings contained in tables 4 to 6, it can be seen that save for non-oil export (post reform era at 10 percent level) exports did not impact significantly on economic growth in Nigeria. We can thus conclude that export is not a driver of economic growth in Nigeria. This is in line with the findings of Rodrik (1998) and Rodriguez and Rodrik (1999).

Figure 1. Plot of Cointegrating Relation
SUMMARY AND CONCLUSION
In this paper we found out that at the beginning of the reform measures in the last half of the 1980s, there was a sudden positive change in the trade balance and even the current account balance. The capital account and the balance of payments still remained problematic possibly because of the external indebtedness. The GDP which had been growing at negative rates in the early 1980s (as reflected also by the negative relationship in the result of the ECM test pre-reforms) suddenly witnessed high positive rates in 1988, 1989, 1990. This positive growth rates in GDP in the reform era probably explains the positive relationship between exports and GDP post reform. However in the 1990s the GDP growth rates suffered a decline possibly due to some other problems in the economy. However from the year 2000 there has been a meaningful rise in the growth rate of GDP, rising to as high as 10.2% in 2003, up from 2.8% in 1999.

Evidence from our econometric analysis indicate that there is no causal relationship between export and output in Nigeria. Indeed, the results from the Granger-causality tests overwhelmingly show no causality between exports and GDP in Nigeria. Moreover, our findings further revealed that although a long run relationship exists between exports and GDP (as shown by the cointegration tests), the results from the error correction specification clearly indicate that external trade (as proxied by exports indicators) is not a predictor of economic growth in Nigeria.

Our findings may really give credence to the conclusions of Rodrik (1998) and Rodriguez and Rodrik (1999) that although external policy reforms may raise trade volumes, effects of trade policy on economic growth is quite weak. Indeed, we concur with Rodrik (1998) that increases in exports do not automatically translate to increased economic growth because of the underdevelopment of the “fundamentals” that are crucial to economic growth and development. These “fundamentals” include human capital development, development of physical infrastructure, macroeconomic stability and the rule of law. Thus for trade policies to have effects on economic growth of Nigeria, and indeed the developing world, these fundamentals must be properly developed and harnessed for growth and development.

REFERENCES (SELECTED)


An Analysis of Terms of Trade and Tariffs of the Countries of Africa in the International Market

Philemon Oyewole, Howard University, USA
Ephraim Okoro, Howard University, USA

Paper examines the terms of trade of African countries in relation to their tariffs and volume of trade. Results show that among African countries, Togo pays the most while Libya pays the least in the international market. A positive and significant correlation exists between net barter terms of trade and tariffs but not with volume of trade as percentage of GDP. Policy implications of these results are discussed.

INTRODUCTION

Terms of trade are very important relative prices in the global market. Commodity exporting African countries’ terms of trade determines their macroeconomic performance with great impact on real national incomes (Cashin and Pattillo 2000). The allegation has always been that developing countries face unfavorable terms of trade in the international market, which is held to be detrimental to their economic prospects (Ghorashi 1990). Various explanations have been offered for this phenomenon including such things as trade structure, dissimilar wage and price determination, different income elasticities of demand for primary versus manufactured products, as well as transfer pricing by multinational firms (Appleyard 2006). Results of empirical studies have been mixed as to whether terms of trade have improved or deteriorated for developing countries over the years. In view of the theory of trade feedback effects, nations have always been encouraged to adopt more and more open trade policies by such important bodies like the World Bank, and the International Monetary Fund (IMF). Hence, much negotiation has often been embarked upon for countries to lower their tariffs, or taxes on imports. But at what cost? How will this affect net barter term of trade, which is the ratio of the price of a country’s exports to the price of its imports? Focusing on the developing countries of Africa, this paper examines the relationship between tariffs and net barter terms of trade, after exploring which of these African countries pay the most in the international market as evidenced by their terms of trade. Results will be very useful for African policy makers as they chart their course in the international market placing during the 21st century.

LITERATURE

Over the past years, terms of trade of developing countries have been examined in relation to various factors that are believed to impact them. For example, on terms of trade and exchange rate regime, following a study of 75 developing countries, Broda (2004) reported that flexible exchange rate regimes insulate the economy against terms of trade shocks than fixed regimes. Senhadji (1998) studied the relationship of terms of trade with trade balance for less developed countries. He found the relationship to be S-shaped just as it was found earlier for OECD countries (Backus, Kehoe and Kydland, 1994; cited in Senhadji, 1998). The relationship between developing countries’ terms of trade and commodity prices in world market was examined by Powell (1991). He found that apart from only three breaks, non-oil commodity terms of trade were stationary over a period of one century. His analysis also shows “a stable long-run relationship between the commodity terms of trade, the terms of trade of non-oil exporting developing countries and the oil price.” (p.1485). The relationship between terms of trade and real national income was studied by Ghorashi (1990). Data from 1950 to 1980 for both developing and industrialized countries were used. The author found that while barter terms of trade deteriorated for developing countries during the period, this did not necessarily result in negative real income for those
nations. Rather, for both developing and industrialized countries studied, income terms of trade actually increased though the rate of increase for the industrialized countries was more than that of the less developed countries. In their own study, Blattman, Hwang and Williamson (2007) also studied terms of trade and commodity price volatility in the world market. They reported that less developed countries that faced more volatile commodity prices grew much slowly relative to other less developed countries or the industrial countries. Lutz (1994) for his part examined the relationship between terms of trade volatility and economic output growth. He reported that a negative correlation existed between the two. In order words, the higher the volatility in terms of trade, the lower the growth rates of economic output.

While several factors have been examined in the literature, few studies have focused on the relationship between terms of trade and trade policy in terms of tariff. Lutz and Singer did something close, but not exactly it. Lutz and Singer (1994) studied 91 less developed and industrial countries examining the relationship between terms of trade and trade openness. Trade openness was operationalized by the authors using two variables: (i) total trade, i.e. sum of imports and exports, and (ii) total trade as percentage of GDP. Overall, they found a strong negative correlation between terms of trade and trade openness, especially for the richer countries and oil-exporting countries. It is noted that Lutz and Singer (1994) used sum of imports and exports, and their percentage of GDP as measure of trade openness. Thus the study does not treat tariff, which is a very important trade policy measure used by governments.

Some studies have studied tariffs but not in relation to terms of trade. For example, Clemens and Williamson (2004) examined tariff and its relationship with economic growth. They found a distinction between pre World War II, and post World War II periods. Before World War II, high tariffs led to fast growth rates but after World War II they led to slow growth rates! They then went on to suggest that retaliation strategy, whereby both trade partners raising their average tariffs, could reverse the negative relationship of the post World War II. In their own study, Beladi and Samanta (1991) examined the issue of optimal tariff. They found that this depended on the relative wage rate in the exportable sector of a country. The optimal tariff would be higher for a country paying higher wage rate but lower for a country paying lower wage rate in its exportable sector. Despite these studies, it remains to be determined the relationship of tariffs with terms of trade especially for developing countries. Tariff is a ready policy tool, relatively quicker and easier to apply in response to market conditions than most other policy measures. It will be informative, and useful to know its effects on terms of trade, which have been shown to impact economic growth.

METHODOLOGY
Based on data availability, 44 African countries were included in this study. The data for the study was obtained from the World Bank (2007). The source provides data on net barter terms of trade, as well as weighted mean tariff for the year 2005. The net barter terms of trade were indexed with the year 2000 =100. Data was also available for trade as percentage of GDP. The effects of trade policy, and trade openness on terms of trade were examined by a correlation and regression analysis where the dependent variable was terms of trade and the independent variables were tariff, and trade as percentage of GDP.

RESULTS
The countries in the study were ranked according to the size of their net barter terms of trade. In interpreting the results it should be noted that the lower the net barter terms of trade figure the more a country pays in the international market. According to this ranking shown in Table 1, Togo has the lowest terms of trade standing at 30 (least favorable), whereas Libya has the highest (most favorable) term of trade, which stands at 186! For a closer analysis, all the countries were divided into four paying groups based on the size of their terms of trade, as follows:
<table>
<thead>
<tr>
<th>Country</th>
<th>Trade as % of GDP</th>
<th>Weighted Tariff</th>
<th>Net Barter Terms of Trade (2000=100)</th>
<th>Ranking of Net Barter Terms of Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Togo</td>
<td>80.3</td>
<td>10.4</td>
<td>30</td>
<td>1</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>66.7</td>
<td>..</td>
<td>79</td>
<td>2</td>
</tr>
<tr>
<td>Madagascar</td>
<td>66.0</td>
<td>5.2</td>
<td>82</td>
<td>3</td>
</tr>
<tr>
<td>Malawi</td>
<td>79.8</td>
<td>10.2</td>
<td>82</td>
<td>4</td>
</tr>
<tr>
<td>Burundi</td>
<td>44.8</td>
<td>19.9</td>
<td>84</td>
<td>5</td>
</tr>
<tr>
<td>Mauritius</td>
<td>117.4</td>
<td>4.7</td>
<td>85</td>
<td>6</td>
</tr>
<tr>
<td>Uganda</td>
<td>40.3</td>
<td>9</td>
<td>88</td>
<td>7</td>
</tr>
<tr>
<td>Rwanda</td>
<td>41.5</td>
<td>9.7</td>
<td>89</td>
<td>8</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>55.5</td>
<td>13.5</td>
<td>91</td>
<td>9</td>
</tr>
<tr>
<td>Lesotho</td>
<td>135.9</td>
<td>16.8</td>
<td>91</td>
<td>10</td>
</tr>
<tr>
<td>Botswana</td>
<td>85.3</td>
<td>11.2</td>
<td>92</td>
<td>11</td>
</tr>
<tr>
<td>Benin</td>
<td>39.6</td>
<td>12.4</td>
<td>93</td>
<td>12</td>
</tr>
<tr>
<td>Eritrea</td>
<td>64.5</td>
<td>..</td>
<td>93</td>
<td>13</td>
</tr>
<tr>
<td>Congo, Dem. Rep.</td>
<td>70.9</td>
<td>13</td>
<td>94</td>
<td>14</td>
</tr>
<tr>
<td>Guinea-Bissau</td>
<td>92.9</td>
<td>..</td>
<td>94</td>
<td>15</td>
</tr>
<tr>
<td>Mozambique</td>
<td>74.9</td>
<td>8.6</td>
<td>94</td>
<td>16</td>
</tr>
<tr>
<td>Swaziland</td>
<td>183.7</td>
<td>10.5</td>
<td>94</td>
<td>17</td>
</tr>
<tr>
<td>Mauritania</td>
<td>130.6</td>
<td>9.9</td>
<td>95</td>
<td>18</td>
</tr>
<tr>
<td>Senegal</td>
<td>69.0</td>
<td>9.2</td>
<td>96</td>
<td>19</td>
</tr>
<tr>
<td>Namibia</td>
<td>91.3</td>
<td>1.3</td>
<td>97</td>
<td>20</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>30.6</td>
<td>11.7</td>
<td>98</td>
<td>21</td>
</tr>
<tr>
<td>Central African Republic</td>
<td>28.7</td>
<td>16.8</td>
<td>98</td>
<td>22</td>
</tr>
<tr>
<td>Tunisia</td>
<td>98.6</td>
<td>9.1</td>
<td>99</td>
<td>23</td>
</tr>
<tr>
<td>Tanzania</td>
<td>43.4</td>
<td>8.4</td>
<td>100</td>
<td>24</td>
</tr>
<tr>
<td>Morocco</td>
<td>79.3</td>
<td>13.7</td>
<td>100</td>
<td>25</td>
</tr>
<tr>
<td>Chad</td>
<td>98.2</td>
<td>12.5</td>
<td>101</td>
<td>26</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>95.7</td>
<td>17.3</td>
<td>105</td>
<td>27</td>
</tr>
<tr>
<td>Guineas</td>
<td>55.7</td>
<td>12.7</td>
<td>107</td>
<td>28</td>
</tr>
<tr>
<td>Egypt, Arab Rep.</td>
<td>63.2</td>
<td>12</td>
<td>107</td>
<td>29</td>
</tr>
<tr>
<td>South Africa</td>
<td>55.7</td>
<td>5.4</td>
<td>109</td>
<td>30</td>
</tr>
<tr>
<td>Cameroon</td>
<td>48.6</td>
<td>16.5</td>
<td>112</td>
<td>31</td>
</tr>
<tr>
<td>Mali</td>
<td>63.1</td>
<td>10.7</td>
<td>113</td>
<td>32</td>
</tr>
<tr>
<td>Gambia, The</td>
<td>110.2</td>
<td>..</td>
<td>115</td>
<td>33</td>
</tr>
<tr>
<td>Zambia</td>
<td>41.6</td>
<td>9.4</td>
<td>119</td>
<td>34</td>
</tr>
<tr>
<td>Angola</td>
<td>121.8</td>
<td>6</td>
<td>121</td>
<td>35</td>
</tr>
<tr>
<td>Congo, Rep.</td>
<td>137.2</td>
<td>17.7</td>
<td>121</td>
<td>36</td>
</tr>
<tr>
<td>Cote d'Ivoire</td>
<td>92.1</td>
<td>10.3</td>
<td>121</td>
<td>37</td>
</tr>
<tr>
<td>Sudan</td>
<td>46.0</td>
<td>19.6</td>
<td>121</td>
<td>38</td>
</tr>
<tr>
<td>Nigeria</td>
<td>88.4</td>
<td>10.8</td>
<td>122</td>
<td>39</td>
</tr>
<tr>
<td>Ghana</td>
<td>97.7</td>
<td>11</td>
<td>123</td>
<td>40</td>
</tr>
<tr>
<td>Gabon</td>
<td>97.1</td>
<td>16.8</td>
<td>125</td>
<td>41</td>
</tr>
<tr>
<td>Algeria</td>
<td>71.1</td>
<td>10.6</td>
<td>126</td>
<td>42</td>
</tr>
<tr>
<td>Niger</td>
<td>39.3</td>
<td>12.8</td>
<td>131</td>
<td>43</td>
</tr>
<tr>
<td>Libya</td>
<td>83.9</td>
<td>25.2</td>
<td>186</td>
<td>44</td>
</tr>
</tbody>
</table>
Paying Group: Terms of Trade Range:
High Payers 1-90
Premium Payers 91-100
Moderate Payers 101-120
Low Payers 120+

At the least favorable end is the high payers group consisting of 8 countries, which include: Togo, Sierra Leone, Madagascar, Malawi, Burundi, Mauritius, Uganda and Rwanda. The terms of trade of all these countries are below 90. At the other extreme is the low payers group that consists of 10 countries. These include Angola, Congo Republic, Cote d'Ivoire, Sudan, Nigeria, Ghana, Gabon, Algeria, Niger, and Libya. The terms of trade of all these countries are above 120.

The countries in the low paying group have varied characteristics as to population size and export structure. For example they include both oil and non-oil exporting countries. However, it is known that tariff is a crucial element of pricing in the international market. Tariffs on imports raise the price of such imports in the domestic marketing. If countries embark on retaliatory strategy, a trading partner could also raise its tariffs on from the other country leading to less favorable terms of trade. Given this possibility, the impact of tariffs on terms of trade was examined using correlation and regression analyses. The results are presented in Table 2. The Table shows that there is a positive correlation between tariffs and terms of trade for the African countries included in this study. Moreover, this correlation is significant at the 0.01 level.

Given this result, a regression analysis was run with tariffs as predictor variable, and terms of trade as dependent variable. The result is presented in Table 3. The Table shows an R Square of .164 indicating that 16.4% of terms of trade is accounted for by the level of tariffs. The Table also shows an F-ratio of 7.438, which is significant at the 0.01 level indicating an adequate goodness of fit. The regression equation stand at Y = 80.333 + 1.965X, where terms of trade is “Y” and tariff is “X.” Thus, in general the correlation and regression analyses tend to suggest that the higher the tariffs, the higher the net barter terms of trade; in essence, the lower a country pays in the international market relative to what it collects for its exports.

<table>
<thead>
<tr>
<th>Table 2: Correlations with Terms of Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pearson Correlation</strong></td>
</tr>
<tr>
<td>0.405**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>N</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level.

This indication was reexamined further by looking at the mean tariff for each of the four paying groups. It was found that the countries in the high paying group had a mean tariff of 9.87, while those in the premium-paying group had a mean tariff of 13.4. Likewise, the moderate paying group had a mean tariff of 12.06 whereas that of the low paying group stood at 14.08. This tariff scheme tends to harmonize with the result of the correlation and regression analyses reported above.

In order to round out the analysis, the relationship between trade as percentage of GDP (indicator of trade openness) and terms of trade for African countries was examined using a correlation analysis. As shown in table 2, the Pearson correlation coefficient was 0.0418 and it was not significant at the 0.01 level, not even at 0.05 level. This result is different from Lutz and Singer (1994) who found a significant negative correlation between terms of trade and total trade as a percentage of GDP (their indicator of trade openness). It is to be noted though that Lutz and Singer (1994) combined both developing and industrial countries together in their analysis. For the developing African countries included in the present study,
size of total trade (imports and exports) as percentage of GDP does not appear to influence terms of trade. Given this result, no regression analysis was performed any further on the two variables.

Table 3: Tariffs and Terms of Trade: Regression Results

<table>
<thead>
<tr>
<th>Items</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
<td>.405</td>
</tr>
<tr>
<td>R Square</td>
<td>.164</td>
</tr>
<tr>
<td>F</td>
<td>7.438</td>
</tr>
<tr>
<td>Sig. (F)</td>
<td>0.01**</td>
</tr>
<tr>
<td>Constant</td>
<td>80.333</td>
</tr>
<tr>
<td>Coefficient (Tariff)</td>
<td>1.965</td>
</tr>
<tr>
<td>T</td>
<td>2.727</td>
</tr>
<tr>
<td>Sig. (t)</td>
<td>0.01**</td>
</tr>
</tbody>
</table>

POLICY IMPLICATIONS AND CONCLUSION

The positive and significant correlation between tariffs and terms of trade implies that African nations can influence the terms of trade they face in the international market. They can make their net barter terms of trade more favorable by increasing their weighted mean tariffs. This is contrary to the advice often touted by such world financial bodies as the World Bank, and the IMF (International Monetary Fund), which is to lower tariffs. From the result of this study, lowering tariffs for African countries would be at the cost of favorable net barter terms of trade for them in the international market. On the other hand, the non significant correlation between trade as percentage of GDP and terms of trade implies that African countries may not necessarily lower or raise their terms of trade by importing and/or exporting more. This tends to support the “small country assumption” (Lutz and Singer 1994), in international trade. A practical strategy for African countries therefore is to embark on both measures. Thus, they should raise their tariffs to get higher net barter terms of trade and then increase their trade volume (imports plus exports) to take advantage of the resulting more favorable terms of trade.

CONCLUSION

This paper has examined the terms of trade of African countries to determine which of them pay more in the international market. Of the 44 countries included in the study, 8 were found to be high payers. Led by Togo, these countries include Sierra Leone, Madagascar, Malawi, Burundi, Mauritius, Uganda, and Rwanda. The mean tariff of these countries was also the lowest (9.87) of the four paying groups examined.

Consequently, the paper examined the relationship between tariffs and terms of trade for African countries. Also examined was the relationship between terms of trade and volume of trade as percentage of GDP. A positive and significant correlation was found between tariffs and terms of trade. On the other hand, no significant correlation was found between terms of trade and trade volume as percentage of GDP.

Thus, the results tend to suggest that governments of African countries could improve their net barter terms of trade by increasing their average tariffs. On the other hand, the terms of trade of these countries do not seem to be affected either way by their volume of trade relative to GDP.

Readers should note that what was examined in this paper was net barter terms of trade, not income terms of trade. This might provide explanation for the seeming contradiction of the results of this paper with the philosophies of the World Bank and the International Monetary Fund and received economic theory.
within the African context. Net barter terms of trade studied in this paper are mainly concerned about pricing of traded goods in the international market, not volume of such trade. The latter is the focus of the aforementioned world bodies, which may be better captured by income terms of trade. Hence future studies will do well to examine tariffs and income terms of trade of African countries then compare the results with the ones reported in this paper.

REFERENCES
The link between a country’s tax structure and foreign direct investment: Empirical evidence from Ghana.

Simon Kwadzogah Harvey, University of Ghana Business School, Ghana
Mohammed Amidu, University of Ghana Business School, Ghana
Eme Fiawoyife, University of Ghana Business School, Ghana

The study examines whether foreign direct investment inflows is constrained by tax policy in Ghana. The analyses are performed using data derived from International Financial Statistics. Cointegration and error correction models are used to estimate the extent to which corporate tax rates affect inflow of foreign direct investment. Augmented Dickey-Fuller test is used to verify the time series properties of the data and Johansen approach is used to test for cointegration. The study finds that, in addition to other variables that are significant in determining foreign direct investment, corporate tax rates are significant both in the short-run and the long run in determining the inflow of foreign direct investment into Ghana. High corporate tax rates constrain foreign direct investment inflows, therefore provision of tax incentives in the form of low corporate tax rates will generate the needed investment from foreign sources.

INTRODUCTION

Over the past three decades, most African governments have been promoting their countries as investments locations to attract scarce private capital and associated technology and managerial skills. All these efforts are targeted at helping those countries to achieve their development goals. They have increasingly adopted measures to facilitate Foreign Direct Investment (FDI) Inflows. Examples of such measures include liberalization of laws and regulations for the admission and establishment of foreign investment projects; provision of guarantees for repatriation of investments and profits; and establishment of mechanisms for the settlement of investment disputes. Tax incentives are also part of those promotional efforts. Tax incentive have been especially prevalent in the 1980s (Mintz 1990 and Shah 1995) since they provide new foreign investors a low-tax regime for a qualifying period on the presumption that a company needs time to establish good levels of profitability.

This paper defines tax incentive, in line with Fletcher (2002) as any tax provision granted to a qualified investment project that represents a favorable deviation from the provisions applicable to investment projects in general. Tax incentives would include such things as reduced tax rates on profits, tax holidays, accounting rule that allow accelerated depreciation, and loss carry forwards for tax purposes. Others are reduced tariffs on imported equipments, components and raw materials, or increased tariffs to protect the domestic market for import substituting investment projects. Advocates of tax incentives points out to their extensive use in some high-growth Asian economies as positive evidence of their effectiveness. However, Tanzi and Partha (1992) argues that this positive association probably has less to do with the nature of the incentives themselves than with the characteristics of the countries where they are used such as the quality of the civil servants and the efficiency of the public bureaucracy such characteristics, they points out tend to minimise the political-economy costs of providing incentives.

Most countries irrespective of their stages in development employ a wide variety of incentives to realize their investment objectives. Developed countries, however more frequently employ financial incentives
like grants or subsidized loans. Financial incentives are direct drain on the government budget and are generally not offered by developing countries to foreign investors. Instead, these countries tend to use fiscal incentives that do not require upfront use of government funds. Ghana offers a well balanced package of investments incentives to investors. Generally the package has been designed to: compensate and reward investors for their entrepreneurship, match the changing needs of the country, channel investments which is the most needed for economic development and ensure growth with social equity. There are numerous incentives that are offered by the country for those who operate within the Free Zone enclave. Most of them are geared towards priority areas and lead sectors. The investment incentives include tax relief and concessional tax rates that can be accessed only by the investor under the income tax act of 2005, VAT Act, 1997 and other taxation statutes.

**Figure 1: Trend in FDI as a percentage of GDP**

It is evident, from Figure 1, that there were substantial increments of FDI inflows to Ghana from 1992 onwards. This also leads to an increasing trend of FDI share in GDP. For instance; in 1993 total FDI amounted to $125m and $167.4m in 1998. Such substantial increment of FDI inflows to Ghana, which is relatively low compared to that of South Africa but higher than most west Africa countries, poses the question of whether is it a result of the tax incentives offered by Ghana or there are more issues of interest to be addressed.

**THEORETICAL OVERVIEW**

The theoretical principles underlying the foreign direct investment can be described as a logical intersection of the three distinct theories of international capital market, international trade and the international firms (Casson, 1990). However, recently, emphasis has been placed on international capital market and the international firms (see Sethi et al 2003, Wibbels and Arch 2003)

Three main theoretical issues tend to pervade the literature on FDI namely; the reasons for the evolution of transnational corporations (Sethi, et al 2003), the reasons why TNCs relocate to foreign countries instead of producing in their home countries and exporting to the host countries, and the factors which determine the choice of host countries (Chang, 1990; Madhok, 1997; Kemsley 1998). Hymer’s (1960)
groundbreaking contribution was the first explanation of FDI in the industrial organisation. He argued that a foreign direct investor is a monopolist, or an oligopolist in the product market. He invests in foreign enterprises in order to avoid competition and protect his market power. His approach helps to explain the pattern of defensive investment. Dumming (1980 and 1993) and in recent Sethi, et al (2003) provided an elaborate analysis on ownership, location and locational factors and advantages of TNCs. Though Dumming (1980) eclectic approach received much criticism but which has been viewed by others as at least, providing a promising start towards a general theory of FDI. The neo-classical-type derived factor demand approach to FDI analysis as proposed by Lucas (1993) has been subjected to various criticisms because it precludes some of the traditionally accepted FDI determinant paradigms. This approach as in the case of demand for labour is derived from profit maximization, subject to a number of constraints, including a neo-classical production function, increasing average cost of adjusting the capital stock and perfect competition. Casson (1990) argued that, a theory of FDI can be obtained by integrating the theory of international capital markets, the theory of the firm and international trade theory, suggesting that a pair-wise combination of the theories would provide a framework for easy analysis of the results. Instead of the consideration for FDI, in manufacturing for exports, in terms of traditional trade theory, it is now viewed in the context of global industrial organisation. According to Helleiner, 1989; Sethi, D et al, 2003; Wibbels and Arch 2003) the world’s nations are being gradually relegated to global village. Substantial empirical literature on FDI has focused upon the determinants of FDI, which is based on ownership advantages. Though significant relationship have been found between FDI and technological intensity (Lall, 1980), firm size Li and Gusinger, 1992), capital intensity (Pugel, 1981) and of natural resources (Asiedu 2003), that of fiscal policy has been limited in Sub Sahara Africa especially Ghana. It is the tax aspect that our study explores further.

**Taxation and FDI**

It is argue that a country with a less draconian tax regime will be less attractive to FDI than one with a moderate and less complex tax structure. As Jun (1989, 1994) maintains, taxes potentially affect the international location of capital by influencing its relative net profitability. High domestic taxes can compel an enterprise to seek alternative tax-friendly havens to maximise profits.

In parallel with these literatures and based on the investment incentive, marginal effective tax rate (METR) model was developed (see Boadway and Shah 1982; Boadway and Bruce1984; and Broadway, 1987). With this approach, the design of investment incentive in developing economies is expected to reflect on the effect of the marginal effective tax rate, on firms likely to suffer loses, on cash flow on foreign own firm and on the way capital is allocated among assets. Incentives offered by different countries are categorizes under different classification. Reduced corporate income tax rates involve exception to the general tax regimes so as to attract FDI in specific sectors or regions. Hong Kong, Indonesia and Ireland Cambodia are few examples of countries that use this type of incentives (Ishemoi 2005). In addition to corporate income tax, investors may be allowed to carry forward losses. This measure according to (Ishemoi 2005) is particularly valuable to investors whose projects are expected to run losses for the first few years as they try to increase production and penetrate the markets. Accelerated depreciation may as well be incentives to investors because it allows them to reduce their tax burdens in the years immediately following investment when cash flow is important in order to pay of debt taken together these measures are most desired by foreign investors. (Boadway et al 1987).

Advocates of tax incentives suggests that tax holidays to be a common form of tax incentive used by many countries. According to Clack (1999), under tax holiday-type of incentive, ‘newly established firms’ are exempted from paying corporate tax for specific period of time (say five years). These firms may be as well exempted from other types of taxes. Tax holidays eliminate tax on net revenues from investment projects over the holiday period, which, depending on the case considered, may encourage investments. This is viewed by many countries as simple incentive with relatively low compliance burden (for example there is no need of calculating income tax during tax holiday period). This aspect tends to
make this kind of incentives more attractive by many countries (Mintz 1990). However, for long-term investments, investors will often be required to keep records of capital expenditures and other items before and during the holiday period so as to be able to comply with the tax system following the tax holiday. Investment tax credit on the other hand, is also crucial importance in attracting FDI inflows. This is when the incremental tax credit which is a percentage of qualifying investment expenditure in excess of some base (typically a moving average base) aims at improving the targeting of the relief to incremental expenditures that would not have occurred in the absence of tax relief. Another type of tax incentive commonly used in most countries is reduced taxes on dividends and interests paid abroad. This is where dividends paid by foreign investors are subject to taxes at lower rates. It is argued that the lower the rate of taxes, the greater the incentives. Similarly, other countries may allow full deduction for tax purposes of qualifying expenses (Mintz 1990). For instance in Ghana, expenses on R&D is allowed fully under section 19 (2) of IRS ACT 592, for Income Tax purposes. Moreover both prospecting and development capital expenditure is allowed fully as a deduction in computation of taxable profits in respect of companies engaged in mining extraction. Zero rating or reduced tariffs is as well of crucial importance in attracting FDI inflows. Countries may reduce or eliminate tariffs on imported capital equipment and spare parts in qualifying investments projects. This has the effect of reducing the cost of investment. To encourage exports and reduce the balance of a payment deficit, in countries like Ghana all exports are zero rated. In addition to the aforesaid incentives, countries may use preferential treatment of long term capital gains in attracting FDI. According to Mintz (2004) when countries accord preferential tax treatment for appreciation in value of capital assets held by the enterprises if capital assets is held over fixed period of time. Preferential tax treatment of long term capital gains normally intends to encourage investors to retain funds for longer period.

METHODOLOGY

The data for this study is taken from two main sources; International Financial Statistics of the International Monetary Fund and World Development Indicators of the World Bank. The series used cover the period of 1970 to 2005.

The objective of this section is to outline the model used to empirically test the level of influence the variables survey in the literature on direct foreign investment. The selection of the variables is done to have a representation of all categories of variables identified in the literature. The variables select to explain foreign direct investment in Ghana are gross domestic product (gdp) which measures market size of the host country. It has been found that a great deal of foreign direct investment flow into developing countries as a result of market-seeking ventures (see Dunning 1993). We, therefore, expect a positive relationship between fdi and gdp. Considering the fact that investors prefer to invest in more stable economic environment to reduce the level of uncertainty, we include the rate of inflation (inflation) which we expect to have negative relationship with fdi. The level of trade openness of an economy according to Nonnemberg and Cardoso de Mendonça (2004) is good proxy for the type of relation a given country has with foreign capital. It is believed that a country with a greater degree of openness would also be more open to foreign capital. We measure this variable as the share of the sum of exports and import of goods and services in gdp. Corporate tax rate determines the level of profit that will be available to an investor to plough back or to repatriate. There we expect a negative relationship between the level of corporate tax rate (trate) and fdi. According to Pigato (2001), low and stable tax rates are also important. Fiscal incentives may increase the attractiveness of a of a host country. Our econometric model therefore becomes

\[ fdi = \beta_0 + \beta_1 gdp + \beta_2 inflation + \beta_3 openness + \beta_4 trate + \epsilon \] (1)
EMPIRICAL RESULTS
Table 1 shows the unit root tests of the variable in the model and their first differences in addition to the order of integration of each of the variables. Two test, i.e. Augmented Dickey-Fuller (ADF) and Philip-Perron tests are used so that the results can validate each other. The selection of the optimum lag for the ADF test is based on Schwartz Information Criterion (SIC) and the bandwidth selection for the Philip-Perron test is based on Newey-West Bandwidth.

Both tests are unanimous in their conclusions for all the series except gdp which has a pronounced structural break in 1983, as shown in graph (not included). In this case the ADF indicates stationarity whilst PP indicates nonstationarity, but since the PP test performs better in the face of structural break, we prefer its result to the ADF in this particular instance therefore gdp is I(1). fdi and inflation are stationary while gdp, openness index (openness) and tax rate (trate) are each I(1) processes. Though the results of the unit root tests indicate a mixture of order of integration of the variables, it is possible that cointegration is present. Stationary I(0) variables might play a key role in establishing a sensible long-run relationship between the non-stationary variables Harris and Sollis (2003). We therefore proceed to test for cointegration of the variables in the model.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Level of variables</th>
<th>First difference</th>
<th>Order of integration</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ADF</td>
<td>PP</td>
<td>ADF</td>
</tr>
<tr>
<td>fdi</td>
<td>0.0648</td>
<td>0.0766</td>
<td>0.0000</td>
</tr>
<tr>
<td>gdp</td>
<td>0.0148</td>
<td>0.9402</td>
<td>0.7039</td>
</tr>
<tr>
<td>inflation</td>
<td>0.1527</td>
<td>0.1504</td>
<td>0.0002</td>
</tr>
<tr>
<td>openness</td>
<td>0.2987</td>
<td>0.3930</td>
<td>0.0000</td>
</tr>
<tr>
<td>trate</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Test for cointegration
The test for cointegration is done using the Johansen procedure which requires that we determine the optimum lag to include in the VAR for testing the number of cointegrating vectors. The results of the VAR lag order selection criteria, presented in Table 2, indicates that the optimum lag is 1. The results of the trace test for the number of cointegrating vectors is presented in Table 3, this result is the same as the Maximum Eigenvalue test (not included).

<table>
<thead>
<tr>
<th>Lag</th>
<th>LogL</th>
<th>LR</th>
<th>FPE</th>
<th>AIC</th>
<th>SC</th>
<th>HQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>-958.8623</td>
<td>NA</td>
<td>1.00e+20</td>
<td>60.24139</td>
<td>60.47041</td>
<td>60.31731</td>
</tr>
<tr>
<td>1</td>
<td>-842.8756</td>
<td>188.4784*</td>
<td>3.47e+17*</td>
<td>54.55472</td>
<td>55.92885*</td>
<td>55.01021*</td>
</tr>
<tr>
<td>2</td>
<td>-823.3692</td>
<td>25.60210</td>
<td>5.53e+17</td>
<td>54.89808</td>
<td>57.41731</td>
<td>55.73313</td>
</tr>
<tr>
<td>3</td>
<td>-800.6709</td>
<td>22.69827</td>
<td>9.04e+17</td>
<td>55.04193</td>
<td>58.70627</td>
<td>56.25656</td>
</tr>
<tr>
<td>4</td>
<td>-767.2389</td>
<td>22.98456</td>
<td>1.20e+18</td>
<td>54.51493*</td>
<td>59.32437</td>
<td>56.10912</td>
</tr>
</tbody>
</table>

Endogenous variables: FDI LGDP INFL OPENNESS TRATE; Included observations: 32 * indicates lag order selected by the criterion; LR: sequential modified LR test statistic (each test at 5% level); FPE: Final prediction error; AIC: Akaike information criterion; SC: Schwarz information criterion; HQ: Hannan-Quinn information criterion
Table 3 Unrestricted Cointegration Rank Test (Trace)

<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>
</tr>
</thead>
<tbody>
<tr>
<td>None *</td>
<td>0.648810</td>
<td>72.25061</td>
<td>69.81889</td>
<td>0.0316</td>
</tr>
<tr>
<td>At most 1</td>
<td>0.423139</td>
<td>36.67205</td>
<td>47.85613</td>
<td>0.3632</td>
</tr>
<tr>
<td>At most 2</td>
<td>0.273930</td>
<td>17.96681</td>
<td>29.79707</td>
<td>0.5685</td>
</tr>
<tr>
<td>At most 3</td>
<td>0.183281</td>
<td>7.083113</td>
<td>15.49471</td>
<td>0.5680</td>
</tr>
<tr>
<td>At most 4</td>
<td>0.005849</td>
<td>0.199459</td>
<td>3.841466</td>
<td>0.6552</td>
</tr>
</tbody>
</table>

Series: FDI LGDP INFL OPENESS TRATE; Lags interval (in first differences): 1 to 1; Trace test indicates 1 cointegrating eqn(s) at the 0.05 level; * denotes rejection of the hypothesis at the 0.05 level; **MacKinnon-Haug-Michelis (1999) p-values

The cointegrating vector $\beta'$ and the adjustment parameters vector $\alpha$, with t-values in brackets, are shown. In order to achieve the objectives of this study, we normalize on fdi. The cointegrating vector is a long-run coefficient vector of the determinants of fdi studied. As indicated by the t-values of the variables, gdp is not a significant determinant of fdi flow in the long-run, in the case of Ghana, while inflation, openness and tax rate are significant determinants. Also, contrary to our expectation, inflation has a positive impact on fdi in the long-run. Openness has positive impact while tax rate has negative impact in the long-run as expected.

$$\beta' = \begin{bmatrix}
1 & 0.0000000176 & -435977.3 & -2050658 & 13707407 \\
0.030345 & -2.173334 & -4.680852 & 6.445549
\end{bmatrix}$$

$$\alpha = \begin{bmatrix}
-1.129714 \\
(-5.732843) \\
0.0000000187 \\
(0.071923) \\
0.000000321 \\
(1.888235) \\
-0.0000000763 \\
(2.5433) \\
-0.000000136 \\
0.906667
\end{bmatrix}$$

Cointegration of the variables means that, in addition to the short-run relationship, there is a long-run relationship between fdi and the determinants. These are captured in an error correction model. We adopt general-to-specific modeling approach by estimating an overparameterised model which is reduced to a parsimonious model shown in Table 4 the reduction of the overparameterised model to a parsimonious one is based on Schwarts Information Criteria (SIC), DW-statistics.
Table 4 Preferred error correction model (Dependent Variable: FDI)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECMt-1</td>
<td>-0.754580</td>
<td>0.158520</td>
<td>-4.760140</td>
<td>0.0001</td>
</tr>
<tr>
<td>FDI(-1)</td>
<td>0.985100</td>
<td>0.0901679</td>
<td>10.74504</td>
<td>0.0000</td>
</tr>
<tr>
<td>DLGDP(-1)</td>
<td>1.51E+08</td>
<td>1.40E+08</td>
<td>1.074557</td>
<td>0.2921</td>
</tr>
<tr>
<td>INF(-3)</td>
<td>99932.84</td>
<td>139062.9</td>
<td>0.718616</td>
<td>0.4786</td>
</tr>
<tr>
<td>DTRATE(-3)</td>
<td>3785183.</td>
<td>2857516.</td>
<td>1.324641</td>
<td>0.1964</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.793167</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean dep var</td>
<td>62858639</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.762525</td>
<td>S.D.</td>
<td>71839446</td>
<td></td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>35008368</td>
<td>Akaike info</td>
<td>37.12267</td>
<td></td>
</tr>
<tr>
<td>Sum squared resid</td>
<td>3.31E+16</td>
<td>Schwarz criterion</td>
<td>37.15170</td>
<td></td>
</tr>
<tr>
<td>Log likelihood</td>
<td>-598.5628</td>
<td>Durbin-Watson stat</td>
<td>1.950209</td>
<td></td>
</tr>
</tbody>
</table>

The preferred model in Table 4 shows that foreign direct investment in the short-run is determined by the previous year’s level of FDI and GDP and the previous three year’s level of inflation and corporate tax rate. The adjustment to long run equilibrium is fast (i.e. ECMt-1 = -0.75).

CONCLUSION

The study set to examine whether foreign direct investment inflows is constrained by tax policy in Ghana. The analyses are based on data extracted from the database of International Financial Statistics of the International Monetary Fund and World Development Indicators of the World Bank. Cointegration and error correction models are used to estimate the extent to which corporate tax rates affect inflow of foreign direct investment. This study reveals that, in addition to other variables that are significant in determining foreign direct investment, corporate tax rates are significant both in the short-run and the long run in determining the inflow of FDI into Ghana. High corporate tax rates reduce the part of profit that is available to the investor for reinvestment and is therefore a disincentive to the inflow of FDI and therefore high corporate tax rates constrain foreign direct investment inflows. This finding suggests that all other forms of campaign for FDI may not yield much result if the domestic corporate tax rates are not attractive to the foreign investor. Therefore provision of tax incentives in the form of low corporate tax rates will generate the needed investment from foreign sources.

REFERENCES


Dunning, J.H. (1993), Multinational Enterprise and the Global Economy, Addison-Wesley, Publishing Company; Reading MA
Domestic environmental policies, International capital flows and investment in Environmentally Sound Technologies

Joshua O. Anyangah, University of Lethbridge, Canada

This paper employs the methods of mechanism design to examine how local financing through foreign direct investment (FDI) as an alternative to international debt can affect the level of investment in ESTs and environmental quality. FDI boosts the productivity of investment because it not only involves the flow of capital, but also managerial inputs. In a screening model incorporating both adverse selection and moral hazard, it is shown that FDI generates the least distortion caused by information asymmetry and, therefore, delivers the strongest incentive for investment in green technology. While the domestic agent prefers FDI to debt finance, the investor’s welfare cannot be definitely ranked.

INTRODUCTION

There is a pervasive belief in the literature that capital flows to developing economies can act as a vector for the transfer of environmentally sound technologies (ESTs). The flow of capital is by no means a homogenous phenomenon, however. On the contrary, it manifests itself in many different forms (e.g., debt, foreign direct investment, foreign portfolio equity investment, etc.), with each form possessing some defining characteristics. Hence, an important consideration in the continuing debate about the relationship between capital flows and environmental quality is how the composition of international capital can affect the behavior of domestic polluters and their incentive to invest in pollution control and prevention technologies.

This paper develops a simple model to examine how local financing through foreign direct investment (FDI) as an alternative to debt can affect the level of investment in ESTs and environmental quality. In the model, a wealth-constrained domestic agent must secure financial resources from a risk-neutral foreign investor in order to switch to a cleaner production technology. The success of the technological switch depends on the amount of initial investment and the ability of the facility to effectively utilize the new technology. The model exhibits both adverse selection and moral hazard: there is an adverse selection problem because the productivity of investment is private information to the agent; there is a moral hazard problem because the level of investment is unobservable.

We take debt to be an arm’s length transaction that confers loose or no control rights on the investor (Neumann 2003; Razin et al., 1996). Foreign Direct Investment, on the other hand, grants the investor strong ownership and control rights over the domestic firm (Goldstein and Razin 2006). Thus, FDI makes capital more productive, perhaps because close board oversight limits the ability of the agent to engage in perquisite consumption or otherwise divert resources from the project.

An important objective of the paper is to determine whether these differences can significantly affect the optimal provision of incentives and environmental quality. Additionally, the model explicitly incorporates domestic environmental policies: it is assumed that the host government regulates environmental externalities through the combination of a pollution tax -- a market incentive scheme, and a performance standard -- a command and control instrument.

We show that the incentive to undertake investment in pollution control and prevention technology crucially depends on the mode of financing that is adopted. More precisely, FDI creates the strongest incentive for investment in the green technology. Even though the model comprises both adverse
selection and moral hazard dimensions, it is shown, perhaps surprisingly, that at the margin, the adverse selection aspect of private information about the productivity of capital is the same regardless of the type of financing adopted by the firm. Thus, the difference in investment incentives between the two funding media stems strictly from the moral hazard aspects of limited information. Intuitively, FDI entails less severe moral hazard, which in turn diminishes the critical need for the investor to distort investment away from its efficient level. Thus, FDI creates less misallocation of resources than debt finance. This result provides a further justification for privatization as the best method to improve the performance of state-owned enterprises.

Papers that have attempted to model the implication of international capital flows in the context of domestic environmental policy have tended to focus on FDI. Abe and Zhao (2004) examine the welfare effects of emissions taxes under a choice between international joint venture and foreign direct investment. Raucher (1995, 1997) examines the issue in the context of foreign direct investment only. Markusen et al. (1993, 1995), Markusen (1997) and Ulph and Valentini (1997) investigate the firm's location choice under international oligopoly.

The model presented here is substantially different -- both in terms of set up and results -- from these. Environmental policy here is exogenous and its objective is different. In the studies cited above, domestic environmental policy is designed to affect either the firm's location decision or the mode of capital flow. In the current model, the environmental regulatory authority is not motivated by the firm's location incentive, nor does it care about the mode of capital flow. Rather, its objective in implementing environmental policy is to internalize an externality and create the proper incentive for environmentally benign production. The second difference has to do with the information structure. All the papers cited above abstract from asymmetric information. Our model adopts the "agency" view of the domestic firm, and therefore approaches the problem from an organizational point of view. More precisely, the paper explores the linkage between financial arrangement, environmental policy and environmental quality in a framework that captures the agency relationship between a domestic firm and a foreign investor.

A handful of studies have examined the problem of international technology transfer in general. These include works by Choi (2001), Tao and Wang (1998) and Gallini and Wright (1990). Choi uses an incomplete contract model of the licensing relationship to explain the prevalence of royalty contracts. Tao and Wang focus on contractual joint ventures between multinationals and local firms in an environment characterized by weak enforcement of binding contracts. Although both studies employ the principal-agent framework, they assume away the crucially important role played by the capacity of the host to absorb the new technology. In these studies, imperfect information result from hidden action (moral hazard) only. By contrast, this paper carries an EST and a domestic environmental policy flavour, and is cast in an environment in which imperfect information comprises both moral hazard and hidden information (adverse selection). Gallini and Wright focus on licensing contracts for newly patented innovations when the licensor has private information about the economic value of the patent. One difference with this paper is that financial structure does not affect agency problems. The second difference relates to the structure of information asymmetry. While our model assumes that only the agent (technology recipient) is the one endowed with the relevant private information, theirs is one of signaling by a privately informed principal in the spirit of Maskin and Tirole (1992) and Beaudry (1994).

Also closely related are those studies that have compared debt and foreign direct investment as forms of international investment. Razin et. al. (1996) examine sources of market failure in the context of international capital flows. Their focus is on providing guidelines for efficient tax structure in the presence of market imperfection. Schnitzer (2002) considers the impact of sovereign risk on the structure of international capital flows. Neumann (2003) compares FDI with debt finance in a moral hazard environment in which information asymmetry is alleviated through costly monitoring. The author shows
that when equity transmits information, FDI financing is preferred to debt finance because monitoring increases investment, output and consumption for the domestic firm.

The rest of this chapter is structured as follows: The next section presents the basic elements of the model. Section 3 analyzes the nature of the optimal contract under debt-financing and FDI. Section 4 compares and contrasts the two funding media in terms of their impact on optimal incentive provisions and welfare. Section 5 concludes.

THE MODEL
There are three players in the model: a domestic agent, a foreign investor and a host government. The agent currently operates a production facility that uses an antiquated technology (e.g., a diesel-fired power plant). The use of this technology results in the release of an inefficiently high amount of a regulated pollutant (e.g., SO₂). By adopting a new technology, however, the plant's discharge of the pollutant could be significantly reduced. The technological switch can be thought of as a large-scale modernization of the firm's production process that requires major purchases of an EST. It is assumed that the agent has access to a continuum of foreign technologies that differ in terms of the scale of initial investment. The least efficient of these technologies requires an initial investment of $I$, but the agent has no wealth of its own. Thus, $I$ is bounded from below by $I$. Note that $I$ is endogenous: the agent determines how many units of capital to invest in the green technology. The variable $I$ is meant to include expenditure on equipment and other inputs necessary to make it work (e.g., machines, management). It is further assumed that the domestic capital markets can neither provide all the required capital nor the clean technology. These assumptions are necessary to ensure that the agent will need core capital from the international capital markets. The firm is otherwise assumed to be a large enterprise which can benefit from the international capital markets.

The investment can be financed entirely with an equity injection by way of Foreign Portfolio Investment (FDI) or a market loan (Debt). Thus, the only possible contracts between the agent and investor are either pure debt or pure equity, but not a combination of the two. In short, there is no attempt in this study to derive the structure of the optimal financial arrangement between the two parties; rather, it is assumed that a certain financial claim exists.

Once financing has been secured, the execution of the project proceeds in two successive steps.

1. In the first stage, the agent embarks on plant modernization by buying and installing the new technology at an initial cost of $I$.
2. During the second step, the firm uses the new technology to produce and deliver a good (e.g., electricity) to the market.

The project's net cash flows (before financing costs and environmental liability) is nonstochastic and is given by $\pi$. The main source of risk for the project arises from the fact that the production of the good generates emissions $x$, which may in turn lead the realization of an environmental liability. Formally, we assume that $x$ is binary. Initially $x$ is at its higher level, $x^H$, but may be reduced to its lower level, $x^L$, by the agent undertaking investment $I$ in the green technology. The emissions reduction process is stochastic. Let $\rho(I, \theta)$ be the probability that lower emissions ($x^L$) will be realized when the agent undertakes investment $I$ and the firm's ability to absorb the clean technology is $\theta$. The parameter $\theta$ is meant to capture how

---

10 Throughout we do not distinguish between the firm and its owner and therefore use 'firm,' 'host' and 'agent' interchangeably.
11 Throughout we use the masculine term "he" to refer to the investor and the feminine term "she" to refer to the domestic firm.
effectively the firm is able to utilize the new technology. Subsumed in $\theta$ are factors such as capabilities for learning and integrating the procured technology. $\rho(I,\theta)$ is strictly increasing and concave in $I$. We also assume that $\rho(I,\theta) < I$ in the relevant range and that the marginal productivity of $I$ at the zero level is infinite so as to guarantee interior solutions. For analytical simplicity and in order to obtain closed-form solutions, we posit the following specific functional form:

$$\rho(I, \theta) = m \theta p(I) = m \theta I^\gamma \quad \gamma \in (0, 1), \quad m > 0$$  \hspace{1cm} (1)

where $m$, as explained below, is the tightness of the monitoring regime. This restriction simply requires the success probability to be separable in investment and absorptive capacity.

Closely following Segerson (1988), we assume that environmental policy consists of a performance standard, $\bar{x}$, and a tax payment $\tau$ that depends upon the extent to which actual emissions deviate from the mandated standard. More precisely, if the actual emissions surpass the mandated standard, the firm pays an emissions tax proportional to that excess; if actual emissions fall below the standard, the firm neither receives nor pays anything. In other words, the firm is not rewarded for exceeding the mandated standard, but is punished for falling below the regulatory threshold. For simplicity, we assume that $x^H > \bar{x} > x^L$. Thus, the firm's environmental liability can be written as

$$T(x) = \begin{cases} \tau(x^H - \bar{x}) + k & \text{if } x = x^H \\ 0 & \text{if } x = x^L, \end{cases}$$

where $k$ is some positive constant. The project (or investment in the green technology) is said to be successful if actual emissions are less than the mandated standard; that is, if $e = e^L$. Obviously, it is a failure if $e = e^H$. Assume that environmental damage $D$ is linear in excess emissions with the constant unit damage denoted by $h$:

$$D(x) = \begin{cases} h(x^H - \bar{x}) & \text{if } x = x^H \\ 0 & \text{if } x = x^L. \end{cases}$$

The main difference between debt and FDI relates to the effectiveness of monitoring: Under debt finance, the two parties are assumed to interact strictly at arms length, and any role played by the investor does not extend beyond funding the project. Since the lender is presumably geographically "removed from the action," monitoring is less effective. By contrast, FDI gives the investor inside management and control rights. Being within close proximity to the action (through, for example, a seat on the board of directors), the investor finds it both desirable and feasible to exercise more close oversight. This may reduce perquisite consumption and other wasteful activities on the part of the domestic agent, thereby improving the project's environmental prospects. In short, FDI entails a greater "monitoring potential" and a tighter monitoring regime for the investor than debt finance.

To formally account for this difference, we will assume that if a manager type $\theta$ undertakes an amount of investment $I$ then the probability function $\rho(I, \theta)$ is given by:

\[ \rho(I, \theta) = m \theta I^\gamma \quad (\gamma \in (0, 1), \quad m > 0) \]

12 In practice, debt contracts often give investors the right to liquidate or sell the borrower's verifiable assets in case repayment commitments are not fulfilled. In this paper, however, we abstract from bankruptcy considerations by assuming that the debt is paid in full for sure.

13 Control is defined as owning 10% or greater of the voting shares of an incorporated firm, having 10% or more of the voting power for an unincorporated firm or development of a Greenfield investment.
\[ \rho(I, \theta) = m_d \theta p(I) \] (2)

under debt finance, whilst under FDI it is given by

\[ \rho(I, \theta) = m_f \theta p(I) \] (3)

where \( m_f > m_d \) represent the monitoring efficiency parameter. Thus, \( m_f \theta p(I) > m_d \theta p(I) \) for all \( I \), which means that monitoring enhances the productivity of investment and that this effect is stronger under FDI than under debt finance. Note also that \( m_f \theta p'(I) > m_d \theta p'(I) \) for all \( I \), implying that increasing the level of investment increases the project's success probability by a larger amount under FDI than under debt finance. Throughout, we assume that \( m_i, i = f, d \), is given, and not to be determined by the model. Though treating \( m_i \) as an exogenous variable might appear too string, this assumption allows for the exposition of the key insights of the paper in the sharpest and the most intuitive way.

Information: A crucial assumption is that the two parties have asymmetric information. The agent knows exactly the value of \( \theta \) from the outset; the investor's knowledge of \( \theta \) is limited. The investor only knows that parameter \( \theta \) belongs to some compact set \( \Theta \subseteq \mathbb{R}^+ \). Without loss of generality we take \( \Theta = [\underline{\theta}, \overline{\theta}] \). In addition, \( I \) cannot be contracted upon. However, it is publicly known whether the project is successful or not. Since the success probability is a function of \( \theta \) and \( I \), the model is characterized by both moral hazard and adverse selection. The investor has some prior probability on \( \Theta \) which is associated with a continuous density function \( f(\theta) \equiv dF(\theta)/d\theta \), where \( F(\theta) \) is the distribution function of \( \theta \). As is standard in the incentive literature, we assume that the distribution of types \( F(\theta) \) satisfies the monotone hazard rate property:

\[ \frac{\partial}{\partial \theta} \left[ \frac{1 - F(\theta)}{f(\theta)} \right] < 0 \] (Fudenberg and Tirole 1991).

The analysis covers a single period from point 0 when financing, investment and production decisions are made to point 1, where returns are realized. Before investment activities can be undertaken, the firm and the investor must negotiate a contract specifying how the project's returns will be divided between the two parties. Such a contract must be based on variables that are verifiable by the investor or a third party. Since investment and type \( \theta \) are unobservable (except under full information), the only possible basis for the contract is the realized cash flows.

The nature of the contractual arrangement between the investor and the firm will depend on the bargaining capabilities of the two parties. In this paper, we assume that the investor has all the bargaining power when designing the contract. This may approximate fairly closely an environment in which there is intense competition for foreign financial resources among potential hosts (Koray and Taylor 2000; and Haufler and Wooton 1999). Thus, during contract negotiation, it will be appropriate to assume that the investor makes a take-it or leave-it offer to the agent. To complete the model set up, we assume that the international rate of interest is \( r \) so the opportunity cost of funds for the investor is \( r \) per unit.

**DEBT FINANCE**

Under this mode of financing, the agent simply contracts debt to buy the green technology and the necessary inputs to make it work (machines, management). Thus, when the two parties get together to negotiate a contract, they have two key decisions to make: First, they must specify the amount to be borrowed \( b \). Second, they must agree on how the investor should be compensated for providing the capital. Closely following Bolton and Scharfstein (1990), we assume that the investor's compensation comprises two crucial components. The first one is a reimbursement from the firm to the investor for the supply of capital. The second one is a reward (contingent payment) that the investor grants the agent.
More precisely, we assume that the optimal contract calls for the firm to repay $R^G$ if the project is successful and $R$ otherwise. Thus, the two parties negotiate on $s = \{b, R, R^G\}$.

By the revelation principle, there is no loss in generality in focusing on a direct mechanism in which the investor provides the firm with incentives that induce truthful behavior (e.g., Fudenberg and Tirole, 1991 and Laffont and Tirole, 1993). In a direct mechanism, the investor offers a standard screening contract $C = \{s(\hat{\theta}) : \hat{\theta} \in \Theta\}$, prescribing a level of transfer $s(\theta)$ conditional upon the manager's announcement $\hat{\theta}$. We assume that the investor can credibly commit not to renegotiate the contract.

The investor selects $s(\hat{\theta})$ to maximize her expected payoff. In so doing, he takes into account the response of the privately informed firm. As in similar models, the optimal actions of the privately informed agent gives rise to two kinds of constraints that the investor must take into account when designing the mechanism: The first kind ensures that the agent reports its type truthfully and undertakes the optimal level of investment. These constraints are called the incentive compatibility constraints. The second kind of constraints are the individual rationality constraints. They require that the agent, whatever her type, gets its reservation payoff, the payoff that the agent would get by not participating in the project.

The sequence of events is as follows: In the first stage, nature draws a type $\theta$ for the domestic facility from a set of feasible types $\theta \in \Theta$. Only the agent learns the true value of $\theta$. In the second stage, the investor and the agent agree on a menu of contracts. The agent reports its type and then chooses a level of investment in the green technology given the sharing rule. Final project output is observed and the transfers implied by the menu of contracts are implemented.

To fix ideas, let $\Sigma = R - R^G$ define the incremental "reward" for success. Thus, if $\Sigma > 0$, so $R - R^G > 0$, the firm is rewarded for success because it is required to make a relatively low payment in the event of success. On the other hand, if $\Sigma < 0$, so $R - R^G < 0$, the firm is effectively punished in the event of success, i.e., the agent must pay more in the good state than in the bad state. In the special case where $\Sigma = 0$, the firm is subjected to a non-contingent repayment scheme or a standard debt contract.

For ease of exposition, we abstract from any bankruptcy considerations by assuming that the investment project is financed entirely with a "safe debt" - that is, a debt that is paid in full. Hence, the revelation mechanism in this situation is $s(\hat{\theta}) = \{b(\hat{\theta}), R(\hat{\theta}), \Sigma(\hat{\theta})\}_{-\hat{\theta}}^\hat{\theta}$. An agent type $\theta$ that reports that her type is $\hat{\theta}$ when the true parameter is $\theta$ has a utility $U(\hat{\theta}, \theta)$:

$$U(\hat{\theta}, \theta) = m_d \theta p(I(\hat{\theta})) \left[ \tau A + k + \Sigma(\hat{\theta}) \right] + \pi - \tau A - k - R(\hat{\theta}) + b(\hat{\theta}) - I(\hat{\theta}).$$

(4)

On the other hand, the investor's expected payoff is

$$V(\theta) = R(\theta) - m_d \theta p(I(\theta)) \Sigma(\theta) - (1+r)b(\theta).$$

(5)

The agent's incentive compatibility requires that

$$\theta \in \arg \max_{\theta} \left( m_d \theta p(I) \left[ \tau A + k + \Sigma(\hat{\theta}) \right] + \pi - \tau A - k - R(\hat{\theta}) + b(\hat{\theta}) - I(\hat{\theta}) \right)$$

(6)

Let $U(\theta) = U(\theta, \theta)$ denote type $\theta$'s rent when reporting truthfully:

$$U(\theta) = \max_{\theta} \left( m_d \theta p(I) \left[ \tau A + k + \Sigma(\theta) \right] + \pi - \tau A - k - R(\theta) + b(\theta) - I(\theta) \right)$$

(7)
A first step in studying the mechanism design problem of the investor is to characterize the set of functions corresponding to an incentive compatible mechanism. **Lemma 1** below characterizes this set.

**Lemma 1** If \( \theta \in \Theta \), then \( \{I(\theta), \Sigma(\theta), U(\theta)\} \) is incentive compatible if and only if

\[
m_d \theta p(I(\theta))[(\tau \Delta + k + \Sigma(\theta))] - 1 = 0 \quad (8)
\]

\( \Sigma(\theta) \) is non-decreasing \( (9) \)

\[
dU(\theta) = m_d \theta p(I(\theta))[(\tau \Delta + k + \Sigma(\theta))] \quad (10)
\]

The cardinal point of lemma 1 is that if the local incentive-compatible constraints are satisfied and \( \Sigma(.) \) is nonincreasing, then these necessary conditions are sufficient. Hence the infinite incentive constraints that the investor must take into account during the process of contract design collapse to a differential equation and monotonicity constraint. A direct revealing mechanism is then characterized by equations (8) – (10).

Using the definition of \( R(\theta) \) as given in equation (7), we can rewrite the investor's payoff in terms of \( U(\theta) \) as

\[
\tilde{V}(U(\theta), \Sigma(\theta), b(\theta), \theta) = \int \left[ m_d \theta p(I(\theta))[(\tau \Delta + k + \Sigma(\theta))] + \pi - \tau \Delta - k - U(\theta) - rb(\theta) \right] dF(\theta)
\]

(11)

Thus, the screening problem under a debt contract is as follows:

\[
\max_{\{\Sigma(\theta), b(\theta)\}} \tilde{V}(U(\theta), \Sigma(\theta), b(\theta), \theta)
\]

subject to (8), (9)

\[
\begin{align*}
U(\theta) & \geq 0 \quad \forall \theta \in \Theta; \\
\theta - I(\theta) - & I(\theta) \geq 0
\end{align*}
\]

(13)

(14)

\[
I = \arg \max_{\{b(\theta), R(\theta), \Sigma(\theta)\}} m_d \theta p(I(\theta)[(\tau \Delta + k + \Sigma(\theta))] + \pi - \tau \Delta - k - R(\theta) + b(\theta) - I(\theta)).
\]

(15)

Equation (12) states that the investor desires to maximize the expected total surplus less the firm's expected rent \( U(\theta) \). Since \( U(\theta) \) enters the investor's payoff function in a negative fashion, the investor has the incentive to optimally induce distortions away from efficiency in order to reduce the ability of the firm to command the rent. The participation constraint (13) for the agent ensures that it receives nonnegative expected payoff, regardless of its type and report. Equation (14) is the budget constraint for the agent. Equation (15) requires that the agent selects the level of investment optimally given contract \( \{b(\theta), R(\theta), \Sigma(\theta)\} \).

The participation constraint must be binding somewhere. If it was not, then the investor could raise the agent's repayment commitment uniformly by a small amount, and thus recoup larger revenues, while still inducing participation of all types. Because \( U(\theta) \) is nondecreasing from equation (10), we only need to require the participation constraint to be satisfied at the lower end point \( \theta = \underline{\theta} \). Thus, the agent's participation constraint can be replaced by

---

14 All proofs are available upon request.
\[ U(\theta) = 0 \quad U(\bar{\theta}) \text{ free (} \theta, \bar{\theta} \text{ given).} \quad (16) \]

The investor's modified problem, therefore denoted by \((L')\), can be written as an optimal control problem:

\[
\max_{\{\Sigma(\theta), b(\theta), \theta\}} \bar{V}(U(\theta), \Sigma(\theta), b(\theta), \theta)
\]

subject to (8), (9), (14), (15) and (16).

**Equilibrium contract and optimal investment**

We adopt a standard strategy to solve problem \((L')\). First, we ignore the monotonicity condition (9), and solve the so called relaxed problem \((L'')\). We then show that the solution derived in this way also satisfies the monotonicity condition and thus solves problem \((L')\). The following proposition summarizes the solution to the investor's problem \((L')\).

**Proposition 1** Under debt finance, the optimal contract for an agent type \(\theta \in \Theta\), denoted \(\{b(\theta), \Sigma(\theta), R(\theta)\}\), is given by

\[
b(\theta) - I(\theta) = 0
\]

\[
\Sigma(\theta) = -[\tau \Delta + k] \left[ 1 - \frac{1}{1 + [1 - F(\theta)]/ f(\theta) \theta \tau} \right]
\]

\[
R(\theta) = m_d \theta p(I(\theta)) [\tau \Delta + k + \Sigma(\theta)] + \pi - \tau \Delta - k - rb - I,
\]

where

\[
m_d \theta p'(I)(\tau \Delta + k) = 1 + [1 - F(\theta)]/ \theta \gamma f(\theta)
\]

\[
U(\theta) = \int_{1/2}^{\bar{\theta}} \frac{I(\theta)}{\theta} d\theta.
\]

Equation (17) simply says that at the optimal contract, the agent's budget is satisfied; that is, the agent borrows no more than is necessary to undertake the project. Equation (18) gives the incremental reward (or punishment) for success that is optimally installed upon the agent. Since \(F(\theta) \leq 1\), this term is strictly negative for all agent types below the upper end point \(\theta < \bar{\theta}\), but is zero for type \(\theta\). In other words, the most efficient type is offered a contract with a non-contingent repayment schedule, while types below the upper end point are subjected to a payment structure that includes a penalty in the event of success.

To get an intuitive grasp of this outcome, one must disentangle the adverse selection effect from the moral hazard dimension. This can be demonstrated as follows. If investment were contractible and there were no adverse selection, the first-best level of investment would clearly satisfy \(m_d \theta p'(I)(\tau \Delta + k) - 1 = 0\). Under moral hazard, but without adverse selection, by differentiating the expected total surplus, \(m_d \theta p(I(\theta))(\tau \Delta + k) + \pi - \tau \Delta - k - rb - I\), the first-order-condition with respect to \(\Sigma\) would yield \([m_d \theta p'(I)(\tau \Delta + k) - 1]/d\Sigma = 0\), where \(d\Sigma = p'(I)/[p''(I)(\tau \Delta + k + \Sigma)]\) is obtained from the incentive compatibility condition on \(I\): \(m_d \theta p(I)(\tau \Delta + k + \Sigma) - 1 = 0\). Given the fact that \(d\Sigma > 0\), the optimal contract in the absence of private information (but with only moral hazard) will set \(\Sigma\) to zero and commit the agent to a fixed repayment schedule as in Diamond (1996). Thus, in the special case where the agent's absorptive capacity is
common knowledge, the moral hazard problem is completely resolved by offering a standard debt contract.

When the agent has both private information and moral hazard, however, a high type, for whom success is most likely, will have a natural incentive to intentionally misreport her type as lower in order to earn information rent. And the incentive to misreport will be particularly more pronounced in those states of the world in which the project is successful. To dampen this incentive, the investor optimally lowers the attractiveness of contracts prescribed for low $\theta$ agents. This is achieved by requiring the agent to repay a higher amount in the event of success than without success. The effect of this is to differentially disadvantage high type agents who attempt to mimic the low types.

The idea of a penalty or transfer from an agent to the principal as an optimal mechanism is clearly at variance with Innes (1990), who implicitly argues that an optimal debt contract will be structured to reward the entrepreneur for good performance. This idea is, however, comparable to Lewis and Sappington's (1997) explanation of punishments in dynamic agency problems and Gorton and Kahn's (2000) analysis of loan pricing. In Lewis and Sappington's framework, good performance is intentionally subjected to punishments in order to induce truth telling about previous performance. In Gorton and Kahn's model, a debt contract may involve an initial transfer from the borrower to the lender so as to minimize the subsequent costs associated with moral hazard and renegotiation. Thus, initial transfers in this model play an analogous role as $\Sigma$ in the present paper.

Equation (19) gives the base repayment amount or the gross borrowing rate. It says that the optimal contract requires the agent to repay the investor an amount that is equal to the expected total surplus less the sum of information rent and the cost of investment. In essence, the investor appropriates all the proceeds from the project and then not only reimburses all the agent's switching costs, but also affords her rent. Indeed, if there were no moral hazard, the optimal base repayment obligation would only compensate the domestic agent for the cost of undertaking investment. As explained below, given that the agent is fully compensated, but does not appropriate all of the project's proceeds, investment is therefore suboptimal.

Equation (20) gives the condition for the optimal scale of investment. It is simply the first-order condition with respect to $I$ evaluated at the optimal value of $\Sigma(\theta)$. The second term on the RHS of $\bar{\theta}$ $[1-F(\theta)]/[f(\theta)\theta\gamma]$ represents the effect of the agent's private information. Raising the level of investment of a type $\theta$ (with mass $f(\theta)$) increases the rents of all types higher than $\theta$ (which is given by $[1-F(\theta)]$). Note that this term is zero when $\theta=0$, but it is strictly positive for all host types below the upper end point $\theta<\hat{\theta}$. Since higher investment increases the informational rent of the agent, the investor finds it optimal to lower investment in order to reduce this costly informational rent.

Comparing condition (20) with analogous condition in Neumann (2003), one can see that while the first-best level of investment is in general not implementable in the framework adopted in this paper, the opposite is indeed the case in Neumann’s model. In Neumann’s framework, the first-best outcome can always be achieved because monitoring costs can be increased sufficiently as to prevent the borrower from diverting funds. In that study, the ability to penalize the agent (through monitoring costs) provides a mechanism for completely resolving the moral hazard problem and inducing efficient level of investment. By contrast, because the present analysis combines both adverse selection and moral hazard in the same context, offering a debt contract with a non-contingent repayment schedule would solve the moral hazard problem, but this would leave high $\theta$ types with large information rents. To limit the agent's ability to command these costly rents, the investor finds it optimal to lower investment below its full information level for all host types below the upper end point $\theta<\bar{\theta}$ by penalizing success as suggested by (18). Only
for type \( \theta \), for whom \( [1-F(\tilde{\theta})]=0 \) (by virtue of \( F(\tilde{\theta})=1 \)), is the distortion in investment set to zero and the full information outcome achieved.

The last expression gives the amount of rent that is optimally ceded to the agent in order to induce truthtelling. As in many screening models of this kind, this rent is positive for all types except the least efficient. Note that this rent is higher as the level of investment is higher.

**FOREIGN DIRECT INVESTMENT (FDI)**

Recall that FDI corresponds to a situation where the investor acquires strong ownership and control rights over the project, but delegate investment decision making to the agent. Thus, when the agent and the investor sit down to construct a contract, they must specify a price in respect of the investor’s equity stake and decide on how the investor will be compensated for providing the equity injection. Let \( q(I)=\theta p(I)(\tau \Delta +k)+\pi -\tau \Delta -k \) be the project's expected surplus -- the net earnings to be shared between the two parties. The equity contract calls for the investor to transfer an amount \( v \) to the agent upfront and in return promises the investor a linear compensation of the form \( \Gamma +(1-\beta)q \), where \( F \) is the fixed payment, \( (1-\beta) \) is the investor's share of the firm's shareholding and \( \beta \in [0,1] \) is the variable bonus coefficient (or the domestic agent’s equity stake). It follows, therefore, that the agent's expected payoff is

\[
U(\theta,\theta)=\max \quad \left[ \int q(I(\theta))dF(\theta) \right] v(\theta) - I(\theta) - rv(\theta),
\]

where the last term represents the opportunity cost of undertaking investment. The incentive compatibility condition of the agent is given by

\[
I\in \arg \max \quad \left[ \int q(I(\theta))dF(\theta) \right] v(\theta) - I(\theta) - rv(\theta).
\]


\[ v(\theta) - I(\theta) \geq 0 \] \quad (27)

\[ U(\theta) \geq 0 \quad \forall \theta \in \Theta \] \quad (28)

\[ \frac{dU(\theta)}{d\theta} = m_j \theta p(I(\theta))(\tau \Delta + k) \beta(\theta) \forall \theta \in \Theta \] \quad (29)

and the incentive compatibility condition (24).

Proposition 2 below characterizes the optimal level of investment and the agent’s equity stake. The construction of the proof follows along the lines of proposition 2.

**Proposition 2** Under FDI, the optimal contract \{\(\Gamma(\hat{\theta}), \beta(\hat{\theta}), v(\hat{\theta})\)\} is given by

\[ \Gamma(\hat{\theta}) = \left[ m_j \theta p(I(\theta))(\tau \Delta + k) + \pi - \tau \Delta - k \right] \beta(\theta) - U(\theta) \] \quad (30)

\[ v(\theta) - I(\theta) = 0 \] \quad (31)

\[ \beta(\hat{\theta}) = \frac{1}{1 + [1 - F(\theta)] / f(\theta) \theta \gamma} \] \quad (32)

Equation (30) gives the fixed part of the compensation scheme. It is structured to include two components: \(m_j \theta p(I(\theta))(\tau \Delta + k)\) is the local agent's return on equity; \(U(\theta)\) is our now familiar information rent, the amount required to induce the firm to truthfully reveal its type. In sum, the fixed component of the compensation ensures that under the optimal contract, the firm participates and truthfully reveals its type. Note that \(F'(\theta) > 0\) implying that \(F(\theta)\) increases in \(\theta\): As the firm's type increases, the investor finds it in its own benefit to opt for more fixed compensation at the expense of the variable component \((1-\beta)\). This occurs because the enhanced investment incentives of the firm are more important for value as the type variable increases. As shown below, this implies that \(\beta(\theta)\) increases with \(\theta\).

Equation (31) says that at the optimum, the agent's budget constraint is binding. Thus, the agent issues just enough equity to finance the project. Equation (32) gives the agent's optimal equity stake. This function is nondecreasing in \(\theta\), with \(\beta(\theta) = 1\) when \(\theta\) is at the upper end point and \(\beta(\theta) < 1\) for all \(\theta\) below the upper end point. An interesting property of the optimal value of \(\beta(\theta)\) is that it is not affected by parameters \(\tau\) and \(x\). Rather, it is determined by the agent's type and efficiency parameter \(\gamma\) and only these parameters alone. In particular, \(\beta(\theta)\) increases in \(\gamma\). Thus, all other things being equal, as the investment becomes more productive, the agent is afforded a larger equity stake in the project.

Equation (33) characterizes the optimal investment rule. As in the previous section, the optimal level of investment is determined by equating the marginal benefits (the left-hand-side) with the marginal costs (the sum of the terms on the right-hand-side). The first term on the right-hand-side of (33) gives the intentional distortion of investment that derives from moral hazard. It is important to note that this term is always positive regardless of agent type; that is, the moral hazard problem is never resolved in this model. This is in sharp contrast to the case considered in Neumann (2003), where FDI can deliver the first-best or
even excessive investment by virtue of its negative effect on monitoring costs. The second term on the RHS is the marginal information rent; it represents the distortion that arises from the firm's private information. This term is nonnegative and has a magnitude that depends upon: it is equal to zero for all types at the upper boundary $\bar{\theta}$ but is strictly positive for all types over the interval $[\theta, \bar{\theta})$. This follows from the fact that $F(\bar{\theta})=1$ and is consistent with the main lesson of standard principal-agent models that to limit the informational rent paid to the agent, the principal must optimally induce distortion in activity over some interval. In the context of our model, the level of investment is set below its full information value.

**FINANCIAL STRUCTURE, INVESTMENT INCENTIVES, WELFARE AND ENVIRONMENTAL QUALITY**

We now compare and contrast the levels of investment, welfare and environmental quality that are optimally induced under the two funding arrangements. In undertaking this exercise, we wish to uncover whether there are any qualitative differences in the nature of optimal incentive provision, welfare and environmental quality when the project is financed through a debt contract than when it is all equity financed.

The first question that we would like address is whether the level of investment that is optimally induced under FDI is less than, greater than or equal to the level of investment under debt finance. From equations (20) and (33), we can observe the following: (a) marginal information rent is the same under FPI and debt finance (i.e., the adverse selection aspect of private information about the productivity of capital is the same regardless of the type of financing adopted by the firm), (b) the marginal return on investment is higher under FDI than under debt finance. These observations imply that $m_{\theta}p'(\bar{I}(\theta))(\tau \Delta + k) = m_{\theta}p'(\bar{\bar{I}}(\theta))(\tau \Delta + k)$. Since $m_{\theta} < m_{\bar{\theta}}$, it must be the case that $p'(\bar{I}(\theta)) < p'(\bar{\bar{I}}(\theta))$. Given the concavity of $p$ in $I$, it follows that $p(\bar{I}(\theta)) > p(\bar{\bar{I}}(\theta))$; thus, under the optimal contract, $\bar{I}(\theta) > \bar{\bar{I}}(\theta)$. In other words, the level of investment incentives will be higher under FDI than under debt finance. Intuitively, FDI entails relatively more effective monitoring, which reduces the moral hazard problem.

As for environmental quality, note that the expected damage under debt-finance is given by $\bar{D}=[1-m_{\theta}p(\bar{I})] \Delta h$ whilst under equity finance it is given by $\bar{D}=[1-m_{\theta}p(\bar{\bar{I}})] \Delta h$. Since $\bar{I}(\theta) > \bar{\bar{I}}(\theta)$, it must be the case that $\bar{D} > \bar{\bar{D}}$. In other words, the expected social loss from the project is less pronounced under equity finance than under debt finance.

We conclude this section by examining the welfare implications of the alternative funding media. It has been shown in section that if there is full information, both the investor and the host firm are indifferent between debt finance and FDI. In either case, the firm earns it outside opportunity payoff, which is zero, and the expected surplus remains the same regardless of the form of financing. Under incomplete information, however, the investor attains a lower expected payoff than under full information. This is because the investor has to cede some rent to the host in order to induce truthful behavior. Thus, the host gains some rent because of her private information and clearly prefers FDI to debt finance.

What about the investor’s payoff? It turns out the investors expected welfare cannot be ranked in terms of the financing vehicle. To see the logic behind this result, recall that under equity finance, the relatively close proximity of the investor ‘to the action’ leads to a relatively high project success rate for any given level of investment. This implies that the agent's incentive to understate her type will be higher under FDI than under debt finance. The investor, knowing the enhanced incentive of the agent to misrepresent its type, precludes such actions by affording the agent higher information rent than if debt was the financing
vehicle. Because each agent type earns a higher rent under FDI than under debt finance, the distortion in
investment incentives from their full information level is smaller under FDI than under debt finance. This,
in turn, means that more surplus is available under FDI than under debt finance.

While the agent is clearly better off under FDI than under debt finance, it is not at all clear how the
investor ranks one form of financing against the other. For even though the expected surplus is higher
under FDI, the residual surplus appropriated by the investor need not be higher. A sufficient condition for
the surplus appropriated by the investor under FDI to be relatively higher is that the additional surplus
generated by the higher level of investment must be sufficient to offset the higher rent that is optimally
ceded to induce truth telling.

The foregoing discussion is summarized in the following proposition.

**Proposition 3** Suppose the domestic firm can finance the technology switch through either debt finance
or FDI. Then:

(i) The level of investment and environmental quality will be higher under FDI than under debt
finance
(ii) The domestic agent will prefer FDI to debt finance
(iii) The foreign investor’s welfare cannot be ranked in terms of the mode finance

**CONCLUSION**

This paper developed a framework to illustrate the interaction between financing arrangements and the
optimal investment in clean technology. The main point of the analysis is that the financing media has
implications for nature of agency costs and the rate of technology uptake.

Relative to debt finance, FDI entails less intense moral hazard. The moral hazard problem is less
pronounced here because monitoring is more effective. This affects contract design in two ways: First, the
critical need to distort investment incentives from their first-best level is diminished; that is, the level of
investment is higher under FDI than under debt finance. Second, the agent’s private gains from success
and her incentive to misrepresent her type are higher. The foreign investor cedes more rent in a rational
attempt to induce truth telling. Consequently, the agent earns more rent and, therefore, prefers FDI than
debt finance.

These results are obtained through a number of simplifying assumptions, which could be extended in a
variety of ways. The model assumes that both the investor and the firm are risk neutral. Risk neutrality for
the agent is questionable in this context, however, because agents are unlikely to possess a portfolio of
similar projects spread across the developing world. Thus, a deeper exploration of the impact of financing
mechanism might involve an examination of the effects of risk preferences. A second possible objection
to this model is that it assumes that debt contract precludes the investor from exercising control over the
firm. In reality, an investor may intervene even under a debt arrangement by way of a commitment to
terminate funding if the firm's performance is not satisfactory. These lines of thought are beyond the
scope of this study and are left for further research.

**REFERENCES**


Chao Yu : Chao, C and Yu, E. S. H. (1997). International capital competition and environmental
standards. Southern Economic Journal, 64(2), 531-541.


Determinants of Inward Foreign Direct Investment in the Ghanaian Manufacturing Sector

Simon K. Harvey, University of Ghana Business School, Ghana
Joshua Abor, University of Ghana Business School, Ghana

This study examines the determinants of foreign direct investment (FDI) in the Ghanaian manufacturing sector. The study uses a random effect panel binary logistic regression model. The results indicate that, contrary to expectation, larger firms are less likely than the smaller ones in attracting FDI. Also, older firms are less likely to attract FDI. One major finding from this study is that, absolute capital requirement significantly determines FDI, pointing to the fact that foreign investors are usually encouraged to invest in firms that have relatively adequate capital base.

INTRODUCTION
Governments the world over invest substantial public funds to attract inward FDI, using a range of instruments such as tax allowances, duty drawbacks, investment allowances, grant in aid and so on. The investment is motivated by the benefits associated with inward FDI (Greenaway et al., 2001). It is argued that greater the number of foreign investment projects in a developing country, the greater the opportunity for linkages and local firm upgrading. However, in a recent study of FDI in Africa, Asiedu (2002) showed that while liberal economic policies and infrastructure development tend to have strong influence on the flow of FDI into many developing countries, their impact on Sub-Saharan African (SSA) countries has been rather insignificant. Similarly foreign capital inflows have so far been modest.

Ghana, since the introduction of the Economic Recovery Programme (ERP) in 1983, has continued her efforts at transforming the economy from a largely state-controlled economy to a liberalized market economy. The process of transformation has seen the private sector increasingly becoming the driving force of the economy. Inward FDI is regarded as an integral part of Ghana’s economic policy and therefore government policy remains centered on promoting foreign investment, especially in the priority sectors of the economy. In spite of the important role that FDI can play in developing the Small and Medium Enterprises (SMEs) sector, the pace of development seems quite slow. The key question that arises is what factors actually determine the extent of foreign participation in firms?

The purpose of this study is to identify firm characteristics that encourage foreign participation in SMEs in Ghana, the sub-sectors that attract FDI in the manufacturing industry and evaluate the prospects of attracting more FDI into these firms. This paper contributes to current research on FDI in two ways; it provides a snapshot of the Ghanaian industrial activity in international markets and identifies the extent to which microeconomic factors contribute to foreign participation and the attraction of FDI. The main findings of the study are larger and older firms are significantly less likely to attract FDI in the manufacturing sector. Also, firms with high absolute capital requirement are in the position to positively influence FDI in the sector. The paper is organized into six sections. Section two looks briefly at the macroeconomic environment of FDI in Ghana. This is followed by an overview of empirical literature in section three. Section four discusses the methodology. Section five includes a discussion of the key findings and finally, section six concludes the study.

MACROECONOMIC ENVIRONMENT FOR FDI IN GHANA
The drive to attract FDI led to the enactment of investment friendly laws that are both general and sector specific. The Ghana Investment Promotion Centre (GIPC) Act, 1994 (Act 478) law regulates investment
in all sectors of the economy except minerals and mining, oil and gas, and the free zones. In addition to
this law, there are other sector specific laws regulating sectors such as banking, non-bank financial
institutions, insurance, fishing, securities, and real estate. A foreign investor is required to satisfy the
provisions of the investment act as well as the provisions of the sector-specific laws. Total FDI inflows
have not increase significantly over the decades except in 1996 where the inflows were a little above $800 million. The trend over the years is indicated in Figure 1.

Figure 1. FDI inflows to Ghana

Over the year, manufacturing has generally been close to service in terms of total number of projects and
total investment cost. The services sector continues to dominate in the total flow especially in 2003 where
it accounted for about 55 percent of the total FDI into the non mining sector. This development can be
attributed to the recent huge investment that has been made into the telecommunication sub-sector
following the deregulation of the sector that was instituted some few years ago (Abdulai, 2005). This is
followed by the manufacturing sector, which also witnessed some significant flows of FDI. The main
sources of the FDI into the Ghanaian economy include Great Britain, India, China, USA, Lebanon,
Germany, Korea, Italy, Switzerland, Netherlands, Canada, France, Nigeria, South Africa, and Malaysia.

OVERVIEW OF RELEVANT LITERATURE

We provide a review of some firm level characteristics that are relevant in influencing FDI inflows.

R & D intensity

In situations where the ownership of technology constitutes a key advantage of transnational corporations,
FDI is usually considered to be important in the growth of the firm/industry. Studies in Canada have, to a
large extent, established a positive correlation between a share of foreign investment in Canadian industry
and foreign firm/industry intensity (Caves, 1974; Caves et al., 1979; Saunders, 1982; Owen, 1982; Gupta,
1983). Lall and Mohammed (1983), however, in their study of 28 FDI-based manufacturing industries,
found an insignificant relationship between the foreign share of activity and locally measured R & D
intensity.

Skill intensity

Various studies have established that where the ownership of skills confers advantage, FDI flows will be
greater in industries that abound in those skills (UNCTC, 1992). Cross-country studies by Caves et al
(1980) on Canada found FDI to be statistically significant and positively related to ‘professional and
technical employees as a percentage of total employees’. Buckley and Dunning (1976) found the
proportion of skilled workers to all workers significantly positively related to FDI. Lall and Mohammed (1983), using a slightly different measure of skill intensity (the share of high-earning employees in total wages and salaries) also found a significantly positive relationship with FDI in India.

**Firm size**
Empirical results on the relationship between the size of the firm and the flow of FDI have generally been inconclusive. Owen (1982) found firm size to be positively related to FDI in Canada when the total assets of firms were used to measure size. In contrast, when the extent of Canadian control of the firm was used, the result turned out to be negative. Lall and Mohammed (1983), however, seem to have arrived at a more conclusive result in their study. Fixed assets per firm based on Indian data, were found to have a highly significant positive relationship with FDI.

**Production cost (wages)**
Production cost in terms of wages, which received a lot of attention in the literature, is considered one of the key determinants of FDI at the firm level. Caves (1974) found the relationship almost significant, indicating that lower cost enhance the promotion of FDI. Schneider and Frey (1985), in a cross-country study of 54 developing countries found a significantly negative relationship between labour cost and FDI flows. Owen (1982) and Gupta (1983) have shown however, that wages do not significantly influence the flow of FDI into Canadian industry. Again, results on developing countries have been inconclusive. Agodo (1978), for example, studied 33 US companies operating in 20 African countries and found that the low cost of African labour had no significant effect on FDI flows.

Survey based outcomes on market factors, such as the present market size and its growth potential, constitute major determinants of FDI flows (Tsikata et al, 2000). Studies establishing a strong relationship between a host country’s market growth potential and FDI flows include Behrmam (1962), Basi (1963), Brash (1966), Forsyth (1972), Bennett et al (1982) and El-Haddad (1988). Findings however indicate that market factors, though important for companies wishing to go abroad, are less crucial in export-oriented subsidiaries.

**METHODOLOGY**

**Data**
The data for this study are drawn from surveys of Ghana’s manufacturing sector conducted over the period 1992 to 1998 by Centre for the Study of African Economies (CSAE) University of Oxford as part of the Regional Program on Enterprise Development (RPED) organized by the World Bank. Both firm and worker information was collected in face-to-face interviews. The initial sample was drawn from the 1987 Census of Manufacturing Activities, Ghana (1987a). The sample was stratified by size, sector and location. Four size categories were used to structure the sample: micro, which were defined as firms employing less than five; small firms, employing between 5 and 29 persons; medium firms, employing from 30 to less than 100 persons and large firms, employing more than 100. In the sampling from the Industrial Census large enterprises were over sampled. The two other criteria used in stratifying the sample were the sector and location of the firms. It was initially decided to focus on four sectors, food, textiles and garments, wood and metal which together comprised some 70 per cent of employment. Investigation of the data from the census indicated that a finer classification would be useful. Two sectors, textiles and wood, have relatively large firms while furniture and garments are dominated by very small firms. The localities chosen were Greater Accra, Kumasi, Takoradi and Cape Coast. Where firms had gone out of business they were replaced by firms of the same size category, sector and location. In the subsequent surveys firms which had exited were replaced in a similar manner.
Empirical Model
From the overview of the literature, we identify firm level characteristics that influence foreign participation in local firms as; size, skill intensity, absolute capital requirement, product differentiation, technological capability. This paper deviates, in methodology, from the norm in literature where the amount or proportion of FDI is looked at against the dependent variables (see). In line with Aswicahyono and Hill (1995), the empirical model used in this study is a binary logistic model in which the dependent variable, FDI is expressed as a function of firm characteristic and location variables as specified in equation (1).

\[ FDI = f(\text{firm characteristics, location}) \]  

(1)

The empirical implementation of this model expresses the logit (log of odds) of the dependent variable as a function of the explanatory variables in a panel data framework. This is done in equation (2).

\[ \log \left( \frac{P(y_{it} = 1 \mid X_{it})}{1 - P(y_{it} = 1 \mid X_{it})} \right) = X_{it}\beta + \varepsilon_{it} \]  

(2)

Where \( y_{it} \) is a binary variable indicating the presence or absence of FDI in firm i at time t and \( X_{it} \) is a vector of explanatory variables made up of firm characteristics of firm i at time t, and location variables, and \( \beta \) is a vector of coefficients. \( \varepsilon_{it} = u_{i} + \nu_{it} \) where \( u_{i} \) is time-invariant unobservable firm-specific effect and \( \nu_{it} \) represents the usual i.i.d disturbance term in the regression.

At the empirical implementation of this model we considered the random effect model in line with Balgati (2005) who suggests that the random effects model is an appropriate specification if we are drawing \( N \) individuals randomly from a large population. The firms considered in this study constitute a random sample of manufacturing firms in Ghana.

Measurement of the Variables
The dependent variable is FDI measured as a binary variable taking a value of 0 for less than 10 percent of foreign capital composition of the firms’ capital and 1 for foreign capital composition of 10 percent or more. The firm characteristics considered in this study includes size, firm age, skill intensity, absolute capital requirement, profit rate, union, and technological capability. Size is measured as log of number of employees including the owner, firm age is measured as the number of years the firm has been in operation since start-up, skill intensity is measured as average wage payments per employee, absolute capital requirement is measured as log of real capital stock and technological capability is measured as productivity because we expect firms with high technological capability to have high productivity. There are two location variables considered in this study, regional location (location) and sub-sector location. The regional locations of the firms included in the sample are Accra, Kumasi, Takoradi and Cape Coast. We use Accra as the reference category since Accra is the capital of the country and therefore has all the location advantages. The sub-sectors of manufacturing considered in the sample are Garment, Bakery, Textile, Wood, Furniture, Metal, Machines. We use garment as the reference category because of its vulnerability to foreign shocks.

EMPIRICAL RESULTS
Descriptive statistics
The descriptive panel summary statistics are presented in Table 2. The average foreign ownership for manufacturing firms is 12.31 percent, average size is 3.22, average log of capital is 16.24 and the average firm age is 18.76 years. Also, the average profit rate, average skill intensity and average technological capability are 6.02%, 13.17 and 14.12 respectively.
Table 2: Descriptive statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min</th>
<th>Max</th>
<th>Obs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign ownership</td>
<td>12.31</td>
<td>26.13</td>
<td>0</td>
<td>100</td>
<td>N</td>
</tr>
<tr>
<td></td>
<td>26.17</td>
<td>0</td>
<td>100</td>
<td>n</td>
<td>280</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>12.31</td>
<td>12.31</td>
<td>T-bar</td>
<td>12</td>
</tr>
<tr>
<td>Size</td>
<td>3.22</td>
<td>1.44</td>
<td>0</td>
<td>7.50</td>
<td>N</td>
</tr>
<tr>
<td></td>
<td>1.45</td>
<td>0</td>
<td>7.34</td>
<td>n</td>
<td>280</td>
</tr>
<tr>
<td></td>
<td>0.39</td>
<td>-0.162</td>
<td>5.08</td>
<td>T-bar</td>
<td>7.38</td>
</tr>
<tr>
<td>Absolute capital requirement</td>
<td>16.24</td>
<td>3.13</td>
<td>9.54</td>
<td>23.78</td>
<td>N</td>
</tr>
<tr>
<td></td>
<td>3.17</td>
<td>10.27</td>
<td>23.56</td>
<td>n</td>
<td>273</td>
</tr>
<tr>
<td></td>
<td>0.37</td>
<td>11.75</td>
<td>18.18</td>
<td>T-bar</td>
<td>7.39</td>
</tr>
<tr>
<td>Firm age</td>
<td>18.76</td>
<td>12.53</td>
<td>0</td>
<td>76</td>
<td>N</td>
</tr>
<tr>
<td></td>
<td>12.69</td>
<td>1.5</td>
<td>70.50</td>
<td>n</td>
<td>277</td>
</tr>
<tr>
<td></td>
<td>2.94</td>
<td>13.26</td>
<td>24.26</td>
<td>T-bar</td>
<td>8.48</td>
</tr>
<tr>
<td>Profit rate</td>
<td>6.02</td>
<td>83.41</td>
<td>-14.42</td>
<td>2944.18</td>
<td>N</td>
</tr>
<tr>
<td></td>
<td>79.19</td>
<td>-1.71</td>
<td>1291.83</td>
<td>n</td>
<td>269</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>-1271.70</td>
<td>16.85</td>
<td>T-bar</td>
<td>7.20</td>
</tr>
<tr>
<td>Skill</td>
<td>13.17</td>
<td>1.55</td>
<td>6.21</td>
<td>17.48</td>
<td>N</td>
</tr>
<tr>
<td></td>
<td>1.40</td>
<td>6.91</td>
<td>17.57</td>
<td>n</td>
<td>271</td>
</tr>
<tr>
<td></td>
<td>0.95</td>
<td>8.78</td>
<td>15.85</td>
<td>T-bar</td>
<td>6.82</td>
</tr>
<tr>
<td>Technological capability</td>
<td>14.12</td>
<td>1.29</td>
<td>8.58</td>
<td>18.02</td>
<td>N</td>
</tr>
<tr>
<td></td>
<td>1.21</td>
<td>10.60</td>
<td>17.69</td>
<td>n</td>
<td>278</td>
</tr>
<tr>
<td></td>
<td>0.63</td>
<td>10.83</td>
<td>17.85</td>
<td>T-bar</td>
<td>7.23</td>
</tr>
</tbody>
</table>

Logistic Regression Results

The random effect logistic regression results are reported in Table 2. The Table reports the odd ratios of the explanatory variables of firm level FDI in Ghanaian manufacturing firms. One would have expected FDI to flow more into larger firms, however, the results indicate that larger firms are less likely than the smaller ones in attracting FDI in the sector. A firm that is one employee larger is 0.47 times less likely to attract FDI than a smaller one. This result is statistically significant at 10 percent. This could be explained by the fact that larger firms may have higher control aversion so that they may not encourage foreign injection of capital. One explanation for the presence of foreign participation in smaller firms may be as a result of greenfield investments. Also, smaller firms generally have difficulty in raising the external finance compared to relatively larger ones and therefore it is expected that smaller firms would rather allow foreign participation.

Absolute capital requirement significantly determines the flow of FDI in the manufacturing firms in Ghana. The positive effect of absolute capital requirement and FDI points to the fact that foreign investors are usually encouraged to invest in firms that have relatively adequate capital base. This is because, a priori, finance providers are encouraged to provide capital to firms that have adequate equity base since this is likely to show commitment of owners of these firms.

We expect older firms to attract more FDI because these firms usually have good credit track records and are able to manage the problem of information asymmetry. Information is readily available on them and they normally have a higher market share. However, our results indicate, that the older firms are significantly less likely to attract FDI. This may be due to the fact that younger firm are rather in need of more capital than the older ones and therefore put measures in place in search of foreign capital injection.

Using the garment sector as a reference, bakery, wood and furniture sub sectors are less likely to attract FDI while Textile, Metal, machines and chemical sub sectors are more likely to attract FDI. The sectors that are more likely to attract FDI are sectors that require huge initial capital and therefore tend to attract more FDI. These results are however not significant.
Unionization of firms’ worker is a significant positive attraction to FDI in Ghanaian manufacturing firms. Unionized firms are about 897 times more likely to attract FDI than the non-unionized ones. This shows that foreign investors are encouraged to invest where there is unionized labour. This suggests that unions provide the platform for dispute resolution that ensures industrial harmony.

Table 2: Random – effect logistic regression

| Foreign direct investment | Odd ratio | Std. err | z     | P>|z| |
|---------------------------|-----------|----------|-------|-----|
| Size                      | 0.4738    | 0.1908   | -1.86 | 0.064 |
| Absolute Capital requirement | 2.1525  | 0.4902   | 3.37  | 0.001 |
| Firm age                  | 0.9417    | 0.0274   | -1.07 | 0.39 |
| Profit rate               | 1.0141    | 0.0205   | 0.69  | 0.488 |
| Skill intensity           | 1         | 8.20e-08 | 0.35  | 0.726 |
| Technological capability  | 0.9945    | 0.2906   | -0.02 | 0.985 |

<table>
<thead>
<tr>
<th>Location</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accra (reference)</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kumasi</td>
<td>1.0579</td>
<td>1.2457</td>
<td>0.05</td>
<td>0.962</td>
</tr>
<tr>
<td>Takoradi</td>
<td>1.5236</td>
<td>2.2166</td>
<td>0.29</td>
<td>0.772</td>
</tr>
<tr>
<td>Cape Coast</td>
<td>2.21e-12</td>
<td>0.0003</td>
<td>-0.00</td>
<td>1.000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Subsector</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Garment (reference)</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bakery</td>
<td>72.7566</td>
<td>1.86e-07</td>
<td>-0.00</td>
<td>1.000</td>
</tr>
<tr>
<td>Textile</td>
<td>0.5013</td>
<td>162.459</td>
<td>1.92</td>
<td>0.055</td>
</tr>
<tr>
<td>Wood</td>
<td>0.2747</td>
<td>0.8700</td>
<td>-0.40</td>
<td>0.691</td>
</tr>
<tr>
<td>Furniture</td>
<td>1.1999</td>
<td>0.5001</td>
<td>-0.71</td>
<td>0.478</td>
</tr>
<tr>
<td>Metal</td>
<td>22.7000</td>
<td>2.0371</td>
<td>0.11</td>
<td>0.915</td>
</tr>
<tr>
<td>Machines</td>
<td>0.4289</td>
<td>45.2464</td>
<td>1.57</td>
<td>0.117</td>
</tr>
<tr>
<td>Chemicals</td>
<td>0.4289</td>
<td>0.9731</td>
<td>-0.37</td>
<td>0.709</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Union</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Not unionized (reference)</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unionized</td>
<td>897.5635</td>
<td>1028.936</td>
<td>5.93</td>
<td>0.000</td>
</tr>
</tbody>
</table>

| /lnsig2u                  | 2.1305   | 0.1355   |       |     |
| Sigma_u                   | 2.9015   | 0.1967   |       |     |
| Rho                       | 0.7190   | 0.0274   |       |     |
| Wald chi2 (18)            | 115.59   |          |       |     |
| Prob > chi2               | 0.0000   |          |       |     |

Log likelihood          | -128.7934|          |       |     |

CONCLUSIONS

FDI is seen as an essential aspect of Ghana’s economic policy and therefore government policy remains focused on promoting foreign investment, especially in the priority sectors of the economy. In spite of the important role that FDI can play in terms of assist in development of the SMEs sector and thereby offer job opportunities to the people of Ghana, the pace of development seems quite slow. This study examined the determinants of FDI in the manufacturing in Ghana. The findings from this study revealed that size, age, absolute capital requirement and unionization of a firm’s workers significantly influence the level of foreign direct investment in manufacturing firms in Ghana. This study has shed some light on the important firm-level characteristics that local manufacturing firms must focus on in their effort to attract FDI.
REFERENCES
Basi, R. S. (1963). Determinants of United States private foreign direct investment in foreign countries, Kent State University, Bureau of economic and Business Research.
A Gender Analysis of Bank Loan Negotiations

Grace M Kibanja, Makerere University, Uganda
John C. Munene, Makerere University, Uganda

This paper presents results for the study on the similarities and differences between men and women in bank loan negotiations. The study adopted an ex post facto design that involved administering questionnaires to 289 respondents who had ever applied for a loan from a Ugandan commercial bank from 1999 to 2005. Results showed that male and female respondents differed in their negotiation behaviors and outcomes. Female respondents scored higher than male respondents on self-enhancement and yielding. Male respondents scored higher than female respondents on inaction. Results further showed that female respondents receive lower pay off than male respondents from business negotiations, and that both male and female respondents encounter problems in mixed gender negotiations.

INTRODUCTION
As women increasingly join the traditionally male dominated area of business, they continue to face serious problems, especially in areas of negotiating loans and viable capital for their businesses (Werler et al. 2001). Research done in Uganda, Tanzania, Ivory Coast and Kenya shows that women are less likely to acquire loans from formal and informal sources because of a number of factors including social and cultural barriers (Snyder, 2000). Confidential information from one branch of a commercial bank in Uganda supports this finding. Considering the files of six loan applicants for the month of February 2003 in this bank, two were females and four males. All these had land as their collateral. All men obtained the amount of loan they applied for, one woman got less than the required amount and the second woman did not get the loan (reason being that she failed to convince the bank that she would be able to cover the loan gap if the bank had given her less than the actual required amount). This example illustrates that males and females may differ in the way they conduct their negotiations. Women in most cases compromise their stand and reduce their aspirations during loan negotiations. Most times, they do as little as possible and leave the negotiation with ‘no deal’. Such negotiation outcomes may be attributed to the differences in early socialization of men and women that in turn result into differences in perception of the negotiation situation and in the appropriate behaviour during the negotiation process (Saliği, 1994).

GENDER DIFFERENCES IN NEGOTIATIONS
Studies on gender differences in negotiations show inconsistent findings. Some show that men get better outcomes than women (Gerhart et al. 1991) from a negotiation and others show no differences between men and women in negotiation behaviour and outcome (Pruitt et al, 1986). However, there is greater evidence for the former. During negotiations, women are more concerned than men about the social aspects of interaction and other’s feelings, whereas men are more focused on task completion and other relatively tangible outcomes (Eagly et al. 1999). Such differences point to the assumption that women perceive the negotiation process differently, portray different negotiation behaviours, evaluate negotiation outcomes differently, and have different perspectives of the negotiation from which they derive satisfaction.

GENDER DIFFERENCES IN BANK LOAN NEGOTIATIONS
The much research that shows gender differences in negotiation has repeatedly found that relative to men, women do not fare well in mixed – gender contexts. Women are more easily influenced than men; and are perceived as less competent in task performance with male counterparts. It is these differences in
perceived competence that account for the behavioral deficits observed among women in mixed – gender settings (Karakowsky et al. 2001).

Women often labor under certain disadvantages during negotiations. Some of the disadvantages are inherent in their situation and some are simply their own beliefs and misconceptions. Such disadvantages include: their fear of not succeeding, not being taken seriously by men, dealing with male prejudices (Nierenberg et al. 1985), and their belief that they cannot succeed. An example of male prejudice as a disadvantage women labor with in negotiations would be in negotiating banks loans. Survey responses of 673,000 women revealed that more than two thirds of them faced gender barriers in working with banks (Rois, 1997 cited in Werler et al. 2001). Also, Ugandan women accessed only two percent of the Bank of Uganda loans made available with World Bank capital, in the available year, and one percent in the later years (Snyder, 2000) perhaps due to gender barriers and fear of not succeeding.

In her study using a sample of 43 women entrepreneurs between age 28-50 years, Rutashobya (1998) found that only 16% of these women entrepreneurs had applied for a loan from special loan schemes operated by CRDB (co-operative and Rural Development Bank). Of those that applied, only one out of 43 women entrepreneurs obtained a loan. Of those that did not apply for a loan from banks, the majority (70 %) said that they thought that they would not get the loan. This assumption may have been as result of the gender prejudices and stereotypes of bankers against women, or even women’s own beliefs and misconceptions. One of their misconceptions concerns their traditionally ascribed values. Women often perceive their ascribed values of having concern for others, attention to body language, and flexibility as indicative of weakness yet these very traits are important in negotiations (Nierenberg, et al. 1985).

Considering the above literature, this paper hypothesizes that:
1. There is a difference between men and women’s negotiation behaviour.
2. Women obtain lower outcomes than men in a negotiation.

METHODOLOGY
Research Design
The study adopted a quantitative research methodology utilizing an ex post facto design. This design is useful in studies were questions about people’s past experiences are asked.

Sample
A sample of 289 respondents (179 men and 110 women) who had ever applied for a loan from a commercial bank from 1999 to 2005 was purposively selected. Of these, 110 were females (57 had obtained loans and 53 had not obtained the loans they had applied for) and 179 were males (112 had obtained loans and 67 had not obtained the loans they had applied for).

Data and Analysis
Primary and secondary data were used. Primary data was obtained by use of a questionnaire, and secondary data was obtained from the records of one commercial bank that has branches in the four regions of the country. Data was analyzed using the Statistical Package for the Social Scientists (SPSS). The independent t-test was used to test the gender differences in negotiation behaviour and negotiation outcomes.

RESULTS
Hypothesis 1: There is a difference between men and women’s negotiation behaviour
This hypothesis was tested by use of both secondary and primary data. The secondary data was obtained from one commercial bank that gives commercial loans to business people. This bank has 25 branches all over the country. Information concerning individuals who had obtained loans from all the branches of this
bank for the month of July 2004 was obtained and a summary of this information is given in Table 1 below.

Table 1: Secondary Data from all the branches of one Commercial Bank for the Month of July 2004

<table>
<thead>
<tr>
<th>Region</th>
<th>Case No.</th>
<th>SEX</th>
<th>Amount applied for (in Millions)</th>
<th>Amount approved (in Millions)</th>
<th>Interest Rate (%)</th>
<th>Period of loan (in months)</th>
<th>Purpose for loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central</td>
<td>1</td>
<td>M</td>
<td>28</td>
<td>28</td>
<td>24</td>
<td>18</td>
<td>Real Estate</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>M</td>
<td>23</td>
<td>20</td>
<td>23</td>
<td>12</td>
<td>Transport and communication</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>M</td>
<td>85</td>
<td>85</td>
<td>22</td>
<td>13</td>
<td>Building and construction</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>F</td>
<td>40</td>
<td>30</td>
<td>23</td>
<td>12</td>
<td>Trade and commerce</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>M</td>
<td>23</td>
<td>23</td>
<td>22</td>
<td>13</td>
<td>Trade and commerce</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>M</td>
<td>30</td>
<td>30</td>
<td>25</td>
<td>12</td>
<td>Personal loans</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>M</td>
<td>20</td>
<td>20</td>
<td>25</td>
<td>12</td>
<td>Trade and commerce</td>
</tr>
<tr>
<td></td>
<td>8</td>
<td>M</td>
<td>20</td>
<td>20</td>
<td>24</td>
<td>12</td>
<td>Building and construction</td>
</tr>
<tr>
<td></td>
<td>9</td>
<td>M</td>
<td>65</td>
<td>65</td>
<td>25</td>
<td>12</td>
<td>Building and construction</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>M</td>
<td>1000</td>
<td>1000</td>
<td>25</td>
<td>24</td>
<td>Building and construction</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>F</td>
<td>30</td>
<td>20</td>
<td>24</td>
<td>12</td>
<td>Trade and commerce</td>
</tr>
<tr>
<td></td>
<td>12</td>
<td>M</td>
<td>40</td>
<td>30</td>
<td>23</td>
<td>12</td>
<td>Agriculture marketing</td>
</tr>
<tr>
<td></td>
<td>13</td>
<td>F</td>
<td>30</td>
<td>20</td>
<td>25</td>
<td>12</td>
<td>Trade and commerce</td>
</tr>
<tr>
<td></td>
<td>14</td>
<td>M</td>
<td>30</td>
<td>30</td>
<td>25</td>
<td>12</td>
<td>Manufacturing building</td>
</tr>
<tr>
<td></td>
<td>15</td>
<td>M</td>
<td>50</td>
<td>50</td>
<td>23</td>
<td>12</td>
<td>Trade and commerce</td>
</tr>
<tr>
<td></td>
<td>16</td>
<td>F</td>
<td>35</td>
<td>20</td>
<td>25</td>
<td>12</td>
<td>Trade and commerce</td>
</tr>
<tr>
<td></td>
<td>17</td>
<td>F</td>
<td>30</td>
<td>20</td>
<td>24</td>
<td>12</td>
<td>Trade and commerce</td>
</tr>
<tr>
<td>North</td>
<td>18</td>
<td>M</td>
<td>60</td>
<td>25</td>
<td>24</td>
<td>12</td>
<td>Trade and commerce</td>
</tr>
<tr>
<td></td>
<td>19</td>
<td>F</td>
<td>30</td>
<td>25</td>
<td>25</td>
<td>12</td>
<td>Trade and commerce</td>
</tr>
<tr>
<td></td>
<td>20</td>
<td>M</td>
<td>30</td>
<td>20</td>
<td>24</td>
<td>12</td>
<td>Trade and commerce</td>
</tr>
<tr>
<td>Western</td>
<td>21</td>
<td>M</td>
<td>40</td>
<td>40</td>
<td>22</td>
<td>12</td>
<td>Trade and commerce</td>
</tr>
<tr>
<td></td>
<td>22</td>
<td>F</td>
<td>40</td>
<td>25</td>
<td>25</td>
<td>12</td>
<td>Trade and commerce</td>
</tr>
<tr>
<td></td>
<td>23</td>
<td>M</td>
<td>20</td>
<td>20</td>
<td>25</td>
<td>12</td>
<td>Manufacturing foods and beverages</td>
</tr>
<tr>
<td></td>
<td>24</td>
<td>M</td>
<td>23</td>
<td>23</td>
<td>25</td>
<td>12</td>
<td>Trade and commerce</td>
</tr>
<tr>
<td></td>
<td>25</td>
<td>M</td>
<td>40</td>
<td>40</td>
<td>24</td>
<td>12</td>
<td>Trade and commerce</td>
</tr>
<tr>
<td></td>
<td>26</td>
<td>M</td>
<td>50</td>
<td>50</td>
<td>23</td>
<td>12</td>
<td>Trade and commerce</td>
</tr>
<tr>
<td>Eastern</td>
<td>27</td>
<td>F</td>
<td>30</td>
<td>20</td>
<td>25</td>
<td>12</td>
<td>Trade and commerce</td>
</tr>
<tr>
<td></td>
<td>28</td>
<td>M</td>
<td>70</td>
<td>70</td>
<td>23</td>
<td>24</td>
<td>Real Estate</td>
</tr>
<tr>
<td></td>
<td>29</td>
<td>M</td>
<td>70</td>
<td>40</td>
<td>23</td>
<td>12</td>
<td>Personal loans</td>
</tr>
</tbody>
</table>

Note: Only individual loans were considered. Loans for corporate institutions and companies were not included.

This bank considers the following aspects before giving any one a loan: One’s capacity to pay back loan and interest, the past performance with this bank or any other bank, having adequate security for loan amount, one’s business proposal, one’s stake in business (personal contribution), kind of business, and good previous banking record. The bank has no predetermined fixed interest rates for specific amounts of loans. It has a tentative range of interest charge which is $23 \pm 5$. The bigger the amount of money borrowed, the more likely one is to be charged an interest rate less than 23%, and the smaller the amount of money borrowed the more likely one is to be charged an interest rate above 23%. It is assumed that all the 29 people who obtained loans from this bank satisfied the seven requirements.

The analysis of the secondary data showed that:

- Of the 29 individual customers who received loans in the month of July 2004 from this bank, only eight were women, and 21 were men.
Each region had more male than female loan beneficiaries.

All women got less than what was applied for yet almost 76% of the men (16 out of 21) got the actual amount they applied for.

The lowest interest rate charged was 22% and it was charged for men only, no woman was charged this rate.

All women were borrowing for trade and commerce yet men had a diversity of purposes for the loans.

Results also showed that people who obtained the same loan amounts had different interest charges. For example, consider case 21: he is a man who applied for a loan of 40 Millions and obtained it for the period of 12 months at an interest rate of 22% per annum. Several other people obtained the same loan amount for the same period of 12 months but with higher interest rates (see cases 25 and 29 with interest rates of 24% and 23% respectively). The difference in interest charges suggests differences in negotiation skills for these individuals.

In this reference, the fact that all those that got the lowest interest charge of 22% were men may suggest that men are better negotiators that women. To elucidate this argument, consider all the respondents who obtained a loan of 25 Millions (cases 18, 19, and 22). Case 18 who is a male was charged an interest of 24% per annum and the other two cases that were females were each charged an interest of 25% per annum for the same loan amount and same loan period. This finding, and the observation that all women got a loan amount less than the amount they had applied for supports the assertion that men may be better bank loan negotiators than women.

In support of the above findings, primary data from the questionnaires revealed differences between males and females in negotiation behaviour. Of the five negotiation tactics shown in Table 2, t-test results revealed significant gender differences in self-enhancement ($t = 4.19, p = .01$) and yielding ($t = 1.98, p = 0.04$) with females showing a higher mean than males in both cases.

<table>
<thead>
<tr>
<th>Negotiation Behaviour</th>
<th>SEX</th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev</th>
<th>t</th>
<th>df</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Inaction</td>
<td>Female</td>
<td>107</td>
<td>2.64</td>
<td>0.83</td>
<td>0.54</td>
<td>280</td>
<td>.59</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>175</td>
<td>2.58</td>
<td>0.90</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Competing</td>
<td>Female</td>
<td>104</td>
<td>2.86</td>
<td>0.66</td>
<td>0.04</td>
<td>275</td>
<td>.96</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>173</td>
<td>2.85</td>
<td>0.67</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Self enhancement</td>
<td>Female</td>
<td>107</td>
<td>3.06</td>
<td>0.74</td>
<td>4.19</td>
<td>279</td>
<td>.01</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>174</td>
<td>2.68</td>
<td>0.75</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Cooperation</td>
<td>Female</td>
<td>108</td>
<td>2.60</td>
<td>0.99</td>
<td>0.53</td>
<td>285</td>
<td>.59</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>179</td>
<td>2.54</td>
<td>1.04</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Yielding</td>
<td>Female</td>
<td>107</td>
<td>2.81</td>
<td>1.09</td>
<td>1.98</td>
<td>283</td>
<td>.04</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>178</td>
<td>2.56</td>
<td>1.04</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This implies that the female respondents were higher than males at both self-enhancement and yielding behaviours.

**Hypothesis 2: Women obtain lower outcomes than men in a negotiation**

Results showed that men and women significantly differed in the amount of loan they obtained from the bank ($t = 1.66, p = .04$). Men got bigger loan amounts than woman. This difference may be attributed to their significant difference in the amount of loan they apply for ($t = -2.26, p = 0.01$). On average, men apply for bigger loans than women (see Table 3).
Table 3: Gender differences in Negotiated Outcome

<table>
<thead>
<tr>
<th>Negotiated outcome</th>
<th>SEX</th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev</th>
<th>t</th>
<th>df</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of loan applied for (for total sample)</td>
<td>Female</td>
<td>104</td>
<td>4,200,096</td>
<td>4,075,788</td>
<td>-2.26</td>
<td>273</td>
<td>.01</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>171</td>
<td>10,184,561</td>
<td>26,844,206</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount of loan applied for (for only those who got loan)</td>
<td>Female</td>
<td>57</td>
<td>3,746,666</td>
<td>4,230,109</td>
<td>-1.90</td>
<td>166</td>
<td>.02</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>111</td>
<td>6,415,855</td>
<td>10,166,402</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount of Loan Obtained</td>
<td>Female</td>
<td>56</td>
<td>3,437,678</td>
<td>4,014,071</td>
<td>-1.66</td>
<td>153</td>
<td>.04</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>99</td>
<td>5,806,666</td>
<td>10,017,709</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Negotiation tactics of successful and unsuccessful respondents

Successful and unsuccessful respondents were categorized according to their most recent loan status. Those that obtained loans in their most recent loan application are the ‘successful’ ones and those that did not get loans are the unsuccessful ones according to this study. Table 4 shows that female respondents who got loans and those who did not get loans significantly differed in their yielding tendencies (t = -1.89, p = .05). Those that did not get loans have a higher mean for yielding than those who got loans. There is a significant difference between the male respondents that got loans and those that did not get loans in their inaction tendencies (t = -2.41, p = .02). Those that did not get loans are higher at inaction than those that got loans.

Table 4: Comparing Negotiation tactics of successful and unsuccessful Respondents

<table>
<thead>
<tr>
<th>Negotiation tactics of successful and unsuccessful Female Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>TACTIC</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Yielding</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Negotiation tactics of successful and unsuccessful Male Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>TACTIC</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Inaction</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

The above results suggest that yielding is the cause of poor negotiation outcomes in women and inaction is the cause of poor negotiation outcomes in men.

DISCUSSION

There were significant differences between men and women in their negotiation behaviour and negotiated outcome. Women were seen to obtain less loan amounts than males adding evidence to the available existing literature that women obtain lower payoffs than men from negotiations (Calhoun, 1999) perhaps due to their premature yielding tendencies. The higher yielding tendencies for women as compared to men explain the overwhelming tendency for women to compromise during negotiations (Calif, 1996). These many gender differences therefore suggest that men and women approach negotiations from distinctly different perspectives. These gender differences are not as a result of biological but socialization differences.

Independent t-test results showed significant differences between the men who got loans and those that did not get in their inaction tendencies. This implies that inaction is the cause of ‘no deals’ and poor negotiation outcomes amongst men in bank loan negotiations. These differences in negotiation behaviour and outcome may be attributed to gender differences in communication that stem from socialization
Men are socialized to be direct and assertive and women indirect, and submissive (Alcock, et al. 1997).

Tammy and Bethann (2003) assert that the differences in communication style between the two sexes lead to miscommunication and eventually dissatisfaction with each other. For example, female respondents reported males’ characteristics (such as being aggressive, conservative, rigid, intimidating, undermining, and hard) as stumbling blocks in negotiations; and males also reported females’ characteristics (such as getting emotional, having an inferiority complex, taking long to understand, not being straight, and diverting from the negotiations) as the barriers to effective negotiations. This shows that when women tend to be cooperative and build rapport in a negotiation, men interpret such behaviours as tendencies to divert from the negotiation; and when men focus on attaining their objective during a negotiation, women interpret this as rigidity and conservatism. Therefore, the misinterpretation of each other’s communication style and behaviour is one factor that poses barriers in a mixed-gender negotiation.

CONCLUSIONS
It can be assumed that gender stereotypes are partly responsible for the gender differences in negotiation behaviours and outcomes. Men are raised to believe that the role of negotiator is for them and women are commodities for negotiations. These perceptions cause men to use competitive strategies in their negotiations with women which strategies lead to outcomes that are not mutually beneficial. Women on the other hand are brought up to believe that men are better negotiators than them. These assumptions cause women to yield prematurely during mixed gender negotiations due to the preconception that they cannot do any better. Therefore, there is need for both women and men to minimize the unwanted stereotypical expectations and assumptions that come into play during the negotiation process (Kolb et al. 2000) if there has to be integrated (win-win) negotiations.

Way Forward
Any recommendations for improvement in negotiation performance should incorporate aspects of formal or informal training. Training can lead to dramatic improvements in negotiation skills and in the ability to judge other’s priorities and preferences (Thompson, 1990). Formal trainings geared towards gender sensitivity should be conducted in institutions that give out loans. Informal training aimed at changing the position of women in society are also required to reduce on the gender stereotyping during negotiations. To change the position of women in society, programmes aimed at improving women’s position so that relations between males and females are transformed need to commence from an early age, and stem from socialisation practices. For instance;

1. Parents should be sensitized to have socialization patterns that do not discriminate in gender roles. This way, male and female children will be brought up in a similar way and taught same skills.
2. Parents should also be sensitized to encourage their children not to limit themselves by conforming to traditional gender roles and stereotypes. This may be through parents monitoring their own use of personal pronouns, and teaching by examples.
3. Syllabi for primary and secondary schools should address issues of gender stereotypes and prejudices so that gender differences are minimized at an early age in life.
4. The mass media and popular theatre should promote gender awareness through provision of role models for the girl child.
5. Parliament should revisit all laws that promote patriarchy (male dominance and female subordination) such as the law on land ownership, so that men and women have equal rights to own property. This will reduce the status gap between men and women in society.
REFERENCES


International Journal of Conflict Management, 10, 203-209.


Analysis of Profit Efficiency in Rice Production in Eastern Uganda: A Gender Perspective

Theodora Shuwu Hyuha, Makerere University, Uganda
Jairus Ounza Muhehe, Network of Ugandan Researchers and Research Users, Uganda

This study investigates profit efficiency of men and women rice farmers in Eastern and Northern Uganda. It uses cross-sectional data from a sample of 253 male and female farmers. The restricted translog profit faction and inefficiency function were estimated using the Frontier 41 program. Male rice farmers were found to be more efficient than female farmers, but not operating on frontier. There is scope for improvement in profit efficiency through improved access to extension services and means of specialization. Women farmers need affirmative action in education to improve on managerial skills.

INTRODUCTION

Traditionally, rice is not a staple food for the indigenous Ugandans. Nevertheless, there has been fast adoption by a large section of rural and urban population as a substitute food to other cereals such as maize and millet and tubers due to its availability and change in tastes (Gariyo, 1995). This has resulted into its increased demand as an alternative food crop. However, this growth has not been met by a corresponding increase in local production implying that the country has to rely on imports to cover the shortfall (Hyuha and Tayebwa, 2006).

In Uganda, rice is produced by small holder farmers who employ rudimentary technology relative to Asian countries and face a lot of constraints (Hyuha and Tayebwa, 2006). As observed by Hyuha (2006) much of the increased output has come from land expansion, not from efficient utilization of the chosen technology. Policy makers erroneously assume that farmers can operate the technologies efficiently, but cannot select them efficiently (Obwona, 2006). Different studies on efficiency have demonstrated that most farmers in developing countries do not operate on the production frontier implying misallocation of farm technologies (Oladeebo and Fajuyigbe, 2007; Obwona, 2006; Kolawole, 2006 and Chavas, 2005). These studies have also assumed that misallocation of farm technologies is uniform across socio-demographic and socio-economic groups. It is widely accepted that different socio-demographic groups and socio-economic groups have different access to technologies. More specifically, policy makers have made assumptions on equal access of technologies by both male and female farmers. Yet, efficiency studies which highlight differences across socio-demographic groups such as gender have received limited attention by researchers in Uganda. This study therefore sets out to investigate the identified knowledge gap.

Rice cultivation has had a limited production history in most parts of sub Saharan Africa other than West Africa. In West Africa, clear division of labor has been established. Taking into account this heterogeneity of production, a number of studies have established that women have limited access to productive resources such as land, extension services, credit and agricultural inputs (Quisumbing, 1994; Saito et al., 1994). What has not been shown clearly is what this differential access to these resources may have on efficiency and profits of different groups. A few studies, which are basically from West Africa such as Saito et al. (1994) Oladeebo and Fajuydeeebe(2007) for Nigeria and Udry et al.(1995) for Barkina Faso(1995) have showed varied results. The notable example in East Africa is that of Moock (1976) for Kenya; who found women to be as efficient as men. However, such studies are lacking in Uganda and yet they are important in guiding policy makers to adopt differential strategies to raise efficiency for both
genders. This study analyzes differences in profit efficiency between men and women rice farmers with a view to testing the hypothesis that male rice farmers are more efficient than female farmers. It analyses factors that explain these differences.

**METHODOLOGY**

The study area comprised rice growing zones in Eastern and Northern Uganda. This area contributes over 60% of rice production in the country. The study covered Pallisa and Tororo districts in the East and Lira in the North. Much of the rice is grown by smallholder farmers in irrigated farms (Tororo and Lira) as well as swampy areas (Pallisa). The study used structured questionnaire to gather information from male and female rice farmers. In total 297 male and female rice farmers were selected for the study. However, 253 were found usable with consistent information on variables selected. Purposive sampling technique was employed to select women respondents and random sampling applied to male respondents.

The analysis of profit efficiency and profit levels among male and female rice farmers were accomplished through the use of the General Linear Model ANOVA. The procedure was used to circumvent the problem of low numbers of female farmers. After estimating the profit function, the distribution of profit efficiency was determined. This was followed by an analysis of mean profits between male and female farmers. An analysis of possible determinants of the observed differences was conducted. The theoretical profit function is:

\[ Y_j = f(P_j Z_{kj} D_{ij}) \exp(e_j) \]  

Where \( Y_j \) is normalized profit of jth farm defined as gross revenue less variable cost divided by farm specific commodity prices. \( P_j \) is the price of the variable input for the jth farm computed as input prices divided by farm-specific output price. \( Z_{kj} \) is the level of \( K_{th} \) fixed factor input for the Jth farm and \( D_{ij} \) is the dummy variable for the exogenous factors and \( e_j \) is an error term, which is assumed to behave in a manner consistent with the frontier concept (Ali and Flinn, 1989):

**Empirical model**

This study estimates the flexible translog profit function outlined in equations 2 and the inefficiency function equation 3, adopted from Rahmann(2003) with some modifications. The Frontier 41 statistical package was used to estimate the two equations.

\[
\ln \pi' = \alpha_0 + \sum_{i=1}^{3} \alpha_i \ln p_i + \sum_{i=1}^{3} \sum_{k=1}^{3} r_{ik} \ln p_i \ln p_k + \sum_{i=1}^{3} \sum_{i=1}^{2} \sum_{i=1}^{2} \phi_{ik} \ln p_i \ln z_i + \sum_{i=1}^{2} \beta_i \ln z_i + \\
\sum_{i=1}^{2} \sum_{i=1}^{2} \phi_{ik} \ln z_i \ln z_q + \nu - \mu \quad \text{..................................................... (2)}
\]

where:

\[
\mu = \delta_0 + \sum_{d=1}^{6} \delta_d w_d + \vartheta \quad \text{..................................................... (3)}
\]

\( r_{ik} = r_{ki} \) for all \( k, i \)

\( \pi' \) restricted normalized profit computed for jth farm defined as gross revenue less variable costs divided by farm specific rice price \( p \).

\( \ln \) = natural log

\( p_i \) = price of variable inputs normalized by price of output where (for i = 1, 2, and 3) so that:

\( p_1 \) = the cost of hired labor normalized by price of rice (\( p_r \))
$$p_2 = \text{the cost of “other inputs” normalized by price of rice (} p_r \text{)}$$

$$p_3 = \text{Imputed cost of family labor normalized by the price of rice (} p_r \text{)}$$

$$z_i = \text{the quantity of fixed input (} i = 1, 2 \text{)}$$

where:

$$z_1 = \text{land under rice (hectares under rice) for each farm } j$$

$$z_2 = \text{capital used in farm } j$$

$$\mu = \text{inefficiency effects}$$

$$\vartheta = \text{truncated random variable}$$

$$\delta_0 = \text{constant in equation 2}$$

$$\omega_0 = \text{6 variables explaining inefficiency effects and are defined as follows:}$$

$$\delta_1 = \text{non-farm employment (indeterminate)}$$

$$\delta_2 = \text{education level of household head (negative sign)}$$

$$\delta_3 = \text{access to extension services (negative sign)}$$

$$\delta_4 = \text{access to credit (negative sign)}$$

$$\delta_5 = \text{experience in rice production (negative sign)}$$

$$\delta_6 = \text{degree of specialization (negative sign)}$$

$$\alpha_0, \alpha_i, r_{ik}, \varphi, \beta, \varphi_{il}, \delta_0 \text{ and } \omega_0 \text{, are the parameters to be estimated.}$$

**SOCIO-ECONOMIC CHARACTERISTICS OF RESPONDENTS**

Table 1 presents results on the descriptive characteristics of both male and female rice farmers in the studied area. The results indicate that there is a significant difference in the mean number of years of education between male and female farmers. The mean number of years in education for male farmers is higher (5.9) than that of females (3.7). The difference observed in the educational attainment has the potential of varying access to productive resources. Male farmers, being better educated have a higher probability of accessing production resources compared to female farmers. In addition, better educational attainment positions by male farmers to easily access, process and evaluate production information in contrast to women. These advantages have the potential to enable male farmers become better farm managers compared to women. Male farmers being better managers are therefore expected to operate closer to the profit frontier than female farmers. Other studies have observed that the number of years the family head spends in school is directly related to likelihood to adopt new farming technology (Govereh and Jayne, 1999). New farming technology has the possibility of reducing production costs and hence attaining higher profit levels. The main reason for the observed differential education attainment is rooted in socio-cultural norms exhibited in the past in Africa where a girl child had limited priority in accessing educational resources. It has been well documented that most African communities prefer marrying off their daughters early in anticipation of economic gains from dowry than sending them to school (Abdulai and Huffman, 2000). However, limited education besides contributing to increased levels of ignorance puts them at a disadvantage in terms of limiting their potential to access better economic resources.

Findings indicate that male rice farmers had significantly higher average years (20) of experience in rice growing in contrast to female farmers who had 12 years. The higher experience level among male farmers is in consonant with historical facts where male farmers have been known to dominate cash crop farming and leaving food crops to the women. Moreover, since rice production is being promoted as a cash crop, men are likely to adopt it first. Experience is important in that the skills learned can easily translate into greater efficiency.
ACCESS TO AGRICULTURAL RESOURCES AND SERVICES

There is a significant difference in the number of man-hours utilized in rice cultivation between male and female farmers. Male farmers utilized more (450) man-hours on average than female farmers (291) in rice cultivation (table 1). This difference could be due to the triple roles women have to play which include: reproductive, community and productive roles (Astbury and White, 2004). Due to this, female farmers may have less time to spend in farming activities. They may also have limited time to attend extension demonstrations. It is well documented that there is a positive correlation between technological adoption and the efficiency in production due to introduction of modern agricultural practices. Results show that a significant proportion of male farmers (33%) had access to extension services in contrast to women (16%). This is in line with the national picture. Only 10.2 per cent of the population is being reached by extension agents, and 10 percent of the farmers are accessing improved seeds, (MEPD, 2003).

| Table 1 Background characteristics of rice farmers in Eastern Uganda by gender |
|-------------------------------------------------|--------|--------|--------|--------|
| Gender of household head | Mean | Std. Error | F Value | P statistic |
| Education in years | Male Headed | 5.908 | 0.240 | 7.902 | 0.005 |
| Female Headed | 3.760 | 0.725 |  |
| Experience in years | Male Headed | 20.195 | 0.884 | 7.495 | 0.007 |
| Female Headed | 12.657 | 2.607 |  |
| Annual Man-hours | Male Headed | 450.740 | 16.772 | 8.784 | 0.003 |
| Female Headed | 291.270 | 51.124 |  |
| Proportion with access to credit | Male Headed | 0.500 | 0.038 | 0.053 | 0.818 |
| Female Headed | 0.471 | 0.122 |  |
| Proportion with secondary Occupation | Male Headed | 0.289 | 0.030 | 0.010 | 0.921 |
| Female Headed | 0.280 | 0.091 |  |
| Level of specialization (%) | Male Headed | 0.198 | 0.007 | 16.691 | 0.000 |
| Female Headed | 0.298 | 0.024 |  |
| Proportion accessing extension services | Male Headed | 0.329 | 0.031 | 3.006 | 0.084 |
| Female Headed | 0.160 | 0.092 |  |

It is widely accepted that an individual’s performance in any activity whether economic or non economic is affected by human capital, which encompasses both innate and learned skills, including the ability to access and process information (Jamison and Lau, 2002). Information is therefore a vital tool for the empowerment of individual to enable him make an informed decision or action for self or community development. The sources of information, its processing and transmission determine how people relate in their daily lives and in their development objectives (FAO, 1999). In Sub Saharan Africa, particularly in rural settings most of this information is disseminated by extension workers who aid in transferring knowledge from researchers to households, advising them in their decision making and educating them on how to make better decisions, enabling them to clarify their own goals and possibilities (van der Ban and Hawkins, 2006).
Results revealed that a considerable proportion of female farmers specialized in rice in contrast to male farmers. The corresponding specialization level is 30% for females as compared to 20% for males. The amount of acreage of land that a household will allocate to any crop including cash crops such as rice is dependent upon the perceived degree of trade off between profitability and risk, (Rosenzweig and Binswanger, 2003). Male rice farmers seem to have adhered to this rule by diversifying into other secondary occupations (table1).

LEVEL OF PROFIT EFFICIENCY
Results on mean profit efficiency are presented in table 2. The results show that male farmers attained higher (.68%) profit efficiency than female (43%) farmers. This implies that female farmers sustained more losses in net income than males due to profit inefficiency. This loss could arise from different sources such as in access to adequate labor resources which tallies with the results obtained in table1 and limited experience in rice production. Given the fact that rice production is labor intensive; lack of labor could lead to low output due to limited adoption of proper agronomic practices. Further, limited non-farm activities observed in the studied area, compounded by the fact that women are less educated(table1), have limited access to rice plots than men due to cultural constraints, female headed households would be unable to hire labor, let alone buy the required inputs. Hence, the observed low profit efficiency translating into lower profits (130 000 Ush per annum for female farmers.) than the male farmers (290 000 Ush ).

<table>
<thead>
<tr>
<th>Gender of household head</th>
<th>Mean Profit Efficiency</th>
<th>Std. Error</th>
<th>F Value</th>
<th>P statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male Headed</td>
<td>0.689</td>
<td>0.015</td>
<td>27.78</td>
<td>0.000</td>
</tr>
<tr>
<td>Female headed</td>
<td>0.437</td>
<td>0.045</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

DETERMINANTS OF FARM SPECIFIC INEFFICIENCY
Table 3 presents results on factors explaining the observed level of inefficiency. The estimated coefficients on experience was significant in explaining profit inefficiency for both male and female farmers implying that long exposure to rice farming enhances efficiency. Experience could be substituted with efficient extension services offering information on proper agronomic practices. Similarly, the results on degree of specialization are significant for both male and female farmers and bear the expected sign. This implies specialization enhances profit efficiency. Abdulai and Huffman (2000) for rice growers in Ghana registered similar results. This result conforms to theory. The policy implication is that rice farmers (men and women) should specialize in rice production. Specialization would enable them to make profit in a short run and in the long run increase income and eradicate poverty in their homes; meeting the Government policy as stated in poverty eradication plan(PEAP) (MFPD, 2004).

Education enhances efficiency for male farmers only, as expected. This confirms earlier observation about low level of access to education by women in their formative years due cultural factors. As observed by Obwona (2006), it is not education parse, to affect profit also vocational and adult education has a role to play. Hyuha (2006) noted that it is attainment primary schooling that matters most. The
policy implication is that government should strengthen primary level education, paying particularly attention to girl child’s needs.

As in the case of education, the estimated coefficient on access to extension services conform to the descriptive results discussed earlier. The estimated coefficient is significant for men and indicates that male farmer’s observed relatively low level of profit efficiency can partly be explained by in access to extension services.

<table>
<thead>
<tr>
<th>Determinants of Farm-Specific Inefficiency in Rice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>Constant</td>
</tr>
<tr>
<td>Non-farm employment</td>
</tr>
<tr>
<td>Education</td>
</tr>
<tr>
<td>Extension services</td>
</tr>
<tr>
<td>Credit access</td>
</tr>
<tr>
<td>Experience</td>
</tr>
<tr>
<td>Degree of specialization</td>
</tr>
<tr>
<td>Sigma-squared</td>
</tr>
<tr>
<td>Gamma</td>
</tr>
</tbody>
</table>

*Dependent Variable = Profit Inefficiency*

**Significant at the 10 percent level**

These results are in consonant with descriptive results discussed before and imply that the Government has to allocate more resources to extension services to enable the personnel increase the coverage, particularly to reach female gender equally. The results on non-farm employment, although significant for males, it has a positive sign, contrary to expectation. What this means is that income earned may not necessary be plowed back into rice enterprise. Further, males are likely to be part- timing thus not making crucial farm decision on time.

**CONCLUSIONS**

The paper uses Stochastic Frontier analysis to test the hypothesis that male farmers are more efficient in rice production than female farmers. A comparison of the mean profit efficiency between male and female rice farmers show that male farmers are more likely to be profit efficient than female farmers. This is brought about by factors such as education and in access to extension services. Education is found to be significant as a determinant of profit inefficiency for male rice farmers than female rice farmers. This is because of female farmers’ disadvantaged position earlier on as girl child-a key factor contributing to these negative cultural practices which favor men over women. Unless these negative attitudes are addressed women rice farmers will continue being inefficient especially in rice production. Affirmative action such as sensitizing and encouraging parents to view children’s education with the same lens would be a step in the right direction.

Results show that experience and degree on specialization enhances profit efficiency for both genders. Lack of exposure in rice growing and could be circumvented through provision of adequate extension services and formal and non-formal education for both male and female rice farmers. To enhance specialization, the crop has to be profitable. This implies finding ways of reducing identified production constraints such as improving access to extension services.
There is significant difference in the number of man-hours utilized in rice cultivation between male and female farmers. For women, time management could improve their profitability since they have multiple roles which could be circumvented with proper management could significantly improve profit efficiency. This can be effected through facilitating access to labour saving technologies. This creates time for women farmers to attend extension demonstrations which have proven to be strongly correlated with high profitability.

**SELECTED REFERENCES**


Introducing Total Quality Management in a Rural Health Zone to Reduce HIV Infection due to Unsafe Medical Care

Ngoyi K. Zacharie Bukonda, Wichita State University, USA

T. Disashi, Université de Mbuji Mayi, Democratic Republic of Congo

In 2004, a partnership between one American university and one Congolese university received a competitive grant from USAID through Higher Education for Development (HED) to conduct a pilot project aimed at controlling HIV infection due to unsafe medical care in two health zones (one rural and one urban) in the Eastern Kasai province (Congo). Within one year of the implementation of the Total Quality Management methodology (TQM) and deployment of quality improvement teams, significant improvements were noticed in a number of areas, but not in some other areas of the rural health zone whose case is discussed here. The process of the implementation of the TQM strategy as well as the achievements and challenges for ensuring its sustainability are discussed.

INTRODUCTION

Health care facilities and public health programs in most developing countries and particularly in sub-Saharan African nations suffer severe structural, functional and outcome-related quality problems (Gilson, Magomi, & Mkangaa, 1995; Feachem, Jamisson, & Boss, 1991 and Cornia, 1990). Not only are they in short supply, but also they are generally poorly equipped, understaffed, and overcrowded (Gilson, Magomi, & Mkangaa, 1995). Patients who need medical care have to wait too long; and when they have a chance to visit with a health care provider, they are more likely to receive poor quality treatments such as injections with non-sterile needles or unsafe blood transfusion. Reliable public health programs are an exception instead of being the rule. As a result of these shortcomings, “morbidity and mortality among children and adults remain unacceptably high” (Omaswa, Burnham, Baingana, Mwebesa, & Morrow, 1997, p. 155). Because of these quality issues and of the compounding impact of HIV/AIDS that is infecting and killing millions, health care facilities and public health programs in the developing countries of Africa stand as ideal candidates for the introduction and implementation of quality improvement methodologies modeled after successful approaches (Forsberg, Barros, & Victoria, 1992) such as total quality management (TQM).

LITERATURE REVIEW

A cursory review of the literature reveals what TQM is really about and shows its genesis, its key features and the patterns of its spread to the corporate world and to the health care industry. According to Lawrence & Packwood (1996), TQM was developed by Deming and was adapted for health care by the Institute of Health Care Improvement in Boston, Massachusetts. This methodology emphasizes three key elements to quality improvement: (1) effective leadership that is committed to quality improvement and that initiates the strategy with a clear consideration of the needs of both patients and the organization; (2) a culture of quality improvement that permeates the entire organization where open communication and teamwork is emphasized; and (3) the creation and deployment of small multidisciplinary teams that use specific tools to carry out quality improvement projects (Lawrence & Packwood, 1996). Total Quality Management (TQM) started as an innovative way of improving the productivity of businesses in the early 1950s in the post WWII Japan under the guidance of the W. Edwards Deming and other quality improvement thinkers such as Juran, Crosby, Shewhart, Feigenbaum (McLaughlin & Kaluzny, 1999). The movement then spread to the United States, first within the corporate world and next to the health care industry where it has undoubtedly achieved significant positive results (Longest, Rakich, & Darr, 2000; Martin, 1993). One of its characteristics is the creation and deployment of quality improvement teams.
(QITs). Defined as groups of employees numbering anywhere from 3 to 12 people (Feigenbaum, 1983; Glenn, 1991), QITs “meet at regularly scheduled times, usually a minimum of once a week for at least an hour, to work on agreed-upon (with management) problems designed to improve the quality of systems or major processes” (Hutchins, 1985, p. 1). According to Martin, membership in a QIT “will be determined by the nature of the system or process to be improved” (1993, p. 71). In keeping with the customer driven focus that is part of the TQM philosophy, the inclusion of external customers - - such as clients and funding agencies -- on QTs is seen as a helpful approach to ensure that the customer perspective is constantly being considered in team discussions and decision making (Albretch, 1992, p.175). Another feature of TQM can be found in the role played by managers in regard to QITs and the recognition that leadership, ideas, and solutions come from team members. A manager’s role here is to act as a coach, which boils down to being supportive and ensuring that teams stay focused and on-task and not leading (Martin, 1993). QITs are more likely to be successful when they meet certain essential characteristics such as (1) being focused, (2) being made of the right people who can contribute meaningful input, (3) having sufficient time to study the process, to determine the nature of the quality problem, and to implement the most probable solutions”, (4) having teamwork as a priority, and (5) having excellent communication that promote understanding within the team and with management (Carr & Littman, 1990; Martin, 1993). When built and operated according to the canons of this management philosophy, QITs have proven their capacity, in many instances, to generate increased profitability, higher client and employee satisfaction, and higher staff retention (Mclaughlin & Kaluzny, 1999).

RESEARCH PROBLEMS
Unfortunately, despite all the benefits associated with the implementation of TQM and QITs, very few initiatives based on the TQM methodologies have been undertaken to improve health care and public health quality in sub-Saharan Africa. Even when such quality improvement programs have been initiated, most of these initiatives have not been thoroughly studied to assess their most promising features and implementation processes, to evaluate their results, and to explore their sustainability in resource-constrained environments. The paucity of really useful data on such endeavors needs to be addressed. This study is a contribution to the efforts to bridge this gap. It presents meaningful data on the design, implementation, and evaluation of one such initiative pursued in one rural health zone of the Democratic Republic of the Congo (DRC) between 2004 and 2006 to improve quality related knowledge, attitudes and practices among health care professionals with a focus on safety and nosocomial HIV infection control.

SETTING
Located in the central part of Africa, the DRC is a country that has undergone a great deal of political instability. While its health infrastructure has been seriously eroded because of inept leadership, the country has to face an emerging HIV epidemic. One of the first African countries to recognize HIV and to register cases of HIV among hospital patients as early as 1983, the DRC had estimated number of 1.3 million cases of adults and children living with HIV/AIDS at the end of 2001, yielding an overall adult HIV prevalence of 4.9% (USAID, 2003 and 2004). The U.S Census bureau states that by 2010 forty nations will have declining life expectancies, out of which twenty-five are sub-Saharan African nations HIV being the primary cause (US Census, 2003). Life expectancy dropped by 9% in the 1990’s due to HIV/AIDS in the DRC and since the 1990’s it is expected to fall further from 52.6 to 47 in the year 2010 (Kates, 2004). There are fears that the current prevalence rate will soon go beyond the threshold of 5% to become firmly established within the general population. The justification of these fears is the combination of several political, social, and medical care factors that are seen as fuelling the spread of HIV in the DRC. The country has been in a war situation for most of the last ten years, leading to intervention by soldiers from seven other African countries and, for at least five years (1999-2004), to a de facto division of the land into three territories under different armed factions. This political situation has prompted large numbers of internally displaced people and refugees both from Congo and from other African countries affected by wars, to move throughout the country and to come in contact with warring
troops, some of whom have shocked the world as a result of their involvement in killing sprees and countless acts of sexual assaults and violence against civilian women (Garrett, 2005; Ntambwe, 2001). Safe blood transfusion has also become very scarce and expensive as a result of the wars. Moreover, there is little HIV counseling available across the country, and there are few HIV testing sites. The level of untreated sexually transmitted infections among sex workers and their clients is high, and condoms are rarely available outside of the three major cities (Kinshasa, Kisangani, and Lubumbashi). According to USAID, “consecutive wars have made it nearly impossible to conduct effective and sustainable HIV prevention activities” (USAID, 2003). Despite all these difficulties, the government of the DRC is engaged in various HIV prevention initiatives. The government established a National AIDS Control Program in the early 1990, with considerable support from the World Bank. As the epidemic continued to spread, the government through the ministry of health launched a national AIDS campaign in 2000, which, among other things, is aimed at mobilizing all governmental, private, and non-governmental organizations to collaborate in meeting the challenges posed by HIV; building the necessary capacity among health workers, involving and mobilizing all available resources within communities; and improving access to preventive measures and effective treatments.

As is the case all over the territory of the DRC, which counts 10 provinces, efforts aimed at addressing the HIV challenge in the Eastern Kasai Province have been considered and deployed at the health zone level with very poor results. In 2003, the Eastern Kasai province comprised 29 health zones (HZs), which were delimited in the context of the primary health care strategy implemented in the DRC in 1983. The province counts now 50 HZs as a result of a redistricting that took place in early 2004. A health zone is the basic structure for coordinating the provision of primary health care to a defined population which can vary between 75,000 to 150,000 people. To this end, it has a number of health structures: a central office with management and technical staff under a medecin chef de zone (MCZ), a referral hospital, and a variable number of health centers (7 – 25). Through its various health centers and its outpatient and inpatient departments based at the referral hospital, the HZ provides a range of medical care and health prevention programs that address the needs of the people living within the zone. Ideally, through these health facilities, one would expect those in need of medical care to interact with health professionals and to receive proper medical injections without anyone among these stakeholders getting injured or infected with tainted blood. The rural health zone of Ngandajika is one of the fifty health zones of the Eastern Kasai province. In 2005, it served a population estimated at 234,838 inhabitants; counted 40 health facilities which include one General Reference Hospital, one Central Bureau of the Health Zone, 19 health centers, 4 health posts, 15 maternities. To meet the medical and health care needs of the population in its catchment area, the health zone employs a pool of 212 health workers. The breakdown of health workers by professional category reveals 4 medical doctors, 62 nurses, one technician and two health managers. In addition to showing a very severe shortage in the key professional categories, there is a plethora of non-professional staff. This group represents more than 60% of the total manpower.

RESEARCH CONTEXT AND SUPPORT
The consideration of the benefits associated with the implementation of TQM and QITs in health services organizations such as the ones in place in the health zone of Ngandajika was a stepping stone leading to the development of our project. This was a two year long (2004-2006) partnership project titled “Developing Human Capacity to Improve Infection Control and Reduce HIV Transmission due to Unsafe Medical Care in Health Zones in the Eastern Kasai Province (Democratic Republic of Congo)”. The initiative heavily drew upon the core ideas or principles of TQM and of QIT such outlined above to provide training in quality improvement and to initiate and operate infection control QITs in two health zones in the Eastern Kasai province. Project key elements are outlined in the sub-agreement signed between the Association Liaison Office for University Cooperation in Development (ALO) and Northern Illinois University in 2004 entrusting the partnership between Northern Illinois University (School of Allied Health Professions) and the University of Mbuji Mayi’s School of Medicine in the Democratic Republic of Congo (DRC) to assist health zones in the Eastern Kasai province of the DRC to control
nosocomial HIV infection. According to the stipulations of the sub-agreement, the new partnership was entrusted with and pursued the mission of: (1) training and establishing a core group of trainers/facilitators in the area of infection control and HIV prevention; (2) training health care workers in two pilot health zones in HIV mitigation, teamwork, and quality improvement; (3) establishing and coaching quality improvement teams in these two pilot health zones, (4) measuring and improving infection control and HIV mitigation related knowledge, attitudes, and behaviors among health zones (HZs) personnel in the Eastern Kasai province of the DRC; and (5) use the results of the evaluation of project’s processes and outcomes to instruct health policy making on effective strategies to establish infection control quality improvement teams and mitigate iatrogenic HIV infection in resource constrained countries. As part of this project, the medecin chef de zone of Ngandajika, along with his counterpart in the urban health zone of Dibindi, the provincial medical officer and two faculty members of the University of Mbuji Mayi, was brought to Northern Illinois University for a two-week training program for trainers and facilitators of nosocomial HIV infection control. As part of their training, these five trainees were entrusted with the mission of developing and using ten (10) training modules. The 10 modules comprise a series of eight modules on Infection Control (IC) and another series of two training modules on quality improvement principles and quality improvement team creation and operation. The titles of the ten training modules and the number of participants trained in each of them are provided below:

1. General HIV Infection and Mitigation Strategies (124 participants)
2. Understanding and Preventing Vertical HIV Transmission (25 participants)
3. Blood Transfusion, Operating Rooms, and HIV Infection Control (25)
4. Injection Process, Needle Stick and HIV Infection Prevention Strategies (60)
5. Use of Antibiotics and Antiretroviral Medications and Infection Control(60)
6. Infection Control in Infectious Diseases and Intensive Care Departments (40)
7. HIV Infection Control in Physician Offices and Rural Health Centers (40)
8. HIV Testing and Infection Control in Clinical Laboratories (25)

The titles of the two Quality Improvement Training Modules are:

1. Quality Improvement Theory and Principles (62 participants)
2. Building Effective Quality Improvement Teams for HIV Infection Prevention (62)

The training program for field health workers in the Eastern Kasai province took place between March and June 2005. It was followed by the creation and deployment of QITs in both study health zones. During their training, participants were introduced to a new quality improvement. Called “Fiche de Renseignement et de Suivi des Activités des Équipes d’Amélioration de la Qualité des Services de Santé.” A copy and further details about this tool can be found in the final report of the partnership project (Bukonda & Disashi, 2007). Each QIT that was created was instructed to utilize this tool as a way of capturing data and streamlining quality improvement work. This one-page tool enables each team to have a clear idea of the quality improvement methodology and to thoroughly follow the steps involved in quality improvement under the TQM methodology. Each module was taught for a number of days varying between two and one; it was also attended by a variable number of health care workers, usually between 25 and 60 people. Participants were recruited from the various health facilities within the health zone. The number of health care professionals trained on each module in the health zone of Ngandajika is shown in the table below. To ensure wide exposure to the content and principles of the capacity development program, many health care workers were given the opportunity to participate in many training modules because there were not a sufficient pool of individuals meeting the inclusion criterion for such programs and because maximum impact was deliberately sought.

**METHODOLOGY AND DATA COLLECTION TECHNIQUES**

Research protocols were developed; they included a 22-page self-administered survey questionnaire and a focus group discussion protocol. These protocols were approved by the Institutional Review Board of Northern Illinois University in August 2004 and later on by the Congolese Ministry of Health. A research
A team made of representatives from the two collaborative institutions was assembled. Escorting local facilitators recruited within the study health zones, the team visited 2 rural and 2 urban health zones in the Eastern Kasai province between March and April 2005. Arrangements were made for potential respondents to meet in a central location such as a nearby church, community facility, or a large meeting room, if one was available. Messengers were deployed to distribute and collect questionnaires from a number of health care professionals posted in remote areas the team could not reasonably reach. Generally, each meeting with potential respondents included a routine introduction of the research team, a debriefing about the aim of the study, and an invitation to those in attendance to sign the official form to indicate their willingness to be involved in the study. No single health worker among those in attendance opted to withdraw from the study. Two hundred eighteen (218) usable questionnaires were assembled and their content coded and fed into an Excel spreadsheet. Moreover, twelve months after the implementation of the capacity development program and the deployment of quality improvement teams in the two intervention health zones, a follow-up evaluation was completed at both intervention (2) and control (2) health zones. Focus group discussions were held at three health zones (2 study HZs and 1 control HZ).

The protocol of this focus group contained a number of questions crafted according to standards of the appreciative inquiry methodology in order to apprehend what positive things, practices, and results participants have appreciated most in the context of their involvement in this quality improvement initiative. This appreciative approach is based on the Appreciative Inquiry (AI) concept. AI is an approach designed to articulate and build on appreciated practices and to engage organizations in discussing and building on what works for them (Bushe, 1995; Cooperrider, 1990; Cooperrider & Whitney, 1999; Hammond & Royal, 1998; Srivasta & Cooperrider, 1990).

It is important to keep in mind that the major findings of the project are included in a final report submitted to the funding agency. This report is mainly based on quantitative data collected at baseline and follow-up surveys. As a complement to this report, we report the findings of the focus group discussion that took place in March 2006 in one of the two study health zones where the TQM methodology was introduced about 12 months prior to the focus group session.

RESULTS
At baseline, several deficiencies were reported in the focus group discussion and in the quantitative surveys. Some of the most salient deficiencies that existed in the organization of NHIC programs and jeopardizing the safety of both health care workers and patients were as follows. About one half of the respondents (49%) were aware of an organizational structure set up to address NHIC issues. About 70% are dissatisfied with the operation of this structure. About 57% said their health facilities are involved in a limited or very limited extent in NHIC activities; only 18% reported a large or very large level of organizational involvement. Seventy-seven percent are dissatisfied with this involvement. At follow-up the clear reversal was noticed in some areas such reported by the twenty-one health care professionals who had been trained in total quality management and who participated in the follow-up focus group discussions. The large majority of these individuals were also part of quality improvement teams that the health zone created to foster health care quality. The focus group discussion uncovered five areas of health care. They are:

**Area 1:** Improvement in the utilization of syringes. A very high degree of satisfaction was reported in this area. On a scale of 1-5, this wish has been satisfied at 5.

**Area 2:** Improvement in infection control in the delivery room. Participants had identified a quality problem in the fact that matrons in the delivery room did not have and did not wear gloves. As part of their quality improvement efforts, they were able to secure gloves and to make them available to the matrons. Participants reported a very high degree of satisfaction with the result achieved in this area. On a scale of 1-5, this wish has been satisfied at 5.

**Area 3:** Reduction of the frequency of episiotomy. Participants had identified a quality problem in the fact that there was a higher frequency of cases of episiotomy. As part of their quality improvement efforts,
they were able to undertake practical steps to reduce this frequency. Participants reported a very high degree of satisfaction with the result achieved in this area. On a scale of 1-5, this wish has been satisfied at 4.5.

Area 4: Availability of disinfectants. Participants had identified a quality problem in the fact that disinfectants were largely not available and that health workers were engaging in their professional activities without having access to such necessities. As part of their quality improvement efforts, they were able to negotiate with the hierarchy of their health facilities to secure needed disinfectants. In consideration of the achieved result on this front, participants reported a high degree of satisfaction. On a scale of 1-5, this wish has been satisfied at 5.

Area 5: Availability of uniforms for health workers. Participants had identified a quality problem in the fact that health workers engaged in their professional activities without wearing adequate uniforms as recommended by reputable regulatory bodies. As part of their quality improvement efforts, they were able to negotiate with the hierarchy of their health facilities to secure needed uniforms. In consideration of the achieved result on this front, participants reported a low level of satisfaction ranging from 1-2.5 on a scale of 1-5.

Failed improvement initiatives: Failed attempts at wished improvements were noticed in five other areas such as environment and operation of the clinical laboratory unit where on a scale of 1-5, the wish has been satisfied at 0; in hospital general hygiene where on a scale of 1-5, the improvement wish has been satisfied in the range of 1-2; in provision of gloves to housekeeping staff where the level of satisfaction is at zero (scale of 1-5); in improvement of the lighting situation in the maternity and Operating room where on a scale of 1-5, the wish has been satisfied at 1; and safety of blood transfusion where on a scale of 1-5, the wish has been satisfied at 2.

DISCUSSION

TQM methodology based on the approach to quality improvement developed by Deming was introduced in the rural health zone of Ngandajika where it has proved effective in improving some selective areas of infection control. As illustrated by the level of satisfaction expressed by project participants of this health zone, the introduction of the methodology was well received and was an overall success. However, this positive happening should not be interpreted as an indication that all the ropes of the methodology have been mastered or that no serious obstacles were encountered in this process. A careful review of the data on the dynamics of the QITs shows serious hurdles that have hampered smooth operation of the program. Without direct support of the principal investigator, field collaborators who were also quite novice to the concepts and principles of quality improvement have pursued the establishment and animation of Quality Improvement Teams (QITs). The pursuit of this work has been delayed by various circumstances at the coordination level and within health zones. Contrary to guidelines that were explained and agreed on, reports on the operation of Quality Improvement Teams (QITs) were neither developed according to the require format, nor submitted to the coordinator of the research and training unit at the University of Mbuji Mayi. This situation was due partially to the inability of the coordinator of the research and training unit to supply emerging teams with the necessary work documents (“Fiche d’Animation et Suivi des Equipes d’Amélioration de la Qualité”) and to resolve emerging complaints about the distribution of the per-diem that was budgeted only for the HZ Infection Control Coordinators to all team members. Faced with this situation, the coordinator of the research and training unit at the University of Mbuji Mayi failed to properly communicate not only with the complaining health care professionals, but also with the UM-based and NIU-based leadership of the project to solicit their input or guidance to resolve this issue. As a consequence of this laisser-faire, no information was timely conveyed and rumors were left to flourish in a climate where everybody suspected everybody of not being honest. This situation became evident during the most recent visit the principal investigator paid to the health zones in March 2006. In their conversation with the principal investigator, health workers in the study HZs alleged that, contrary to an agreement made during the training on teamwork and quality improvement, per-diem money was misappropriated by the health zone hierarchy at their expense. After verification, it turned out that this was a baseless accusation as no such per diem money was ever paid to any of the two médecins chefs de
zone de santé. Needless to say that this rumor had caused a negative impact, namely by making the various teams to stall and/or to hold on to their few non-compliant reports to “punish” those who were (wrongfully) perceived as involved in misappropriation of per diem money. Despite these difficulties, it would be fair to notice an increase in the level of interest for the HIV Infection Control program in the health zone. While the intensity of interest was rated at or below 7 over 10 at baseline, this rate has increased, showing that most participants have achieved the highest level of interest in this program. Twelve respondents rated their interest at 10/10; and nine rated it at 9/10. They all indicate that their interest has increased between the start of the program and the present time. Despite this intense interest, the response to the question “Do you have an approved action plan for infection control at the health zone level?” was deceivingly negative, indicating that nothing at this time has been done to develop and approve an infection control plan. However, in their comments, participants indicated that if such a plan were developed, approved, and implemented, it would help in reducing infections and injuries.

In addition to not having yet an approved infection control plan for the health zone, participants were upfront in recognizing what they termed serious problems to ensure long term sustainability for the infection control program. Among the many problems to resolve, the most important problem has been lack of follow-up with promises, particularly at the coordination level based in the capital city of the province where participants identify several limitations. First, no quality improvement worksheets were made available to their teams. This has incapacitated team functioning. Second, the small amount of money budgeted for the motivation of team members was not provided. Third, two of the facilitators did not provide the handouts necessary to facilitate their learning and the implementation of what was taught. Finally, the participants deplored the fact that they had not yet received their participation certificates. Nevertheless they believe that this program will be very beneficial to the health zone. To succeed, they will need to see several things falling into place. They would need some basic equipment such as sterilization equipment; they would need to see the integration of the infection control program into the overall operation of health services within the province. Instead of having a separate report for infection control activities, they would like to generate just one single report with a section on infection control. Moreover, the same person in charge of generating their routine reports of activities will be the one in charge of compiling and communicating infection control data. They finally wish to see more people trained and coached in the implementation of the quality improvement methodology.

REFERENCES


Kalambayi, K. P. (2001). Etude des connaissances, attitudes et pratiques en matière d’infections sexuellement transmises (ITS), des clients des bars/terrasses et dancings a Matonge.- Rapport d’enquête (survey done by the School of Public Health of the University of Kinshasa for Population Survey Institute, with funds from USAID).
Mentoring in a Post-Apartheid Era: A Case of South Africa Public Hospitals

Edward Rankhumise, Tshwane University of Technology, South Africa

The purpose of this paper is to assess how mentees feel about their mentoring programmes. The study was conducted in the Mpumalanga public hospitals to understand how appointees perceived their mentoring programmes. A two-phase design was used, namely quantitative, which focused on the affirmative action appointees, and qualitative, which focused on the mentors involved. The key findings of this study suggest that 88.8% of the respondents believed that mentoring play a pivotal role in assisting affirmative action appointees to fulfil their developmental needs, which, however, enable them to perform better in their respective positions. Furthermore, it is indicated that the success of the mentoring programme depends on the capabilities of mentors and the commitment from top management. This study found that it is imperative for mentors to have knowledge and skills on how to implement both employment equity and other training interventions. This is seen to be essential because mentors need to be well informed in order to assess and give direction to the person being mentored. This paper concludes with a set of general recommendations that could be of assistance to public hospital staff. As a result of the findings, it can be recommended that the management of the hospitals offer sensitisation workshops and make information available for the mentors and prospective people to be mentored so that they could understand the importance of mentoring, how to be better mentors and what resources are available for mentoring.

INTRODUCTION

Prior to 27 April 1994, South Africa was seen as a divided nation characterised by inequalities and discrimination in employment and by racial discrimination. All these imbalances resulted in advantaging or disadvantaging other racial groups, in particular blacks (Finnemore, 1999; Bendix, 2001). This type of practice channelled blacks into the unskilled and semi-skilled labour force and this created greater opportunities for white workers to pursue careers in elite positions. The black workers were prohibited from performing skilled work in the urban areas because that was deliberately reserved for the white workers (Munetsi, 1999). During the apartheid era, it was legal to reserve jobs for whites and exclude blacks (Greef & Nel, 2003). A mechanism was affirmative action and employment equity. The legacy of discrimination has caused a concentration of blacks in lower-level positions in the workplace for the following reason: “Black people were regarded as servants and considered lacking direction for life or as people to whom orders should be given, not from whom orders should be taken.” (Kahlenberg, 1996)

In South Africa the Employment Equity Act, 1998 (Act 55 of 1998) was introduced to correct the imbalances of the discriminatory practices that took place prior to 1994. The inception of the democratic government in South Africa in 1994 resulted in discriminatory laws being revised and others repealed. An example of this is the Wage Act, 1937 (Act 44 of 1937), which attempted to prevent the need for trade union intervention to represent the interests of the workers and to eliminate the need for trade union membership (Nel, 1997). In this regard, the government sought to discourage workers from joining trade unions by attempting to regulate matters through non-union means. In essence, the government wanted to discourage workers from joining trade unions to avoid collective bargaining.

In addressing all these imbalances and ensuring representivity in terms of occupational categories in the public service there was a need for affirmative action programmes to be implemented. In accordance with the White Paper on Transforming of Public Service (RSA: 1995), it is the intention of the government that the development and implementation of affirmative action programmes would allow special measures to be taken to ensure that people from disadvantaged groups inside and outside the public service were identified and appointed through proper procedures with the aim of achieving representivity. The
implementation of affirmative action measures needs to be coupled with the successful execution of duties. Of all the special measures, this paper will focus only on mentoring for the appointees.

Meyer and Fourie (2004) describe mentoring as a dynamic and reciprocal relationship in a work environment whereby a more advanced and experienced incumbent helps a less experienced person who has potential to develop in some specified capacity. The mentor’s role is to provide work-related information and act as a role model for the person being mentored. Mentoring relationships could be affected by perceived threats that the persons being mentored could in future take the mentors’ positions. This means that mentors may not be willing to mentor affirmative action appointees (Wingrove, 1993). The increasing skills development of black people could have a resulting effect of white people being retrenched or of reverse discrimination. Reverse discrimination could hamper the development of black employees and could impact on the success of cross-cultural integration and implementation of training interventions. The rationale for this could be that certain cultural groups may not be willing to accept blacks when they are appointed in the higher positions and they would not assist them in terms of mentoring.

The ideal situation is that mentors for the affirmative action candidates usually shoulder responsibility for ensuring that the candidates adjust to the new work. Rankhumise et al. (2001) confirm that appointees are not provided with mentoring. Mentors who are opposed to the Department’s affirmative action programme should be engaged in sensitisation workshops, and it should be ensured that they understand context of the programme (Herholdt & Marx, 1999). This has been emphasised by Mkhwanazi (1993), who argues that employees who are against the affirmative action programme do not give support and training to affirmative action candidates, because they feel threatened as their positions could be filled by black newcomers. The argument has been supported further by Martins and Von der Ohe’ (2003) and Rankhumise (2000), namely that whites feel threatened by affirmative action and, as such, they do not support people appointed on the basis of affirmative action because they are afraid that blacks will take over their positions.

MENTORING AS AN INTERVENTION MEASURE
Mentoring programmes are a contributing factor to affirmative action candidates being able to perform effectively in line with their responsibilities. These candidates can then prove that they were promoted or appointed on merit (Thomas & Robertshaw, 1999). Mentoring programmes can be introduced by allowing the person being mentored to select his or her own mentor, but that should be done objectively to avoid subjectivity. When the mentor is selected, consideration should be given to avoid subjectivity either from the person being mentored or the mentor. The trainee should be trained to understand how the process works and what qualities to look for in a good mentor. The success of mentoring always involves a commitment from the three parties, namely the mentor, the person being mentored and management (Thomas & Robertshaw, 1999). The person being mentored should demonstrate a willingness to participate in the mentoring programme.

According to Meyer and Fourie (2004), the mentoring process focuses on the steps that need to be implemented in order to make the overall process work. For the process to be successful there is a need to identify potential obstacles to the development of mentoring relationships so that they can be addressed. There are various factors that render mentoring unsuccessful. Firstly, there is a lack of management commitment towards mentoring. Mentoring fails where there is a lack of management commitment towards mentoring. This is characterised by ineffective leadership and non-commitment of the resources to make mentoring possible. This aspect is supported by Thomas (1996), who argues that managers need to be accountable for the development of their people and they should be measured on the degree to which this is achieved. A second reason for unsuccessful mentoring is the lack of planning of the mentoring process. Organisations, in most cases, have good intentions with their mentoring programmes, but due to a lack of planning the process is not implemented effectively.
For mentoring to work well, the following factors, as identified by Meyer and Mabaso (2001), are essential: Firstly, commitment based on sound principles needs to be obtained. In this regard, the reason for the mentoring programme should be identified. The need has to lean on business reasons, for instance, to speed up the development of future leaders or to share organisational knowledge. Secondly, mentors should be properly identified and screened. Managers should be encouraged to participate as mentors and be evaluated on their roles. Willing and able mentors will ensure that the process is successful. Thirdly, appropriate matching of mentors and trainees would ensure that mentors have relevant experience in the speciality of the persons being mentored.

**OBJECTIVES OF THE STUDY**
Against the above background, this specific paper intended to assess how the appointees feel about their mentoring programmes. Secondly, to determine the level at which mentoring is helpful in terms of performance improvement of the appointees.

**METHODOLOGY**
The research made use of two distinct research designs, which are quantitative and qualitative design. This attempt to mix both the qualitative and quantitative methodologies was aimed at gathering as rich data as possible. The two methodologies used here will be discussed in their separate phases as indicated below.

**Quantitative approach**
For the purpose of this research, a simple random sampling, which is one of the probability sampling techniques, was used. This sampling technique was to give affirmative action appointees opportunities to take part in the study (Bless & Higson-Smith, 1995; Huysamen, 1994). The advantage of a random sample is that it is representative of the population in the sense that it does not favour one individual or subgroup over another. The population consisted of 250 affirmative action appointees from Mpumalanga public hospitals, in particular those hospitals that were under the jurisdiction of the Transvaal Provincial Administration.

A structured questionnaire with a five-point Likert scale was used to gather the data. In each statement respondents had to indicate their degree of agreement or disagreement with the content. The instrument consisted of two sections, which concentrated on biographical data of the participants and affirmative action training, mentoring and human resource development. This type of tool is appropriate to collect data on biographical details of respondents and it allows respondents to express their perceptions and opinions on a particular topic (Huysamen, 1994). Data collected was analysed using descriptive statistics where frequencies were generated.

**Qualitative design**
In order to explore and describe the effectiveness of the mentorship programme, a qualitative study was carried out to gather data from mentors and build ideas based on their perceptions regarding the training interventions. Non-probability sampling was used to select participants. The respondents consisted of 23 mentors from different public hospitals in the Mpumalanga Province. The rationale for selecting 23 mentors was to obtain more information from the interviews. If many mentors had been involved, it would have resulted in the process being unmanageable. The number of respondents and interviews depends on saturation, which is defined by Strauss and Corbin (1990) as a process of sampling until no new or relevant data emerges. A semi-structured questionnaire was used to interview mentors. In addition to the field notes taken, the conversation was taped, using a tape recorder. The data collected was analysed using Tesch’s data reduction method (Creswell, 1994). The results were then converged into the quantitative findings.
EMPIRICAL EVIDENCE
The findings of this specific paper are discussed in the three tables below.

Table 1: Racial composition

<table>
<thead>
<tr>
<th>RACE</th>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>African</td>
<td>86</td>
<td>79.6</td>
<td>79.6</td>
<td>79.6</td>
<td></td>
</tr>
<tr>
<td>Coloured</td>
<td>3</td>
<td>2.8</td>
<td>2.8</td>
<td>82.4</td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>19</td>
<td>17.6</td>
<td>17.6</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>108</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The survey findings indicate that 79.6 per cent of the respondents were Africans. Whites made up 17.6 per cent, whilst coloureds were only 2.8 per cent and no Indians participated in the study on the basis that no one from this group was appointed during the given period. The findings show that the hospitals have implemented affirmative action satisfactorily to reflect the demographics of South Africa. It was found that the respondents were predominantly Africans, because Africans make up a greater portion of the total population of South Africa.

Table 2: Gender

<table>
<thead>
<tr>
<th>GENDR</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>108</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>male</td>
<td>29</td>
<td>26.9</td>
<td>26.9</td>
<td>26.9</td>
</tr>
<tr>
<td>female</td>
<td>79</td>
<td>73.1</td>
<td>73.1</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 2 above gives gender composition of the respondents where the study revealed that 26.9% male respondents participated in the study, while the majority (73.1%) was female. This is an indication that the hospitals have predominantly female employees.

It is evident from the above table that 44.3 per cent of the respondents felt that mentors should be held responsible for the failures of the persons mentored by them. The findings correlate positively with the reference by Thomas (1996), who argues that managers need to be accountable for the development of their people and should be assessed on the degree to which this is achieved. It can, therefore, be deduced that if mentors are held responsible for the failure of their subordinates, they will ensure that the programme does not fail. The management of the hospitals should ascertain that this principle is communicated to the mentors and a commitment is made by the relevant parties.

The survey findings reveal that 88.8 per cent of the respondents argued that mentoring plays a major role in assisting affirmative action appointees to fulfill developmental needs, which enables them to perform better in their respective positions. This is also evident from the qualitative data:

“... Yes, it will help employees to acquire skills required to perform their duties better...”

The findings correlate positively with the reference by Celliers (1995) that developmental interventions should be based on skills, knowledge and value to be acquired by the appointees to perform their work effectively. The success of mentoring programmes depends mainly on the three parties involved, namely the mentor, the person being mentored and management. It could, therefore, be argued that mentoring as an
intervention could assist appointees in fulfilling their developmental needs in order to perform better. For the objectives of mentoring to be achieved, mentors should have skills, knowledge, experience and expertise to coach, guide and direct the person being mentored. There should also be mentoring and evaluation mechanisms to determine the success of the intervention and, where possible, new mechanisms should be introduced to address the shortcomings encountered. The effectiveness of the mentoring process depends on the commitment of the top management and mentors to put more effort into the process.

<table>
<thead>
<tr>
<th>No.</th>
<th>Question/statement</th>
<th>Agree N (%)</th>
<th>Uncertain N (%)</th>
<th>Disagree N (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mentors should be held responsible for the failure of the person mentored by them.</td>
<td>47 (44.3)</td>
<td>22 (20.8)</td>
<td>37 (34.9)</td>
</tr>
<tr>
<td>2</td>
<td>Mentoring can help the affirmative action appointees to achieve developmental needs in order to perform better.</td>
<td>95 (88.8)</td>
<td>6 (5.6)</td>
<td>6 (5.6)</td>
</tr>
<tr>
<td>3</td>
<td>Without training, development, mentoring and affirmative action training efforts are likely to be less successful.</td>
<td>83 (76.8)</td>
<td>12 (11.1)</td>
<td>13 (12.1)</td>
</tr>
<tr>
<td>4</td>
<td>If a person being mentored appoints his or her own mentor, mentoring is likely to be successful.</td>
<td>52 (49.1)</td>
<td>20 (18.9)</td>
<td>34 (32.1)</td>
</tr>
<tr>
<td>5</td>
<td>The effectiveness of training interventions depends on the capabilities of the mentors.</td>
<td>70 (65.4)</td>
<td>20 (18.7)</td>
<td>17 (15.9)</td>
</tr>
<tr>
<td>6</td>
<td>Mentors need to have knowledge and skills to implement employment equity and training interventions.</td>
<td>98 (90.7)</td>
<td>6 (5.6)</td>
<td>4 (3.7)</td>
</tr>
</tbody>
</table>

The respondents (65.4%) believed that the effectiveness of mentoring programmes depends on the capabilities of the mentors. The survey findings confirm the reference by Lewis (2000) that for a mentor to be effective in the mentoring process, such a person must have experience and competence in the work scope of the person being mentored. This means that mentors must be selected cautiously, for instance, their field of specialisation and expertise must be considered so that there is a positive correlation between the two parties. In essence, this means that mentors should have knowledge of the field in which the appointees are located so that they can give direction and guidance in that field. This suggests that mentors should not be appointed only on the basis of post level. The relevant experience and capabilities of the mentor should be the base line for appointment. There should be an appropriate match between a mentor and the person being mentored and this creates a suitable atmosphere for mentoring to take place.

According to the survey findings, 76.8 per cent of respondents revealed that, without mentoring, affirmative action training efforts are likely to be less successful. The survey findings confirm the reference in section 15 of the Employment Equity Act (1998) that affirmative action needs to be supported by training interventions such as mentoring programmes so that appointees succeed in their endeavours. This has been confirmed by the qualitative analysis. The respondents had this to say: “…Without training interventions such as mentoring and on-the-job training, training efforts would fail and affirmative action appointees will also fail…” “… I do not think so; employees need to be exposed to training interventions to familiarize themselves with their respective duties...” In essence, this means that when affirmative action is implemented, it should be enhanced by the implementation of training interventions to ensure that it is successful. The success of affirmative action depends on the effectiveness of the training
interventions. In the instance were hospitals implement mentoring programmes interventions properly, affirmative action appointees are likely to perform well in their positions.

The survey findings reveal that 49.1 per cent of the respondents believed that if a person being mentored appoints his or her mentor, mentoring is likely to be successful. These findings confirm the reference by Wingrove (1993) that the mentorship process could fail when mentors are chosen by the person being mentored. It can be deduced that when the person being mentored is given a chance to choose his or her own mentor, it should be carefully considered whether the mentor has critical experience and expertise in the field in which the person mentored is located. This imperative would ensure a positive match between the two parties.

It is further evident from the findings that 90.7 per cent of the respondents felt that mentors should have knowledge of and skills in implementing employment equity as well as training interventions, and this aspect is supported by the qualitative data, as stated: “... Mentors should have a thorough knowledge, skills and experience on how employment equity is implemented so that with our experiences we could guide and couch our subordinates properly ...”, “... We need to have a programme that would guide the process and highlight the expectations from the parties involved...” For mentoring to be successful, mentors should be conversant with how to implement employment equity, which would assist the mentor when assessing the person being mentored and when giving direction. The experiences and capabilities of mentors could contribute to the effectiveness of the mentoring process.

CONCLUSION AND IMPLICATIONS
The respondents have a strong feeling that mentoring is an essential intervention which could assist them in their advancement and in achieving their full potential. It could further be concluded that, for mentoring to succeed, mentors need to have the necessary capabilities in order for them to be able to guide. The respondents believed that, without mentoring programmes, they could struggle or fail in executing their duties. It is therefore imperative for the public hospital management to foster mentoring in its various hospitals to ensure that the appointees succeed in their endeavours.

IMPLICATIONS
Once mentoring programmes have been proved as not being effective, they will be seen as a window dressing by the beneficiaries of the programmes and all other employees of the hospitals. It would give a wrong impression to the Government that mentoring programmes are in place whereas they are not as they should be. A lack of mentors could also be a barrier for mentoring programmes.

RECOMMENDATIONS
The following recommendations are suggested:
Since the value of mentoring is not apparent to everyone, it is recommended that the management of the hospitals offer sensitisation workshops and make information available for the mentors and prospective people to be mentored so that they could understand the importance of mentoring, how to be better mentors and what resources are available for mentoring. The top management of the hospitals should discuss mentoring programmes and encourage their development at every level. There is an imperative need to have an office to facilitate mentoring, with a list of people with expertise, so that they are able to match mentors and persons being mentored. This office could serve as clearinghouse for best practices within respective hospitals.
SELECTED REFERENCES

The Interaction between Perceived Physical Fitness, Mood at work, Job Satisfaction, and Organizational Citizenship Behaviour

Eddy Kurobuza Tukamushaba, Makerere University Business School, Uganda

This paper explores the relationship between Perceived Physical Fitness and OCB. The study was moderated by mood at work and employee job satisfaction and took the form of a cross-section survey design. The sample size was 142 employees. The findings revealed a significant relationship between Perceived physical fitness and Organizational Citizenship Behavior (OCB). Mood at work was found to be strong predictor of OCB compared to other variables in the study. Therefore Organizations should provide good working conditions to their employees. This will make employees develop better mood at work, improved employee job satisfaction and subsequently better practice of OCB.

INTRODUCTION
Physical fitness in organizations has received considerable attention in sport and exercise psychology. Perceived physical fitness may influence employee mood at work which has an impact on organizational citizenship behaviour (Bierhoff and Müller, 1999). In recent past, perceived physical fitness has been linked to improvement in employee job satisfaction. Williams, & Anderson, (1991) asserts that Physical fitness is an essential part of the best-run organizations. Positive and satisfied employees result in more satisfied customers and more satisfied customers’ result in a more profitable business. All these studies have produced low rates of prediction of organizational citizenship behaviour.

Recent studies have begun to link perceived physical fitness to mood at work, job satisfaction and organizational citizenship behaviour. Brown & Campbell, (1994) argue that improved physical fitness lead to enhanced employee morale and job satisfaction, reduced health care costs, reduced workers' compensation claims, reduced turnover, reduced absenteeism, improved employee recruitment/retention and increased organizational citizenship behaviour. Norvel and Belles, (1993) found that employee job satisfaction improved over the period for employees who participated in the fitness programs. Byrne and Byrne, 1993; Dilorenzo et al.,(1999) also have found out that improvement in perceived physical fitness led to an improvement in employee job satisfaction. The social aspects of job satisfaction include those activities that enhance social relationships within the organization like physical fitness activities while economic aspects are those that enhance the economic well being of the employees (Muchinsky, 1993, pp.104). Employees normally evaluate the amount of support given to them in relation to their expectations. If employees perceive that the amount of support from their organization is adequate, they will be more satisfied with their jobs and improve performance (Muchinsky, 1993).Negative perception causes a state of dissatisfaction among employees of the organization and discourages hard work. Unfair treatment of employees may be interpreted to imply that the organization undervalues their contributions thereby affecting work effort. A state of perceived poor treatment breeds dissatisfaction with job, affects employee stamina and productivity which would need activities that would improve their perception of which physical fitness appears to have a high contribution.

The Perrier survey of fitness found that those with a strong commitment to exercise felt less tired more relaxed, more self-confident and more productive (Roy et al., 1997). Fit employees miss fewer days of work, have fewer accidents and have higher job satisfaction than no-fit ones (Neil et al., 1984)

However all the studies done before were carried out in developed countries, particularly Canada and the United States where work conditions and health status is different from developing countries Like Uganda. With deteriorating economic conditions, budget cuts are commonplace in Uganda; Organizations do not emphasize physical fitness programmes. This lack of commitment to providing physical fitness
programmes at work places could be responsible for absence of OCB in employees of estates department in Makerere University.

**Purpose and objectives of the study**
The purpose of this study was therefore to examine the relationship between perceived physical fitness, mood at work, job satisfaction and organizational citizenship behaviour. The study was guided by the following objectives;

i. To establish the relationship between perceived physical fitness and mood at work.

ii. To establish the relationship between mood at work and Organizational Citizenship Behavior

iii. To establish the relationship between employee job satisfaction and Organizational Citizenship Behavior

iv. To establish the relationship between perceived physical fitness and employee job satisfaction

**APPROACH TO THE STUDY**
The study used a cross-sectional survey design. Employees’ overall rating of fitness was assessed independently against mood at work and job satisfaction. Correlations among fitness levels and mood at work and OCB were measured. It was based on a survey of all the employees of the Estates department Makerere University. Quantitative data was mainly gathered. A study population of 223 employees of the Estates department Makerere University was used.

The study used a list of all the employees of the Estates Department Makerere University composed of 5 senior staff, 44 intermediate staff, and 174 group employees. The study was carried out on employees who were working as Administrators, Pump attendants, Drivers, Gardeners, Grounds men, Machine operators, Porters, Cleaners, Office massagers and Road work men and sample size of 142 employees of Estates Department Makerere University was used basing on Krejcie and Morgan (1970) guidelines on how to choose a sample. Out of the 142 employees interviewed, 141 usable questionnaires were got back giving a response rate of 99.3%

To ensure reliability and validity, the questionnaire was pre-tested on 32 respondents. The researcher found out from the responses that some questions were not clear and these were rephrased. The pilot study was done to eliminate misunderstanding of the questionnaire. The reliability test was done by performing Cronbach’s Alpha tests and the following Cronbach alphas were obtained. Perceived physical fitness was 0.6756, mood at work was 0.7353, employee job satisfaction was 0.6281 and OCB was 0.9219.

**DATA ANALYSIS**
The data collected was edited, classified, coded, and analysed. The qualitative data was summarised and categorised while the quantitative data was analysed using the Statistical Package for Social scientists (SPSS) computer program. The relationship between the independent and the dependent variables were tested using correlation analysis to determine the direction and strength of the relationship. Regression analysis was also used to explain the level to which independent variable( Perceived Physical Fitness) and the moderating variables( Mood at work and Employee job satisfaction predicts the occurrence of the dependent variable Organisational Citizenship Behaviour(OCB) and Analysis of variance (ANOVA) to establish the difference across the variables under the study across the strata.

**KEY RESULTS FROM THE STUDY**
*From the Correlation Analysis*
The zero order correlations were used to establish the relationship between variables. The Pearson correlation test was employed to execute this (see table1).
Table 1: Correlation Analysis

<table>
<thead>
<tr>
<th></th>
<th>PPF</th>
<th>Mood</th>
<th>EJS</th>
<th>OCB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived Physical Fitness (PPF)</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mood</td>
<td>.408**</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Job Satisfaction (EJS)</td>
<td>.493**</td>
<td>.206*</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Organization Citizenship Behavior (OCB)</td>
<td>.239**</td>
<td>.252**</td>
<td>.195*</td>
<td>1.000</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

From the regression analysis, mood at work was observed the most significant predictor of organizational citizenship behavior (Beta = 0.184, sig = 0.043) as shown in the table 2 below.

Table 2: Regression analysis

<table>
<thead>
<tr>
<th>Coefficients(a)</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.965</td>
<td>.449</td>
<td>4.372</td>
<td>.000</td>
</tr>
<tr>
<td>Perceived Physical Fitness</td>
<td>.114</td>
<td>.100</td>
<td>.116</td>
<td>1.143</td>
</tr>
<tr>
<td>Mood at work</td>
<td>.332</td>
<td>.162</td>
<td>.184</td>
<td>2.045</td>
</tr>
<tr>
<td>Employee job satisfaction</td>
<td>8.716E-02</td>
<td>.081</td>
<td>.101</td>
<td>1.070</td>
</tr>
</tbody>
</table>

Dependent Variable: Organizational Citizenship Behavior.
R Square = .094
Adjusted R Square = .074
F Change = 4.647
Sig. F Change = .004

The table above shows that the regression model was significant (F change = 4.647, Sig 0.004). Perceived physical fitness (Beta = 0.116, Sig. 0.255) and employee job satisfaction (Beta 0.101, Sig. 0.287), were found not to be significant predictors of Organizational citizenship behavior. Mood at work (Beta = 184, Sig. 0.043) as expected was found to be a strong significant predictor of Organisational citizenship behaviour.

DISCUSSIONS
The Qualitative data was summarized using demographic indicators of sex, age, and period worked by each employee with the following observations.

Sex of respondents
Majority of the respondents sampled for this study were male (75.2%). This indicates that the males dominate the workforce of the estates department in Makerere University. This agrees with the statistics in the Makerere University Hospital counseling department where the majority of individual who come with complaints to do with psychosomatic disorders and musculoskeletal problems are mainly males.
(P.C. Matovu, personal communication, November 3, 2004). There is probably need for gender balance in Makerere University departments.

**Age distribution**
The majority of the respondent (31.9%) was in the age bracket of 42 and above years. This age group is expected to have worked for the department for some years and experienced. However, this group has most of the elderly individuals with little ability to do strenuous activities, like cutting grass, maintenance of roads and buildings which greatly affected their performance. This affects their mood at work and individual employee job satisfaction which accounts for poor Organizational citizenship behavior among the employees of the estates department mainly in reporting for duty late, absenteeism and high rate of I don’t care attitude.

**Period worked in the department by sex**
Though the majority of the employees were within a high age bracket 42 and above years, the findings indicate the majority of the employees (34.8%) of whom 75.5% were males and 24.5 were females had worked for their department for a period of (6-10) years. Further, 80% of the employees had been in the department for more than 6 years, implying that the department has got less numbers of employees who have worked for less than 6 years. However, the findings revealed that there was no association between gender and period spent in the department. This raises the need for the department to employ females workers since gender does not determine the period worked in the department

**INFERENTIAL FINDINGS**
This section discusses the presentations in relation to the study objectives.

**Relationship between perceived physical fitness and mood at work**
It is to be expected that an employee who is exposed to physical fitness training, physical fitness facilities and programs, would lead to improved mood at work. The researcher found a positive relationship between perceived physical fitness and mood at work using Pearson’s correlation coefficient. The coefficient had the expected signs and P-values less than 0.01 (see table 1). These findings are consistent with previous research conducted in the Perrier survey of fitness that found out that employees with a strong commitment to exercise felt less tired, more relaxed, more self-confident and more productive (Roy, et al. 1997; Neil,et al.1984).George and Brief (1992) found out that people who experienced more positive moods at work engaged in higher levels of OCB. In addition, Plante, et al. found in their sample of 70 males and 96 females, that there was a significant (R =.65, R² =.42, p = <.0001) positive relationship between perceived physical fitness and mood at work. This means that if Makerere University wants employees with better mood at work, they should provide physical fitness programmes to help in improving perceived physical fitness of the employees and exhibition of OCB

**Relationship between mood at work and Organizational Citizenship Behavior**
Positive mood at work was expected to result in high levels of Organizational citizenship behavior. The study findings are revealing. It appears that mood at work is a significant predictor of organizational citizenship behavior. As can be seen from the findings in table 2, mood at work contributes more to OCB (Beta = .184, Sig. 0.043), followed by perceived physical fitness (Beta =0.116, Sig. 0.255) and then job satisfaction (Beta =0.101, Sig. 0.287). These findings are in line with (Weiss, in press; Weiss & Cropanzano, 1996) who provide empirical evidence of the positive impact of mood at work on OCB. George and Brief, (1992) in their study also found out that individuals who experienced more positive moods at work engaged in higher levels of OCB. The poor mood at work in the employees of the estates department are likely to be the main reasons why little OCB is exhibited. Creation of better working conditions and inclusion of physical fitness programs would improve on perceived physical fitness, which in turn would improve mood at work and subsequently improving Organizational citizenship behavior. This supported by recent research carried out by (Stevens, & Lane, 2001) which suggests that, individuals
who use strategies such as talking to people to improve mood create a cohesive teams. A cohesive team will not only provide a supporting environment in terms of engendering feelings of belongingness, but also provide individuals with people to confide in, which facilitate Organizational Citizenship Behavior.

**Relationship between perceived physical fitness and employee job satisfaction**

It is expected that employees who perceive themselves to be physically fit, develop high employee job satisfaction. Using Pearson’s correlation coefficients, this research established a positive relationship between perceived physical fitness and employee job satisfaction. The coefficients had significant levels and P-values less than 0.01 (see table1). These findings are consistent with previous research conducted in Australian center for policing, that established that there was a significant relationship between fitness and non physical work out comes, cognition, and psychological well being, that determines the levels of employee job satisfaction (Circilli & Wilson, 2002; Johnston, 2001).

Norvell and Belles (1993) found out that employee job satisfaction also improved over the training period for police officers who participated in the fitness program. However, it was not clear whether the increase in employee job satisfaction was directly related to increased perceived fitness or as a result of the beneficial effect of exercise and fitness on psychological well-being. This means that, employee job satisfaction may improve as a result of enhanced psychological well-being and not as direct consequence of the exercises. The opposite may also be true. Evaluations of health and fitness programs have also shown that some programs can have a positive impact on the mental, as well as physical health of employees. Volt (200) reviewed 15 health and fitness programs and found that many of the interventions resulted in decreased stress and improved emotional well being. Similarly, a comprehensive review of the effects of exercise on depression, anxiety and other mood states found out that after exercise, psychological improvements occurred with improvements in fitness (Byrne & Byrne, 1993).

This means that if Makerere wants their employees to develop psychological well being a recipe for employee job satisfaction, then programs to improve employee perceived physical fitness should be put in place.

**Relationship between employee job satisfaction and Organizational Citizenship Behavior**

The relationship between employee job satisfaction and organisational citizenship behaviour was determined using Pearson’s correlation. Results indicate a significant positive correlation between employee job satisfaction and organisational citizenship behaviour (r = 0.195, p<0.05). These results agree with Organ’s (1988) finding that indicates employee job satisfaction as having a positive relationship with organisational citizenship behavior. This means that employees who are satisfied with their jobs behave with a sense of citizenship. Munene (1995) and Kunovsky (1989) also support the above findings that indicate a link between employee job satisfaction and organisational citizenship behaviour. O’Driscoll and Randall (1999), Organ (1998) also observe that those employees who are dissatisfied with their jobs tend to perform relatively below average. However, the regression analysis in table 2 shows the employee job satisfaction was the poorest predictor of organisational citizenship behaviour (Beta = 101, sig. 0.287). This factor was not addressed by previous literature.

**Relationship between perceived physical fitness and Organizational Citizenship Behavior**

Perceived physical fitness has variously been found to be related to such outcomes like memory, decision making, reaction time and concentration (Etnier et al., 1997; Sparrow & Wright, 1993). A number of studies have shown that exercise and fitness have a positive impact on mental function (Brisswalter, Collardeau, & Rene, 2002). Emery and Gatz, (1990) and Richards, Hardy, and Wadsworth (2003) found out that mental performance, memory and concentration improved following participation in exercise among older and young adults. Consistent with previous research, this study revealed a positive relationship between perceived physical fitness and organizational citizenship behavior. It is reasonable to expect that employees who perceive themselves to be physically fit, will be in position to properly and willingly practice organizational citizenship behaviors like altruism which are behaviors that either
directly or indirectly help another worker with a work related problem, conscientiousness which involves paying attention to the details, and following rules and regulations and procedures, Courtesy, which are behaviors that prevent a work related problem from occurring or help to lessen the severity of a foreseen problem; Sportsmanship which refers to stressing the positive aspects of the organization instead of the negative “being a good sport” and Civic virtue which involves providing support to the administrative functions of the organizations (Organ, & Knowsky, 1989).

Also consistent with other research already done, studies have found either beneficial and detrimental effects or no relationship at all (Tomporowiski, 1986). A number of factors appear to influence the relationship between Perceived physical fitness and organizational citizenship behavior. This includes the intensity of the perception, the complexity and diversity of the cognitive task(s) performed and the timing when the tasks are performed (Brisswalter et al., 2002). This study reveals that Perceived physical fitness is a weak predictor of Organizational citizenship behavior (See table 2). In the case of this study, the discrepancies of differences may be due to the change in the research context, particularly the employee environment where physical fitness problems are not prevalent unlike developed countries where previous research has been carried out. This is probably because most employees come to work by walking, do the work manually which makes the physical fitness factor irrelevant since they are already fit. This could explain why mood at work became a significant predictor since it is influenced by work conditions.

CONCLUSION
In general, this study has examined the effect of perceived physical fitness on organizational citizenship behavior in Makerere University. The study further examined perceived physical fitness and its relationship with mood at work and employee job satisfaction. All relationships were found to be significant. Regression analysis revealed that mood at work was a strong predictor of organizational citizenship behavior as compared to perceived physical fitness and employee job satisfaction. Findings seem to indicate that perceived physical fitness is more pronounced in foreign countries where previous research has been carried out, which is not an issue of concern for Ugandan organizations.

EMERGING POLICY RECOMMENDATIONS
Therefore in an effort for organizations in Uganda to improve on their employee’s ability to practice Organisational Citizenship Behaviour, factors that affect mood at work like working conditions and remuneration should be taken into consideration if improved mood at work, employee job satisfaction and subsequently improved organizational citizenship behavior. Ignoring working conditions for employees would continue to undermine the extent of Ugandan employees to practicing OCB thus affecting their level of performance and productivity. Provision of fitness programmes should be done in all organisations to cater for the element of mood at work improvement which directly affect OCB.

REFERENCES


The Adoption of HRM Practices by Small Firms and its Impact on Firm Performance

Franca Ovadje, Pan African University, Nigeria
Yetunde Anibaba, Pan African University, Nigeria

In this paper, we develop a model of the drivers of the adoption of HRM practices by small and medium sized enterprises (SMEs). We posit that personal, organizational and isomorphic factors are important drivers of Human Resource Management (HRM) adoption by small firms. Using Organizational Life Cycle and Institutional theories we argue that the reasons for adoption may be rational or non-rational. We develop arguments for a relationship between the adoption of HRM practices and firm performance in SMEs. Finally, we highlight the implications of the paper as well as areas for future research.

INTRODUCTION

Several studies in the extant literature have found a significant relationship between Human Resource Management (HRM) practices and firm performance (Arthur, 1994; MacDuffie, 1995; Huselid, 1995; Guest et al. 2003). Huselid (1995) found that investments in high performance work systems were associated with greater productivity and corporate financial performance. The study by Guest et al. (2003) suggests a positive association between the use of more HR practices and lower labour turnover and higher profitability”. A common characteristic of previous empirical studies on the relationship between HRM and performance is that they were carried out in large firms in North America and Europe. It is not clear that the research findings are generalizable to other contexts. Purcell (1993), Heneman et al. (2000), and Tansky and Heneman (2003) called for studies on small businesses.

SMEs are an interesting context. They are not only vital to a nation’s economy (Heneman, et al. 2000; Ariyo, 2005), they also produce a high proportion of national output and provide an even greater proportion of employment in advanced economies (Foreman-Peck et al., 2006). Past research on small firms in Africa suggests that very few small firms grow. Onyewu, (1993) found in his study of small firms in Eastern Nigeria that the few small businesses which grew adopted innovative management systems. Their owners were exposed to new ideas, they employed qualified people and they created a management system including a personnel system. More studies are required if the huge potential locked in SMEs (especially in developing countries) is to be released.

An investigation of the role of HRM in small firms should unearth the role of people management in SME growth and survival. It should enable us test the generalizability of the findings of previous studies. Knowledge of which people practices SMEs adopt, when and why they adopt them as well as the impact of HRM on their performance has both practical and theoretical implications.

There is no generally accepted definition of SMEs. The criteria most often used for defining SMEs in Nigeria are the value of assets and number of employees. According to the Central Bank, a small firm is one with assets excluding real estate of less than one million Naira and employing less than fifty people. A medium scale enterprise is one with assets less than one hundred and fifty million Naira and employing less than one hundred people. We adopt this definition because the Central Bank plays a significant role in the development of SMEs in Nigeria. For example, through its SMEISS Programme, the Central Bank forced all commercial banks to invest in SMEs. The Bank of Industry was set up recently by the Nigerian government to provide loans at subsidized rates to SMEs. The Small and Medium Enterprises
Development Agency of Nigeria (SMEDAN) was established to provide support services for SMEs. These initiatives have not yielded the expected results. In spite of the huge domestic market, the funds available to SMEs, and the entrepreneurial drive of the Nigerian people, the SME sector remains undeveloped.

Past research on SMEs in Nigeria has been focused on macro level factors which affect SME performance. These include infrastructural constraints, lack of access to technology, etc. Mambula (2002) investigated the reasons for the stagnation of SMEs in Nigeria. While the consultants he interviewed blamed the poor performance of SMEs on infrastructural constraints and poor support services and incentives by the government, the government officials and the development bankers on the other hand emphasized the lack of organization and training of the entrepreneurs themselves. An investigation of the micro level factors is necessary to unearth the internal constraints which impede SME growth in Nigeria. One such factor is the role of people management practices. The literature on HRM has only recently begun to investigate the role of HRM in SMEs. As more empirical studies support the linkage between HRM and firm performance in large firms, an investigation of this relationship in SMEs, especially in developing countries like Nigeria is important.

This paper contributes to the building of a body of knowledge on people management practices in SMEs. It examines why SMEs in Nigeria adopt HRM practices and the impact of these practices on firm performance. The paper is divided into four sections. The first section is the introduction. In the next section we discuss the reasons why SMEs adopt HRM practices. The third section addresses the impact of HRM adoption on firm performance. Finally, we summarize the discussions and draw some implications. We now examine the reasons why small firms adopt HRM practices.

DETERMINANTS OF THE ADOPTION OF HRM PRACTICES BY SMEs
Small firms differ from large firms in a number of respects. Typically, they have few employees and the CEO/founder has a close relationship with them. Small firms are also characterized by informality. There are usually few systems, organizational structures, etc.

Personal Factors and the Adoption of HRM Practices
The decision to adopt HRM practices is due to external and internal factors. The internal factors may be personal and organizational. Past research suggests that the CEO/founder’s orientation affects the decision to adopt HRM practices (Wager, 1998). CEO/founder orientation is itself influenced by education, formal training, previous experience in formal settings, etc. These provide the founder with knowledge of HRM practices.

Knowledge of HRM practices may also be provided by consultants, entrepreneurship support services, business schools, etc. Through these media, the CEO/founder and the senior management team become aware and convinced of the need for HRM practices. Those CEO/founders who have experience working in formal settings (usually large organizations with systems and processes including HRM practices) are likely to adopt similar practices when they set up their own businesses. The formal setting exposes the founder to the benefits of HRM practices for employee morale, retention, and organizational performance. Personal experience in a formal setting is perhaps the most important factor influencing the decision to adopt HRM practices.

Personal experience and exposure to these practices are particularly important because the benefits of HRM practices are often not clear at the time of adoption. There is usually a time lag between implementation of HRM practices and when the results or benefits become visible. Besides, SMEs have limited resources. They are more likely to invest in HRM practices if they have experienced the benefits themselves or are convinced by significant others of the benefits of these practices. On the other hand, the costs of implementing these practices are upfront and often substantial for a small firm. In a longitudinal
study of 37 micro and small scale enterprises in Nigeria, Onyeiwu (1993) found that companies that survived shared some common characteristics. Their owners had some education and had been exposed to formal management systems. Thus:

*Proposition 1:* CEO/founders who have experience in formal settings, and who have had access to knowledge about HRM practices through consultants or training programmes are more likely to adopt HRM practice.

**Organizational Factors and the Adoption of HRM Practices**

The decision to adopt HRM practices depends on the perceived link between the organizational strategy and people management. If people are perceived to be critical to the attainment of strategic objectives, HRM practices are likely to be adopted. Duberly and Walley (1995) found in their study of SMEs in UK manufacturing that management perception of how to succeed in a highly competitive environment influenced the adoption of HRM practices. Companies that competed with people tended to adopt these practices while those that focused on cost reduction strategies did not.

Bacon and Hoque (2005) found that the strongest predictor of adoption of HRM practices by SMEs is the skills-mix of the workforce. SMEs have difficulty attracting, motivating and retaining key staff. Yet, without people with the necessary expertise, the organization cannot achieve its objectives. Subramony (2006) cites Boudreau and Ramstad (2003) who argued that HR practices are of greatest utility if applied to jobs which are critical for strategy implementation. SMEs in which the skills-mix is dominated by highly skilled workers are more likely to adopt HRM practices. Conversely, firms with a large majority of employees with basic knowledge and skills are less likely to adopt HRM practices. Thus:

*Proposition 2:* SMEs that employ a highly skilled workforce are more likely to adopt HRM practices.

**Organizational Life Cycle and Adoption of HRM Practices**

Like living organisms, organizations have a life cycle; they are born, they grow, mature and decline (unless they are rejuvenated). As they move along these developmental stages, many changes take place in the internal and external environment of the firm. Organizations therefore face different problems as they grow and age. Kaufman (1975) argues that the main reason for the demise of organizations is that these changes render the organization’s established processes of self-maintenance ineffective. To survive, the organization must adapt.

While a few studies in the literature have investigated the determinants of the adoption of HRM practices by SMEs, relatively few have examined how adoption may vary along the Organizational Life Cycle (OLC). Yet the ability to adapt as the firm moves along the OLC is critical for the survival and growth of the firm. Movement along the OLC is a major determinant of the adoption of HRM practices by SMEs. If new challenges are not overcome, the organization may become out of sync with its environment. This may result in lower levels of efficiency and effectiveness (Baird and Meshoulam, 1988).

New strategies, structures, systems, etc. must be adopted. A basic proposition that arises from the foregoing is that HRM practices will vary over the life-cycle of the firm. Rutherford et al. (2004) found some support for this proposition in their study of 2,903 family businesses. They examined specific HR problems of recruitment/hiring, retention/compensation and training/development, within the context of the age, size and growth (level of sales growth achieved) stage of the firm and concluded that as firms achieve increasing levels of growth, HR issues seem to shift from attracting to retaining to training. The HR practices that will be adopted to solve the HR problems will vary over the life-cycle. Thus:

*Proposition 3a:* HRM Practices adopted by SMEs will vary over the OLC.
People management challenges vary over the organizational life cycle (Rutherford et al. 2003). At the birth stage the major challenges are finding a niche in the market, acquiring needed resources and hiring people. At this stage, the relationship between the founder and the organization is nearly isomorphic (Heneman and Tansky, 2002). The CEO feels able to cope with running the enterprise as the level of complexity is low. The founder/CEO often hires from informal channels and social networks (Carroll et al. 1999 quoted in Kotey & Slade, 2005)). There is no clear organizational structure. Job descriptions are fluid; employees are expected to do what it takes to make the company successful. New hires negotiate compensation packages. Little or no employment tests are done during hiring. The firm is small and the founder has a one-on-one relationship with all the employees. There is no felt need for formal, sophisticated HRM practices; the business need for them is not clear at this stage. The people challenge at the birth stage is reduced to attraction, that is, recruitment and hiring (Rotherford et al. 2003). We expect that:

Proposition 3b: The HRM practice which will be adopted at the birth stage is recruitment and selection.

As the firm grows, the founder and the organization become increasingly less intertwined. Growth brings new challenges, and increased complexity. Problems of coordination and control soon arise. There are increasing demands on the founder/CEOs time and knowledge. More people with the right skills are required. The social network becomes inadequate at this stage as a source of qualified candidates; a wider business network is needed to attract better qualified people into key positions. More sophisticated hiring techniques and procedures may be introduced. Consultants, interview panels, referees, etc. are often used in the growth stage of the firm.

As new employees are hired complaints about inequity among older members of staff arise due to the lack of a compensation structure. Another challenge the firm faces at this stage is that of lack of skills among the older members of staff. While the social network was a source of loyal staff, these employees may not have the skills to operate in the new environment. People problems begin to take up a lot of the CEOs time.

To overcome the challenges of the growth stage, new HRM practices are adopted. At the growth stage, there is a need for decentralization of decision making, for functional specialization and the introduction of systems (Scott, quoted in Quinn and Cameron, 1983). A compensation structure, managerial development system, etc are adopted. There is increasing institutionalization and delegation of HRM as the firm grows (Heneman and Tansky, 2002). The role of managing the relationship with employees is likely to be assigned to a person or a department during the growth stage. Kotey & Slade (2005) found that SMEs move in the direction of more enunciated and prescribed practices as they grow in size. Thus:

Proposition 3c: A full range of HRM practices is likely to be adopted at the growth stage than at the birth stage

As the company matures, growth slows down considerably. Predictability and coordination are very important at this stage (Downs, quoted in Quinn and Cameron, 1983). This is also the maintenance and refinement stage. According to Baird and Meshoulam (1988), job evaluation, labour relations and a broader role for HRM practices are the adopted at the maturity stage.
Proposition 3d: At the maturity stage, HRM practices are refined and maintained.

So far, we have assumed that the adoption of HRM practices by small firms is the result of rational choices made by the leaders of these firms. However, adoption may be the result of non-rational forces (Subramony, 2006). We now discuss the impact of institutionalism on HRM adoption by SMEs.

Institutional Theory and Adoption of HRM Practices
While emerging firms suffer from the liability of newness, small businesses suffer from the liability of smallness (Williamson et al., 2002). They may therefore not be regarded as legitimate and thus lack the approval of significant others in the environment. This may limit their access to needed resources. Institutional theorists argue that to gain legitimacy and acceptance from multiple stakeholders, firms try to look like the legitimate organizations in their environment (a process known as isomorphism). There are three drivers of isomorphism; mimetic, coercive and normative (DiMaggio & Powell, 1983). Coercive pressures for institutionalism come from the state, the legal and regulatory framework. Mimetic isomorphism thrives where the level of uncertainty is high. Normative pressures are exerted by professional bodies and other significant organizations.

Thus, institutionalized environments exert pressure on organizations in those environments to look similar. Institutional theory has implications for the adoption of HRM practices by SMEs. The decision to adopt HRM practices is influenced by the extent of the SME’s need for legitimacy and support from the environment, as well as the extent of institutionalism in the firm’s environment.

Proposition 4a: The adoption of HRM by SMEs in Nigeria will be directly related to the level of dependence of the small firm on its environment.

To gain legitimacy small firms mimic the practices and systems used by legitimate organizations in their industry or organizational field (DiMaggio & Powell, 1983). Thus a small firm may copy the HRM practices of legitimate organizations in its industry in order for example to improve its ability to attract talent (Williamson et al. 2002).

A new venture must be able to attract the resources it needs to exist and thrive. To this end, it must be able to open a niche in the market, attract the financial resources it requires, etc. It may, for example, enter into a franchise relationship with a large firm or become a key supplier to a large firm. The founder/CEO may not have enough resources to run the enterprise. To attract financial resources from venture capital firms, banks or other financial institutions, the small firm must gain acceptance. These institutions may require the founder to present documents detailing the organizational structure of the firm, the HRM practices, systems in place, etc. A small firm may adopt HRM practices in order to meet the stringent demands of these partners. Thus:

Proposition 4b: Fully family owned SMEs are less likely to adopt HRM practices than those with venture capital or other significant investments from financial institutions.

In addition, many SMEs provide services to large organizations. These organizations often have contractual requirements that the SMEs are expected to abide by. These requirements have implications for the internal structure and processes, and by extension, for their people management practices of SMEs. Thus:
Proposition 4c: SMEs which are a significant link in the value chain of a large company are more likely to adopt HRM practices than others.

Further more, professional associations, industry and regulatory requirements exert pressure on SMEs and thus impact the decision to adopt HRM practices. This is especially so if the membership of or affiliation with such an organization is seen by the SME to be critical to its ability to gain recognition in the environment, attract resources, etc. Mimetic isomorphism sends a signal to all that the SME is like the other organizations. For example a small professional service firm may adopt the HRM practices of older established firms to attract and retain professionals in the field and/or to get clout in the association. Other members of the association may begin to look at the small firm as an established firm, not a one-man business.

Proposition 4d: SMEs are more likely to adopt the HRM practices commonly used in their industry or professional body within which the SME seeks legitimacy.

In summary, both external and internal factors influence the decision to adopt HRM practices. The reasons for adopting these practices are both rational and non-rational. In the next section, we examine the impact of the adoption of HRM practices on firm performance.

HRM ADOPTION AND PERFORMANCE

The relationship between HRM and performance continues to be of great interest to researchers. Human resource practitioners believe that people management leads to improved performance. There are several theoretical explanations for a relationship between HRM and performance. Expectancy theorists argue that HRM practices influence employee knowledge, ability and motivation. Improved skills and greater motivation, enhances employee retention (Jones and Wright, 1992). Greater motivation encourages the release of discretionary effort by employees. This combined with improved knowledge and ability leads to improved performance. HRM practices, in so far as they lead to the hiring of better qualified people; the provision of training and development opportunities, and equitable compensation systems should lead to firm performance.

The second theoretical explanation is that proposed by the Resource Based View (RBV) of the firm (Barney, 1991; Barney & Wright, 1998). The RBV posits that a firm’s resources can be a source of sustainable competitive advantage if they are valuable, rare, difficult to imitate and difficult to substitute or replace. Wright and McMahan (1992) argued that HRM can be a source of sustainable competitive advantage.

Several empirical studies have found a positive relationship between HRM and firm performance (Arthur, 1994; MacDuffie, 1995; Huselid, 1995; Guest et al. 2003; Bacon and Hoque, 2005). Thus:

Proposition 5a: HRM practices is positively related to employee morale and retention, as well as firm performance.

We have argued that the adoption of HRM practices varies over the organizational life cycle. As the firm grows people problems become more important. Firms that adopt HRM practices early in the growth stage are likely to manage growth better and prolong the growth stage (Ciavarella, 2003). With an HRM system in place, a lot of the coordination and control challenges are overcome.

Proposition 5b: Small firms that adopt HRM practices at the early stages of their growth are more likely to sustain their growth over a longer time.
Several researchers argued that certain HRM practices (High Performance Work Systems or High Involvement Work Practices) increase employee motivation and lead to organizational performance (Pfeffer, 1995). They posit that there is a set of best practices which if adopted always leads to higher performance. Empirical tests of this proposition have received the strongest support in the literature (Huselid, 1995; Delaney & Huselid, 1996). Thus we posit that:

**Proposition 5c: SMEs that adopt High Performance Work Systems are likely to perform better than does that do not.**

**DISCUSSION AND CONCLUSION**

HRM is important for organizational performance. However, not all entrepreneurs adopt HRM practices. Those that adopt these practices do so for a variety of reasons. Some adopt for rational reasons (after careful consideration of the costs and benefits of these practices). Others adopt HRM practices for non-rational reasons as for example, mimetic isomorphism.

The personal characteristics of the owner are important in the adoption decision. Owners with experience in formal settings for example are more likely to adopt HRM practices than others. Movement along the OLC is perhaps one of the most important reasons why entrepreneurs adopt HRM practices. The quest for legitimacy and acceptance by significant stakeholders also affects the decision to adopt HRM practices.

Past research results suggest that HRM is associated with firm performance. Firms that adopt HRM practices should have better performance. However, the adoption of best practice HRM (or high involvement work practices) should have a greater impact on firm performance.

This paper contributes to HRM research. We explore the reasons why firms adopt HRM practices. This is a taken-for-granted phenomenon among HRM researchers perhaps because of the exclusive focus on large firms. In explaining the adoption of HRM and its impact on firm performance we bring together Organizational Life Cycle theory, Institutional Theory and the Resource Based View. By examining why and when small firms adopt HRM practices, which practices they adopt and the impact of HRM on firm performance, we contribute to the body of knowledge about HRM in small firms.

**IMPLICATIONS**

This paper has some implications. We have argued that the adoption of HRM by SMEs is the result of a combination of isomorphic pulls, the stage on the organizational life cycle and personal characteristics. However, the question that remains to be answered is: which of these factors is strongest in determining adoption? By how much does the adoption of HRM increase the likelihood of survival of SMEs?

The reasons why some SMEs adopt HRM practices has implications for SME support organizations. For example, this paper points to a need to expose entrepreneurs to the benefits of HRM. This can be done through training courses, opportunities to network with HRM managers and CEOs of large firms in their industry or professional association. These organizations can do more to bring to the attention of entrepreneurs the need for HRM practices.

The paper has a potential contribution to the Best HR vs. Contingency debate in extant HRM literature. Future research should examine the impact of the Best HR approaches vs. the Contingency approach in the context of SMEs. Is there one best set of HRM practices for small firms?

**REFERENCES FROM THE AUTHORS**
Organizational Leadership in Mozambican Businesses: Some Considerations based on a Hermeneutical Analysis of Direct Discourse

Ana Célia Calapez Gomes,
Instituto Superior de Ciências do Trabalho e do Emprego, Portugal

The present paper aims at delineating the themes of organizational leadership in Africa having as departure point a hermeneutical analysis of direct discourse. The paper results from the content analysis of 30 semi-directed interviews with Mozambican and Portuguese organizational leaders working in Mozambique in two different towns, Beira and Maputo (Gomes, 2005). The interviewed leaders represent a highly diverse group of companies of different sizes, business areas, management systems and organizational cultures. This diversity helps bring together a variety of points of view, confront representations of leadership simultaneously from an emic and an etic perspective, and subsume a range of characteristics directly resulting from the analysis.

INTRODUCTION
The theme of leadership in Africa is a common one, but most of the literature about it is focused on political leadership (Fowler et al., 2002), dealing with such themes as state governance, power centralization, privatization of the state, and the problem of corruption. But leadership is also a fundamental variable in business and organizational settings independently of the geographic context. In the present state of globalization and growing interdependence and integration of world economies, the meanings associated with the function of leadership and its practice acquires a special value insofar as networks and all kinds of strategic alliances are the building ties of our present-day societies.

For decades, sociological, social psychological, and direct management literature debated the phenomenon of leadership as a question of the leader’s character or the result of the circumstances (Cunha et al., 2004). Some models have been developed to assess and characterize leaders and leadership situations, but most of them are either too general to have a real heuristic value or are culturally biased, proposing “best ways” to lead without concern for the specific situation, and even less for the polysemic character of the concept.

This paper presents leadership in an African country in the first person discourse. This approach enables disclosure simultaneously of the diversity of the individual and the commonalities of the social agent from the point of view of grounded theory (Strauss, Corbin, 1990).

LEADERSHIP
Leadership is a fundamental management factor, even more determinant in a situation like the Mozambican, where the leader is invested with the double function of manager and father, considering simultaneously the interests and aspirations of highly-educated staff with their own identity dilemmas (between traditional prestige and western type careers), the aims of the majority low qualified workers, and of course, convenient rewards for the invested capital.

For the local manager, leadership in Mozambique prefigures an inconstant balancing between authoritarian actions and an excess of acquiescence, in order to gain subordinates’ friendship. For the expatriate manager, it represents the exhausting work of translation of signs and meanings and the balancing between paternalistic temptation, fury at local Africans, and the conquest for legitimacy through shared knowledge and systematic interaction.
The authoritarian leader
The authoritarian leader is normally the one who has been dominated by subordinate’s rebellion and decided on an aggressive behaviour and/or isolation, in order to maintain power.

“The boss is the boss! The boss commands, no one comes to him, no one says anything.”

“(…) from tomorrow on, if one single box leaves the factory without a number, you are going to see what happens (…) If they know that they must do that work, they know that’s my exigency, why don’t they do it...do you see? They don’t want to do anything or they even want to make a sort of sabotage, do you see?”

Or, it configures the charismatic patriarch of the small business.

“It was almost 5 p.m., 5 p.m. and the driver came with a problem (…) and as long as the car was broken, nobody left, they left at 9.p.m. and at 7.30 a.m. everybody was present again. Of course I can arrange a form of compensation, but no... They never asked for it (…) nobody leaves as long as I am in my office; as long as I don’t come down to go home, nobody leaves. That’s it. I have educated them like this and they do it....”

Respect for the leader
Respect, not fear, is reserved for a kind of respectful and gentle, but firm leader.

“(…) we work very much on this basis, close to people, that’s right? (…) People respect me, I have never had any problem of disrespect from a worker (…)”. 

“(…) I don’t shout, I don’t insult anybody, (…) if I have something to say to the person, I call him inside. I don’t shout out, no, no, I call him inside (…) and I tell him what I have to say. My son, look here, life is like this, well you are the one who decides what you want, that’s it, and after that he chooses to amends his behaviour or not.”

Leader’s external signs of prestige
Respect due to the person of the leader manifests itself through the externalization of the leadership condition, be it through the ostentation of privileges:

«(…) to be a chief, using a different uniform (…) formal authority issues are important, workers wear a specific colour, and team leaders wear another, (…)”.

Or, be it by asking or accepting respect or even submission’s manifestations from subordinates:

“(…) the kind of idea that respect for the leader is due through some kind of gestures, external manifestations, still exists in people, they look for a leader....that’s it....that commands, that imposes, (…)”.

472
THE LEADER'S CHARACTERISTICS

What's the ideal picture of a leader that comes out of discourse? What’s the most desirable kind of leader? Answers point out clearly for a strong relational type of leadership. But how does it materialize on the field? And what are the most desirable characteristics of a leader?

Tolerance

People wait tolerance from the leader, although limits to tolerance are insofar accepted. These limits seem to be more personal than institutional. Even when formalized, limits to tolerance may be legitimately broken by leader’s will.

Tolerance in face of worker’s mistakes is often referred to. Punishment is always a last resort, preferably used only after reiteration, except when the fault is to serious even for the leader’s own code of values, as well as for the society’s code of values. Frequent use of punishment (even on the strict respect for the established norms) is always associated with cases of dysfunctional management.

“A failure…er…. it depends on…on the worker. But normally, er…the first mistake, I speak to the worker, second mistake, I speak to him again, I try everything possible, I teach again, I ask again why has he done wrong, why can he not do it and, of course….if the mistakes are too much, then I change his working position.”

“For instance, there are things I can not tolerate. For instance, if I catch someone stealing, ahh, he has no excuse, the one caught stealing goes, leaves the company. Er…, if for instance, someone makes some little mistake, then, it is not to be condemned, is it? I call him, isn’t it? I give him a little brain wash and I tell him: kid, you know next time, next time you have no excuse.”

Affective relation

People want that the leader to knows absolutely everybody who works with him well enough, so that he doesn’t even need to ask what his subordinate’s problems and needs are.

“(…)it is relevant to have a strong relationship between management and the workers, at every level. If this relationship exists, we don’t really need to ask anymore.”

“When this is not the case, it is because people don’t know each other well. So….. When people don’t know each other well, people don’t understand each other, there are many discipline problems, management must be the administrative way, so there is a leader’s tendency for authoritarianism, legalism. (…)”

Proximity, openness and availability

What exactly shapes this involvement, the solicited affection, or friendship? And how can such an intimate human knowledge be reached in the daily work practice, a knowledge which dispenses the leader needing to ask any of his subordinates about their problems? To answer these questions it is necessary to understand the way in which the relationship between distance and proximity is perceived in Mozambique.

A great respect is due to the leader’s person, including some ostensive forms of deference, which leads to a big distance between who leads, and who follows. But simultaneously, leader’s proximity to all and each of its subordinates underlies the legitimacy of his authority and the right to a respectful distance. In other words, the leader wins the right to the distance conferred by authority’s prestige insofar as he becomes close to his subordinates, until intimacy. Acting otherwise the leader don’t win a respectful distance, but seclusion induced by fear and despise.
“Personal problems, even intimate problems..... I attend everyone, everyone without discrimination.”

“I don’t only speak only with my direct subordinates. I have meetings with all levels at the company, (...) I speak with all people so that everyone is perfectly conscious that I am always accessible.”

“So, here you can not be a paper manager, a portfolio manager, here you must be a reality manager (...) a manager adapted to the African reality. And this means being always present. This means listening to everything.”

The leader’s proximity and availability may even be physical, when barriers in working space are eliminated.

“No, there are no doors, it is an open space, people see us, we have nothing to hide, and they can always come and bring the relationship with them.”

This kind of openness permits an effective collective control; which seems to be quite appreciated, precisely because it contributes to reduce an always present sense of suspicion, that someone could be doing something secret to harm someone else.

“(…) workers are all concentrated in one single room. They work, they work near each other, so that the anyones mistakes are seen by everybody and, sometimes, my intervention is needed to correct the mistake and is held in the presence of everyone, that’s it? So, there is a great homogeneity in the group, I mean, there is no possibility that er...some uncontrolled and hidden behaviours emerge.”

POWER CENTRALIZATION

Power centralization in Mozambican companies manifests itself through two confluent paths. On the one hand, the CEO practices a close proximity politic towards employees in general, which annul the competence space of intermediate chiefs, since the possibility of solving “placed” problems is a legitimacy factor and a way for power consolidation, always linked to regard and recognition.

“I think sometimes, as a CEO, that when I receive a simple worker (...) I am perhaps taking away the authority of those who are in the middle. I am not giving them the opportunity to be heard, to be consulted. So then, the worker, from the beginning (...) is unable to see his direct chief as a person capable of solving his problems.”

“(…) those who decide like this, neglecting all the other hierarchy levels, even when they were recommended by them, are those who want to be individual heroes, because it means....my department chief was not able to decide, have you seen, the CEO have already decided! He is much more human...yes...yes...that one is good for nothing...that one...!”
On the other hand, the relationship between the leader and the subordinate is based on trust and mutual acquaintance, so that the worker always looks for someone he knows. Much of the intermediate chiefs are young graduated staff members, unlike CEOs, who still owe their positions due to longevity or political trust. Most of the workers are acquainted with the CEOs, but not with their young direct managers.

**The line manager**

Centralization on the top of the pyramid has as consequence the emptying of the hierarchical line. But this one is occupied by individuals with leadership functions, which they are frequently unable to carry out. The attitude of the CEO itself in these cases is decisive. Normally he is responsible for the investiture of formal and factual authority in line managers, and much of this process depends on his own will.

“If line managers are respected or not, it depends on the will of the director himself. So that, the director sometimes imposes that authority, imposes the authority, he speaks with subordinates and says: look, those ones are chiefs from today on, if you have any questions, don’t come and talk with me, talk to your chief. So that, in this moment, line managers win a little more….authority.”

Nevertheless, the attitude of the line managers themselves before the situation also diverge, swinging between the natural acceptance of the transmission function:

“So, people come directly to their chief. People must explain themselves, they fill in the internal forms (...) the chief gives his opinion and goes directly to the finance director, (...) by the norm (...) and goes to the CEO for dispatch.”

“We must be always open and listen to what people want to say. We can pass it to the hierarchy, so that the hierarchy may solve the problems.”

Or the silent anger, which may take the form of conspiracy:

“And people are carrying another conflict with them; they aspire for power, because they know what they know (...). So, when they feel that they know more than those who are above them, they remain apathetic to their orders, and as they can not show what they know, and at the top there is no critic acceptance, they remain in silence, a very dangerous silence, so then they break the communication between the top and the bottom.”

And also aggressive authoritarianism as a form of hiding their own insufficiencies:

“(...) because there is also something that they [subordinates] notice, there is also something that they notice....it is that such managers also, when they are is a position, they think they are, for them like...and they notice: ehe, look at that one, because he arrived there [a leadership position], he is dealing with us this way (...).”
KNOWLEDGE AND PHYSICAL PRESENCE AS POWER LEGITIMATING FACTORS
One of the most referred authority legitimating factors, beyond physical proximity and affective relationship, is knowledge. Knowledge in the sense of competence for doing things, and competence to teach how to do things.

“Er….., I tell someone to do some kind of work and he begins to do it, and begins to do it wrong. I say: my son, this is not the right way. And he doubt it one way or another. Then I take the job in hand and I do it and I show how it is done. (...) After that (...) I enter in the factory and everything I say is sacred.”

“To be respected? You must work harder then the others and show how things done (...) you must teach….er….you must teach everything.”

The physical presence of the leader is often interpreted as a sign and evidence of his interest and engagement in the company. This transmits a sense of security and stimulates worker’s participation.

“Being always present is a point of honour for me. They must feel that the boss, when it is….that they must loose a weekend, it is for us all to work together. It is a matter of honour for me to follow the job, to work together with them. It is a form of stimulus.”

PROTECTIONIST PATERNALISM
Paternalism is a domination form based on direct personal dependency ties between individuals, in which the patron assumes paternal functions towards his protégé or client, protecting him, acting as a guardian and redistributing the means necessary to his sustenance. (Léna, et al, 1996; Hernandez, 1998). Many implicit and even explicit references to this type of domination were found. They have normally a benevolent and caring meaning. The company is clearly identified with, or emerges in the direct continuity of the family, in its role of framing of the individual. The boss/administrator is the redistributive father, the “last resource” in face of uncertainty and poverty:

“What they want from us. Er...may be, er... it is, to be the strong anchor. I mean, the last resource... there is a support, (...)”.

This convergence between the position of the father and the boss is so obvious that the leader may even be asked to zeal for the household expenses of the subordinates.

“He has a wage of 400 contos [thousand Meticais]: and he may say, boss, give me only, give me only 100... give me only 50 now because if I take everything home, my wife will spend my salary in two weeks. So, I pay to him his salary in pieces.”

The circumstances themselves, extreme poverty, very low wages, force the adoption of protective measures towards employees. This kind of paternalistic management form manifests itself through extra-salary monetary support, cash advances and loans:
“I don’t know, some times I prefer to lend my own money, and tell them: look, I am going to lend you money, but it is my money. The company doesn’t give cash advances, but I see that you are in trouble. (...) But it is me; it is not the company that is giving to you, always giving to you (...)”

It manifests itself also through personal gifts, which refusal may be extremely bad accepted:

“Sometimes they contact me to ask, because a relative died, they need some 5 kilogram of sugar, for the mass...and everything. Look, it is 5 kilogram of sugar; it is nothing, but the word no....to say no, without understanding his worry, may hurt him for the rest of his life and hurts the entire work force, because the workers begin to say: he has done it to him, he will do it to us also!”

Illness support:

“I also give them medicine. Always, when they come with a prescription or some problem, I try to help them; I try to do my best.”

Food support:

“That’s it you know, and also sometimes,...when there is a party, on Workers Day, Christmas, Easter, New Year. Ok, also, you may kill a little goat, or you may kill a little pig, that’s it?”

And even personal and moral support:

“The driver has been ill, and... he called me telling me that he was in the hospital, I went visit him sometimes at the hospital. I told my secretary to buy milk and something else...and take it there. Of course I deducted it at the end of the month from his wage, but this is not the problem, the problem is really for the person to feel that.... Ok, that he belongs to the organisation, to us ,that’s it? And this kind of things is tremendously appreciated.”

CONCLUSIONS AND IMPLICATIONS

From the analysis of some of the meanings of the variable Leadership in organizational settings in Mozambique we may conclude that there are several contextualised interpenetrations and reinterpretations of the function in the ambit of pre-industrial as well as industrial management models (taylorist and bureaucratic type). This process lead to a complex of organizational practices and leadership postures and representations, which may reveal some connection points with post-industrial organisation forms, as well as other that completely deny it.

The shading of the frontier between work and non-work, between domestic and professional settings is a common characteristic of pre- and post- industrial universe (Castells, 1996, Vallade, 2004). Apparently, industrialization and bureaucratization of organizations was not able to eliminate this facet, which on the contrary, is probably experiencing a kind of renaissance. Following the same path, it may be referred to some time and functional flexibility, as well as some participation that goes beyond the formal meetings. The question here is the probable link of the referred characteristics and practices and the notion of belonging to the patriarchal family, which implies, at least, two problems: the centralization of power in the person (not always the function) of the CEO/father, with all the consequences for the hierarchical line, responsibility, or even matricial project management models; and the closing of the organization/family in itself. The network organization, namely the kin network, is a characteristic of the so called traditional
organizational models, but apparently the bureaucratization process and the formal hierarchy introduced by the colonial industrial organization broke the external ties of the network. As a consequence, it maintained the internal network in turn of the CEO/patriarch, but thrown away to informality all the external ties. In this way, and exactly in opposition to the post-modern networks of autonomous individuals and/or organisations, temporarily linked by common interests and shared objectives, we find internal networks, at least formally closed, and centred on the person or the function of the leader. In this kind of organisations, individual participation, even when active, is induced and motivated through the affective bond toward the person, which embodies all the formal power inside the organization.

There are some very interesting lines of study that may bring some new insights in this problematic, the idea of the materiality of social capital (Engeström, 2000) and the concept of Ubuntu (Nussbaum, 2003), a word that transmits the idea of interdependency. Both deal with cooperation and the enlargement of networks. In the case of Ubuntu, in spite of the humanist and relational meaning of the concept, its reinterpretation on the present context, may broaden the traditional notion of interdependence (focused on kin) giving it a global meaning and helping to bring flexibility, participation and relational competences outside the strict borders of a specific organization.

REFERENCES
Strauss, Anselm; Corbin, Juliet (1990) Strategies of qualitative inquiry, Newbury Park: Sage
Dynamic Capabilities: Antecedents and Performance Implications

Felix T. Mavondo, Monash University, Australia

This study develops a measure of a dynamic capability, strategic agility, and tests its implications for adaptability and long term strategic performance. Strategic agility is posited as a mediator of the relationship between ordinary capabilities and new capabilities, in turn new capabilities are hypothesised to mediate the relationship between dynamic capabilities and organisational performance. The results show that strategic agility totally mediates the relationship between market orientation, learning orientation, operational efficiency and innovativeness with adaptive capability and long-term performance.

INTRODUCTION

The usefulness of the resource-based theory has been challenged for its apparent failure to explain the mechanism that translates resources and capabilities into performance outcomes (Priem and Butler, 2002). Dynamic capabilities have been invoked to address this need. This has resulted in the more static theories of strategy based on positional or resource advantages (Barnett, Greve and Park, 1994; Porter 1980; Rumelt, 1984) being supplanted with dynamic approaches exploring how some firms recombine and integrate their resources to adapt to market and technological changes. This approach, referred to as dynamic capabilities, emphasizes the key role of strategic leadership in appropriately adapting, integrating and reconfiguring organizational skills and resources to match changing environments (Eisendardt and Martin, 2000; Helfat, 1999; Lavie, 2006; Teece, et al., 1997; Teece, 2006). The ability of organizations to seize opportunities through the orchestration and integration of both new and existing assets to overcome inertia and path dependencies is at the core of dynamic capabilities (O’Reilly and Tushman, 2007). Dynamic capabilities sometimes characterized as high level routines or processes (Wang and Ahmed, 2007, Winter, 2003; Zott, 2003) or routines to learn new routines (Eisenhardt and Martin, 2000) are seen as a central underpinning of long-run competitive advantage.

Teece, Pisano and Shuen (1997) define dynamic capabilities as “the firm’s ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments” (p.516). Organizational capabilities are embedded in existing organizational routines, structures, and processes. More specifically, these routines are evidenced by the way the organization operates, its structures, culture, and the mindset of top management. On the other hand ordinary capabilities reflect the firm’s ability to compete in the current environment. The challenge for the organization is to simultaneously nurture and refine these capabilities and to constantly and timely seek to reconfigure existing resources and capabilities in response to environmental exigencies.

The emerging research on dynamic capabilities, and how these provide firms with long-term competitive advantage, offers a promising way to explain how organizations adjust and survive. Much of the research exploring how dynamic capabilities might enable firms to adapt to changes in markets and technologies is preliminary and conceptual (Ahmad and Wang, 2007; O’Reilly and Tushman, 2007). Literature shows that established companies benefit from having dynamic capabilities in crafting new businesses and corporate strategies (Bowman and Ambrosini, 2003); and entering new markets (King and Tucci, 2002); in completing successful mergers; learning new skills (Bowman and Ambrosini 2003; Zollo and Winter, 2002); in overcoming inertia (King and Tucci, 2002; Repenning and Sterman, 2002); in leveraging their other resources (Bowman and Ambrosini, 2003); in introducing innovative programmes that stimulate strategic change (Repenning and Sterman, 2002); and in successfully commercializing new technologies generated within their R&D units (Marsh and Stock, 2003). These activities increase organizational agility and market responsiveness (Zahra and George, 2002b).
Progress in the study of dynamic capabilities has been hampered by poor conceptualization and very limited operationalization. Eisenhardt and Martin (2000, p. ) note that unless made specific, dynamic capabilities remain vague (e.g. “routines to learn routines”) and add little other than terminology to our understanding of organizational adaptation”. In reviewing this literature, one finds that it riddled with inconsistencies, overlapping definitions, and contradictions (Salvato, 2003). Nonetheless, the theoretical and practical importance of dynamic capabilities to a firm has catapulted this issue to the forefront of the research agendas of many scholars (Lampel and Shamsie, 2003; O’Reilly and Tushman, 2007; Teece et al., 1997). Many definitions have been proposed for dynamic capabilities (see Zahra, Sapienza and Davidson, 2006 for a recent review). First, most of these definitions can be criticised for being tautological (Eisenhardt and Martin, 2000, Priem and Butler, 2001). This is because they imply that dynamic capabilities are only those that result in competitive advantage. This fails to separate cause and effect. Second, there is no agreement about whether a dynamic capability refers to substantive (ordinary) capabilities in volatile environments or to the organization’s ability to alter existing substantive capabilities, regardless of the volatility of the environment. Thus, it is not surprising that the relationship between dynamic capabilities and ordinary capabilities is not resolved. Zahra et al (2006) suggest that dynamic capabilities are embedded in the organizational processes, are influenced by and influence ordinary capabilities. The relationship is complex. This problem is compounded by the fact there has been very limited development of specific examples of dynamic capabilities and even less development of scales of dynamic capabilities (Çuvušgil et al. 2006; O’Reilly and Tushman, 2007; Wang and Ahmed, 2007). This study addresses these deficiencies by explicating the nature of dynamic capabilities, developing a measure of a core dynamic capability and testing the relationship between ordinary capabilities and dynamic capabilities and the relationship between dynamic capabilities and adaptive capability and long-term organisational performance.

STRATEGIC AGILITY
A relatively agile organization should be strategically positioned to respond effectively to threats and to proactively grasp opportunities created by environmental change (Rumelt, 1986, Porter, 1980). While adaptationists view variability among organizations as a reflection of ecological dynamics, selection theorists portray organizations as relatively inert entities for which adaptive response is not only difficult and infrequent, but hazardous as well (Amburger, Kelly and Barnett, 1993, Hannan and Freeman, 1984). This led Dew, Goldfarb and Sarasvathy (2006) to conclude that “—the strategic manager’s job is in fact futile in the face of environmental disruptions.” (p.79). We conceptualise strategic agility as analogous to viral capabilities: viruses are quick-change artists with the ability to jump between hosts, and even between species, adapting quickly to just about any environment. Viruses are quick to mutate to take advantage of new situations or create conditions favourable to themselves (see the problem with the HIV virus). We consider this a core capability that is critical for the development of other dynamic capabilities (Zahra et al. 2006)

THE CONCEPTUAL DOMAIN OF STRATEGIC AGILITY
Strategic agility has been defined in several ways: “Agility is dynamic, context-specific, aggressively change embracing, and growth oriented. It is not about improving efficiency, cutting costs, or battening down the business hatches to ride out the fearsome competitive storms. It is about succeeding and about winning profits, market share, and customers in the center of competitive storms that many companies now fear” (Goldman, Nagel, and Preiss , 1995, p. 75 ).

Proposed dimensions of Strategic agility
Resource Fluidity: In building the conceptual domain of strategic agility, an aspect that runs through most threads of literature is the ability to reconfigure resources quickly. For example, Buckley and Casson (1998) refer to this as, "[t]he ability to reallocate resources quickly and smoothly in response to change" (p. 23). We measured this with 5 items, $\alpha=0.801$ and $\text{AVE}=0.708$. 
**Timeliness:** The term timeliness is used in a way synonymous with speed. Timeliness implies acting in a timely manner. At times it requires being the first so as to enjoy first mover advantages. At other times it involves being “second” to benefit from learning and avoiding early mover disadvantages. It implies making decisions at the most appropriate time. Matusik and Hill (1998) characterize timeliness as, "A firm's ability to respond quickly to changing market conditions" (p. 682). Das and Elango (1995, p. 62) note that timeliness is "...the ability of an organization to respond to changes in the environment in a timely and appropriate manner with due regard to competitive forces in the environment." We measured this with six items, $\alpha=0.813$ and $\text{AVE}=0.760$.

**Proactiveness:** The third aspect of strategic agility involves being proactive. Bahrami (1992, p.36) defines being proactive as, "the ability to precipitate intentional changes, to continuously respond to unanticipated changes, and the ability to adjust to unexpected consequences of predictable changes." The implications for being proactive are that top management may be willing to act even under conditions of uncertainty i.e a willingness to take and absorb risk. We measured this with five items, $\alpha=0.747$ and $\text{AVE}=0.684$.

**Strategic Intent:** Strategic agility presents a managerial challenge and is potentially inefficient (Johnston et al, 2003, Van Looy et al. 2005) because it involves acting in potentially contradictory ways i.e. to enhance current operations and simultaneously undertake experimentation in response to the evolving environment (March, 1991). To achieve this requires a compelling strategic intent, common vision and values (Podolny wt.al. 2005, Voss et.al 2006). We measured this with six items $\alpha=0.826$ and $\text{AVE}=0.736$. The items developed to capture these proposed dimensions were well grounded in literature. They may not have been operationalised in the same way or in the same combination but this is not a weakness since the item represent a subset of a large sampling universe. The measure had robust psychometric properties, shwed adequate discriminant validity and did not suffer from common method bias.

**METHOD, SAMPLE AND INSTRUMENT DEVELOPMENT**

The data was collected from companies in southern Africa using a structured questionnaire. There was no evidence of non-response bias when using t-tests to compare early and late respondents (Armstrong and Overton and 1977). Common method variance was found not to be a problem. This was ascertained using the Harman’s one factor model which showed this to be significantly worse than the hypothesised model (Olson et al 2006). There were 300 valid responses for a response rate of 30%. All the respondents were in the manufacturing industry. We tested for discriminant validity using the chi-square difference test (Atuahene-Gima, 2005). Timeliness---Strategic Intent $\Delta \chi^2=4.836$, $\Delta df=1$, $p<.05$; Timeliness— Resource Fluidity $\Delta \chi^2=7.356$, $\Delta df=1$, $p<.01$; Timeliness---Proactive $\Delta \chi^2=42.551$, $\Delta df=1$, $p<.001$; Strategic Intent ---- Resource Fluidity $\Delta \chi^2=9.272$, $\Delta df=1$, $p<.01$; Strategic Intent ---Proactive $\Delta \chi^2=32.527$, $\Delta df=1$, $p<.001$; Resource Fluidity----Proactive $\Delta \chi^2=27.797$, $\Delta df=1$, $p<.001$. The measurement model indicated that strategic agility had four related but distinct dimensions. This was our measure of a core dynamic capability.

**Relationship between Capabilities, Strategic Agility, Adaptive Capability and Performance**

To illustrate the conceptual position of strategic agility, we selected a set of capabilities that have been extensively investigated in marketing i.e market orientation, learning orientation innovativeness and operational efficiency as antecedents. These were especially chosen for their contribution to adaptation. We then chose two dependent variables to represent to solve the controversy i.e. whether there is a direct relationship between dynamic capabilities and performance (long-term performance) or the relationship is complex requiring mediation through the new capabilities (adaptive capability).

**Market Orientation:** Drucker (1954) argued that customers should be the foundation of an organisation and the very reason for its existence. However, it was only in the 1990’s that the conceptual domain and operationalisation of market orientation was undertaken (Kohli and Jaworski, 1990, Narver and Slater, 1990). Conventional wisdom backed by empirical findings suggest that market orientation leads to superior firm performance (Kohli and Jaworski, 1990; Narver and Slater, 1990; Lichtenthal and Wilson,
The market orientation explanations suggest that firms with a better understanding (knowledge) of what the customer wants and needs are more successful in adapting to environmental change. Hence H1a (see Figure 1)

**Organisational Learning:** Researchers have suggested that organisational learning can be a very important determinant of competitive advantage (Celuch et al., 2002, Mavondo, et al. 2006; Slater and Narver, 1995a) and superior performance (Sinkula, 1994, Fiol and Lyles, 1985), improved market behaviour (Fiol and Lyles, 1985, Huber, 1991); source of new knowledge and insights (Garvin, 1993); foundation for higher order learning (Baker and Sinkula, 1999) and a sine qua non for adaptability. Hence H2a.

**Organisational Innovation:** Innovation is widely viewed as a complex construct involving product, process and administrative innovations (Damanpour, Szabat and Evan, 1989, Mavondo, Chimhanzi and Stewart, 2006). Innovation is defined as the adoption of an idea – whether pertaining to a device, system, process, policy or program (Thompson, 1965). Amabile et al. (1996) define innovation as the successful implementation of creative ideas within an organisation. Hurley and Hult (1998) distinguish between “innovativeness” (organizational culture) and “innovation capacity” (organisational outcomes (p.44). Capacity to innovate is one of the routes to superior financial performance and permits organizations to adapt to the changing environment and adjust to competitive intensity (Han, Kim and Srivastava, 1998). Hence H4a.

**Operational Efficiency:** Operational capabilities are process oriented capabilities that focus on the optimisation of a firm’s production technology, enhancing manufacturing flexibility and implementing just-in-time (JIT) manufacturing systems (Zahra and Das, 1993). However, the focus on productivity enhancement does not exclude enhancing the quality of the product or service that a firm provides. Within the literature there has been a steady stream of studies examining the relationship between quality practices, such as JIT and total quality management (TQM) and their impact on firm performance and organisational adaptation (Cua, McKone and Schreoder, 2001, Hendricks and Singhal, 2001, Morgan and Vorhies, 2001).
RESULTS AND DISCUSSION
Market orientation is significantly and positively related to strategic agility ($\beta=.333$, $p<.001$) (Table 1). This supports H1a. Market orientation provides a cultural basis for strategic agility through providing vital information about the needs of customers, understanding what competitors are doing and galvanising organisational effort to meet these needs. This is consistent with the notions of information generation and dissemination providing the material for organizational response (Kohli and Jaworski, 1990). Support is also found for the mediation of strategic agility in the relationship between market orientation and adaptive capability ($\beta=.188$, $p<.001$) supporting (H21) and with long term performance ($\beta=.150$, $p<.001$) supporting (H1c). Support for the two hypotheses addresses an important issue i.e. do dynamic capabilities directly influence performance or is the contribution of dynamic capabilities in reconfiguring resources and capabilities that in turn influence organizational performance. These results suggest that both perspectives may be correct and require further investigation.

Table 1: Direct and Mediated effects of Market orientation, learning orientation, Operating efficiency, Innovativeness on Marketing Agility and Adaptive Capability and Long-term Performance

<table>
<thead>
<tr>
<th>Hypotheses Predicted Direction</th>
<th>Direct effects (std regressions)</th>
<th>Mediated Effects (std regressions)</th>
<th>Supported/not supported</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Orientation is related to</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H1a: Marketing Agility +</td>
<td>.333 (6.343**)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>H1b: Market Orientation—Marketing Agility—Adaptive Capability +</td>
<td>.188 (4.585***)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>H1c: Market Orientation—Marketing Agility—Long term Performance +</td>
<td>.150 (4.286***)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td><strong>Learning Orientation is related to</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H2a: Marketing Agility +</td>
<td>.264 (6.22***</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>H2b: Learning Orientation—Marketing Agility—Adaptive Capability +</td>
<td>.149 (3.725***)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>H2c: Learning Orientation—Marketing Agility—Long term Performance +</td>
<td>.119 (3.839***)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td><strong>Operating Efficiency is related to</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H3a: Marketing Agility +</td>
<td>.362 (6.17***</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>H3b: Operational Efficiency—Marketing Agility—Adaptive Capability +</td>
<td>.204 (6.000***)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>H3c: Operational Efficiency—Marketing Agility—Long term Performance +</td>
<td>.163 (5.821***)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td><strong>Innovativeness is related to</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H4a: Marketing Agility +</td>
<td>.555 (9.839***)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>H4b: Innovativeness—Marketing Agility—Adaptive Capability +</td>
<td>.313 (8.267***)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>H4c: Innovation—Marketing Agility—Long term Performance +</td>
<td>.250 (7.576***)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td><strong>Marketing Agility is related to</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H5a: Adaptive Capability +</td>
<td>.563 (7.673***)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>H5b: Long term Performance +</td>
<td>.449 (8.308***)</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>H6: Adaptive Capability—Long term Performance +</td>
<td>.270 (4.46***)</td>
<td>Supported</td>
<td></td>
</tr>
</tbody>
</table>

Model psychometric properties $\chi^2$ (df=238)=856.529, GFI=.90, AGFI=.88, NFI=.89, TLI=.91, CFI=.92, RMSEA=.063
Learning orientation is significantly and positively related to strategic agility ($\beta$=.264, p<.001) supporting H2a. Learning orientation implies a collective organisational learning process that provides a cultural dimension for members to continuously learn by doing and by experimentation. Learning in organisations is facilitated by a shared vision of the importance of knowledge acquisition, a commitment to learning and open mindedness (Sinkula, Baker and Noordwier, 1997). Support is also found for the mediation of strategic agility in the relationship between learning orientation and adaptive capability ($\beta$=.149, p<.001) and with long term performance ($\beta$=.119, p<.001). These results support H2b and H2c respectively.

We noted earlier that a focus on operating efficiency has potentially contradictory effects on strategic agility. On the one hand organizations tend to use, without change, what seems to be working. This creates a disincentive to experiment. On the other hand process activities are experienced on a daily basis and create opportunities for new knowledge, new learning and enhancing existing routines. We further argued that because of the domain overlap between tactical operations and agility that the most likely relationship was positive. The results in Table 1 show support for H3a ($\beta$=.362, p<.001). There is evidence of support for the mediation of the relationship between operational efficiency with adaptive capability ($\beta$=.20, p<.001) and long-term performance ($\beta$=.161, p<.001) supporting H3b and H3c. These results are significantly stronger than those for market orientation and learning orientation. This supports researchers who argue that dynamic capabilities are best investigated at operational levels of the organisation (Cavusgil et al. 2006).

Innovativeness has been posited as one of the most effective capabilities for adaptation. Innovativeness allows firms to respond to new customer needs, competitor technologies and creating additional value for customers through improved performance (efficiency and effectiveness). Innovativeness in our operationalization combined three aspects i.e. product innovativeness, process innovativeness and administrative innovativeness. Thus, our conceptualisation and operationalization captured the concept as fully as possible. Product innovativeness is closely related to customer orientation in that both are responses to customer needs, process innovativeness parallels competitor orientation while administrative innovativeness parallels resource fluidity. These close relationships explain the positive relationship among market orientation, innovativeness and strategic agility. Support is found for H4a ($\beta$=.555, p<.001). Support was further found for the mediation effects of strategic agility with adaptive capability ($\beta$=.313, p<.001) and long-term performance ($\beta$=.250, p<.001) supporting H4b and H4c. Taken together these findings further lend support to the model and demonstrate total mediation.

CONCLUSION
Dynamic capabilities evolve from attempts to deal directly with the challenges of keeping substantive capabilities vibrant through acquisition of new internal and external knowledge. Moorman and Miner (1998) observe that the capacity to adjust routines on the fly can result from encountering a situation for which the organization is not prepared. New situations and new challenges provide opportunities for organizational learning, setting a foundation for creating dynamic capabilities. We argue that dynamic capabilities are needed to keep substantive capabilities vibrant, substantive capabilities atrophy without use; but potentially become so embedded in organizational memory if not altered that flexibility is harmed. It is the function of dynamic capabilities to keep strong, exercised substantive capabilities supple. We believe this is the first study that compellingly demonstrate a measure of a core capability, demonstrate its functional position in a way most consistent with the evolving theory. However, because of the potential recursive nature of the relationship between dynamic capabilities and substantive capabilities, to be able to demonstrate these relationships conclusively requires a longitudinal study. We urge other researchers to consider this avenue of investigation.
REFERENCES


Globalization and the Challenges of Human Resource Management in Africa

Femi Adeyeye, Lagos State University, Nigeria

This article presents the trend in the operations of the new global Economy with its concomitant challenges on HR management in African. The paper also examines the issues and the fallout of globalisation with a view to fashioning out those market-driven oriented HR policies for accelerating the economic development of African nations. The paper concludes that irrespective of the views of the different actors in industrial relations, globalization is inevitable; hence HR management in African should embrace it.

INTRODUCTION

The most recent factor that is shaping the world today is globalization. It is primarily a phenomenon premised on a rapid increase in cross-border social, cultural and technological exchange. The phenomenon of globalization is not new. Globalization phase one, was between 1820s and 1920s when, fired by the falling transportation costs following the invention of the railway, the steamship and the automobile, cross boarder capital and labour activities began to change the world for good. There were no currency controls and the daily foreign trading was in $m till 1900. Indeed international passports were not used before 1914. Phase one, was brought to an end by the World War era, beginning with Russian revolution, the Great Depression of the early 1930s, which culminated in the Cold war period between 1945 and 1989. Phase two, was ushered in by the fall of Berlin Wall, and has been powered by falling telecomm cost following the invention of microchips, fibre optics, satellite and the Internet. Daily forex trading in 1992 was $820b while the transaction velocity in 1998 was $1.5tr a day- Oni [2004]. Apart from the fact that phase one was dominated by British power and phase two by American power and that each power imposed its culture and navy on the world, the difference between the two periods lies in the degree and intensity of world integration, speed and coverage of impact, insignificance of borders, and the infinite tradability of goods and services.

Conceptualising Globalisation

There have been various attempts at conceptualizing globalisation. In a most general sense, it is defined as the “increasing integration of regions and nations into the world market, the overcoming borders and the soaring of transaction cost as frontier barriers are eliminated” [Altvater, 1997:37]. The proponents of globalization argue that the world economy has been internationalised in a context that is dominated by uncontrollable market forces where the principal actors are the TNCs, where investment opportunities are no longer geographically constrained and advances in information technology facilities and economic activities across the globe are unlimited [Hirst & Thompson 1999]. Those in support argue that by lowering barriers and shortening logistics chains, globalization promotes real choices, and the freedoms that go with them- freedom to trade, to choose markets to access required/appropriate technology for production, to realize economic potential thereby empowering the consumer, and ushering in long-term prosperity for all, some ideal of a 'universal civilization'. Some even venture as far as asserting the inevitability of globalization.

- Globalization has been projected by some as 'a key idea by which we understand the transition of human society into the third millennium. ,
- The Economist held the view that rapid development envisaged for the Third World meant that globalisation would deliver more for all, and that 'it is the world's poor who will benefit most.'
You can export your way out of under-development... from 1980-1999 world trade in goods tripped from sterling 1 trillion to 3 trillions sterling. Poor countries have concentrated on clothes, footwear, electronics, and shoes...' Aimiwu (2004).

Peter Sutherland's (of the Overseas Development Council, UK) views were also strong-"globalization's effects have been overwhelmingly good. world trade continues to expand faster than overall global economic output. ...creating millions of jobs. Even more impressive is the stunning increase in international investment that is building roads, airports, and factories in poorer countries. In the 1990s alone foreign investors poured $1 trillion into developing economies. ..raising living standards in some countries faster than many thought possible. Until recently, it took at least two generations for living standards to double, but in China, living standards double every 10 years." (Time.com special report 02/02/98- 'expand the Debate on Globalisation' by Peter Sutherland)

Gray stressing the inevitability of globalization states 'the world historical moment we call globalisation has momentum that is inexorable'. (I. Gray, 'False Dawn' 1998)

Nail FitzGerald of Unilever concludes that globalization is 'simply the latest phase in the evolution of international business and the integration of the world economy', asserting that companies have no choice but to respond to its effects.

In contradiction to the position of globalization theorists, the opponents argue that there is nothing really new about the so called globalization. The fact is that through its various phases, cabal has always tried to control the world economy (through slave trade, colonialism and neo-colonialism, etc. The TNCS that are now the driving force for globalisation have long been active across national boarders under one guise or the other and had always been in control of the world economy (Unilever, UAC, CF AO, PZ,) as far back as the middle ages, trading across national borders. As such there is nothing new in what is currently unfolding.

Opponents are even more vehement, sometimes violent. To Oshiomahle (2005), 'globalization is the offensive and oppressive march of international capitalism', destroying all the cherished values in its wake, everywhere. It represents cultural subjugation, and ideological conquest. Economic integration, therefore, with all the gains of economies of scale, places 'profit over people', they claim.

In rich countries, protesters accuse globalization of consumer harassment, environmental degradation, promoting unemployment. Regarding poor countries, globalisation is accused of entrenching poverty, and ruthlessly grinding the poor everywhere, not only widening the gap between the rich and the poor between countries and within countries, but actually, like Dracula, thriving on the blood of the poor. Whilst Foreign Direct Investment (FDI) from rich countries go to other rich countries, only dumping appears in the receipt book of poor countries. Democracy is compromised in such countries by a dangerous combination of IMF/WB , conditionalities', and the insensitivity of multinationals, say critics, who are unimpressed by rosy corporate vision statements, and the 'too-good-to-be-true' Statements of Corporate Responsibility. Governments are powerless against the onslaught.

Fairly, or unfairly, several failures are blamed on globalisation. It is perhaps less unfair to regard these as unfulfilled expectations, where so much (magic) is expected of globalisation: -

Poverty -Hear Nelson Mandela at the World Economic Forum, Davos, February, 1999, "is globalisation only to benefit the powerful and the financiers, speculators, investors, and traders? Does it offer nothing to men, women, and children, ravaged by the violence of poverty?" Life has become an increasingly desperate struggle for much of the Third World masses. Over 800 million people do not and cannot feed well, according to UNDP. Over 80% of the all Third World countries are yet to attain the 3% target GDP growth rate prescribed by UN as the minimum condition to reduce poverty.

Widening Gap -the income ratio of the world's poorest 20% to the richest 20%, has worsened from 1:30 in 1960, to over 1:74 now. In Africa, the average household consumes 25% less today,
than it did 30 years ago, not because dieting has caught in, but because of the 'violence of poverty'.

- Staggering Inequalities - the combined assets of the world's top three billionaires, it is claimed, is 'more than the economies of all the least developed countries'. China and India, with their billions of people, have a combined GDP equivalent to the State of California's!

- Cultural imperialism - even a developed country, France, is uneasy about the fact that 70% of film goers in France watch Hollywood films. They have also recently proscribed the use of the word 'internet' because it is too Anglo-Saxon! A disc jockey in Africa sounds like one in New York. It is the 'in thing'; it is total Americanization whether in Ghana, Nigeria, Tokyo, or Hong Kong. Try to imagine an 'evangelist' or 'Pentecostal' preacher in Nigeria or Gambia without American accent would not attract modern boys and girls in his crusade.

Globalization and African Human Resource Management
The World is gradually shifting from being a global village to a small room of very small dimension. We're living in a time when a new economic paradigm - characterized by speed, innovation, short cycle time, quality and customer satisfaction - is highlighting the importance of intangible assets such as brand recognition, knowledge, innovation, and especially human capital. Physical assets as constituting less and less of total company valuation, while intangible elements like goodwill, branch essence, intellectual property and unique competencies are commanding higher premiums, because they are the factors that differentiate one firm from another. The fortunes of people, and the wealth of nations is globalization, in all its ramifications. Work attitudes, work habits, work choices and preferences, work styles, etc., are undergoing transformation globally and by the day. The fuel firing the engine of globalisation is interconnectivity. An action in one economy creates a chain of reactions in another. For example, Osama Binladi struck in the United States of America and travel and tourism collapsed Worldwide: Rediscount rates go down in the U. S. A, and pressure on the Yen goes up in Japan. Oil workers threaten to kidnap foreigners in the Niger Delta Region of Nigeria and crude oil prices shoot up in the World markets. As earlier said, globalisation also permits work to go on anywhere, anytime, and all the time; in our bedrooms, in our cars and at club houses -Aimiwu (2004). There is no water tight compartmentalization in the activities of the various zones that make up the world. Fu the light of this, it is most apt for Human Resource Managers in Africa to brace up to the challenges.

At this juncture one is tempted to ask why Human Resources Managers and not other managers within the work environment? Globalisation touches people. It does so in different ways, for better or for worse. It means different things to different people, evokes different emotions, and invokes different reactions from different people.

Need this be so? Why is it so? Much too often, managers seem to forget that markets, organizations and societies, are made up, not of abstract geographics, demographics, or even psychographics elements, but of REAL PEOPLE. The human resource (in the resource mix) has unique characteristics:

- The human resource drives all other resources
- The human resource is the only resource that is resourceful
- HR is the only resource capable of conceptualizing being, and that can distinguish between what is, what can be, and what should be. People dreams, and have hopes and aspirations; they have fears and worries.
- It is the only resource that is capable of feeling pain and pleasure, and can weep and laugh - Armstrong (2004).

They are PEOPLE, not statistics; and on their management depends the success or failure of all human endeavour.

Structures, systems, processes, plus other resources, are driven by the Human Resource (HR). Globalization itself is a product of human processes. Perhaps a better understanding of the HR issues and
the challenge they pose will better illuminate the discourse on globalisation. All work is driven by people, and shaped by people - Adeyeye (2002).

THE ISSUES AND FALL OUT OF GLOBALIZATION

Developments across the globe are causing new pressures, posing new challenges, and creating new opportunities. The triggers include:

- Increasingly aggressive export drive by producers in the developed markets, confronted by local maturation, and the need to optimize capacity utilization.
- More private capital flows arising from increased 'westernizing' of Eastern and Central European economies. (a Russian billionaire recently acquired London's Chelsea Football Club).
- Telecommunication-explosion and dotcom revolution, which have promoted the emergence of global and more lethal information networks, heightening competition within and among countries. More viewers watch 'Big Brother' relayed from South Africa, at certain periods, than Nigerian Television Authority (NTA), 'first in Africa'. Holyhood films are everywhere in African. An average African perhaps owns a GSM set, a service just about seven years old in Nigeria and many African Countries. We used to say the world was 'a global village'? Today's world is a tiny room.
- The increasing impact of WTO- fewer and lower tariffs- is reshaping the goods flows, although often compromised by the 'big flies', USA, Europe and Asia-
- Increased intervention by IMP and the World Bank, with their proverbial conditionalities', which quite often consign the patient from the surgeon's table to the morgue.

Bigger and more complex markets, fewer and lower barriers, faster and better communications and transportation, freer, easier, and more global capital flows; all point to one direction- a fiercer rat race for market share, locally, nationally, regionally, internationally, and GLOBALLY. More pressure on people. Whether we like it or not, globalization is here with us in Africa. If as some claim, globalization is good, and it is 'inevitable' why is there so much vehement opposition? Let us try to understand the arguments on both sides to appreciate the HR issues involved. The misgivings about globalisation notwithstanding, awareness of its offerings is high, and appetite for quality, convenience, and low import prices is insatiable. Copycat syndrome is also high, as people struggle to keep up with the American and European standards.

We can only ignore globalisation at our peril. It is more prudent to be deliberate in addressing the issues raised, and professionally responding to the challenge posed, by globalization. Excellence is key to the rat race of globalization, where even the fittest are not guaranteed survival, because no advantage is permanent. Advantages erode over time! That is why progressive organisations are continually repositioning for (new) advantage. Today's best may no longer be good enough. Yesterday's corporate models are today's corporate muddle. Economic models have also become economic muddle, empires (eg Mongolia), have become 'colonies'; superpowers have become paper tigers, etc. Fewer than 2% of businesses ever established exist today!

Excellence, which is so crucial to creating the desired advantages, is itself a product of human processes. Excellent brands are produced by excellent people. Ultimately, competition is not just between African products and American products, but also between African logistics and foreign, our factory efficiencies and theirs, our managers and theirs, our Board and theirs, our government policies and theirs, our political leaders and theirs. President Bush is the Chief Marketing Officer for Genetically Modified Foods in the current US Agric war with EU! Everything and everyone is involved in the race, directly or indirectly!
THE CHANGING ROLE OF HR IN THE GLOBALISED WORLD

The emergent of globalisation and its concomitants certainly pose a potent challenge to organized labour - Matantmi (2007). The globalised world is, in sum, a market-driven one. African HR management has to be market-driven, both by the external market and by its internal market forces. It has to adapt or perish, swallowed up by a more market-sensitive function. With the quantum and rapidity of corporate collapse renting the air the World over, when even US giants, hitherto regarded as corporate models have degenerated to muddle, new African Board demands on HR contribution, in the light of the above challenge, have become more exacting and specific. Gone forever are the days of armchair, spectator HR. HR is no longer expected to be a dumping ground for expired managers, or dead wood, nor is anyone going to allow the function escape unscathed and unstained by non-performance - Aimiuwu (2004). Increasingly, HR, the appraiser, is being appraised on core parameter that directly impact company performance, and measurements must be found for each area of HR activity. It contributions are measured at three levels as

- a member of the corporate team,
- a function
- individual HR functionaries

As a necessity, HR competence (quality) is being redefined in terms of how it supports the market-driven organisation to; adapt to change, improve operational efficiency, achieve business targets, take care of employees' needs - Oni (2004).

The criticality of HR's contribution to effectiveness in managing the new needs of the market-driven workforce is underlined by new corporate insistence that HR up-scale and up-rate its involvement in-

- defining business strategies
- shaping culture change for organisation transformation
- delivering HR process

African HR, in the new scenario, must put its own house in order, enhancing organizational process and harmony by ensuring that-

- HR strategies support business strategy
- HR policies and processes enhance the organization's ability to change, as well as responding to the changing personal needs of the employee.

AFRICAN HR POLICIES / PRACTICES IN THE NEW DISPENSATION

HR, in the new scenario, will be adjudged to have succeeded and met the challenges of socialization if her policies are perceived by its stakeholders as that capable of making from HR practice:

- a good business partner
- a change agent
- an administrative expert
- a champion for employees

Additionally, HR must be perceived as the driver of-

- universal best proven practices
- company standards

And must itself exhibit appropriate skills and competencies in managing these. They must be captured and integrated within the company's performance and reward processes using the following HR components for her relevance in the rate race engender by Globalisation.

Manpower Planning and Development in The new Scenario

A market-driven organisation leaves very little to chance. Recruitment, movements, career planning, etc must be based on a well-defined and professionally managed manpower planning process, which draws heavily from forecasts, skill and competency profiling, and gap analysis, all keyed in to the strategic wavelength of the company.
Recruitment Management
Talent is the predominant asset of the globalized era organisation. One wrong staff in, and everyone suffers! This is the stage where HR contribution can make a real difference. Recruitment must be based only on standard-based, merit-driven, well-structured and articulated plans, that secure the strategic and operational needs of the business. No 'in-law' factor, 'home-town' factor, 'childhood friend' factor, or 'pressure from above'. It is cost effective to be efficient at this stage. Every cent well spent at this stage saves you a dollar later.

Training and Development of Human Resource
Globalisation and market place competition is not limited to brands and products but also between our strategies and those of the rest of the world. There will be marked market-place difference if managements devote just a few more time and resources to the management of trainings. Human beings are not raw materials; however, because of lower quality assurance at the supply source, treatment and processing should require much more investment than that accorded the (product) supply chain, but in reality it attracts just a fraction. When we then factor in the inherent complexities of the human resource, it should become more than a balance sheet item. As society graduates from agrarian to industrial, and the difference narrows between rural and urban, emphasis shifts from the more menial, physical skills to the more professional skills. Intellect and knowledge, replace brawn and muscle as the core resource. Intellect requires continuous lubrication, knowledge, continuous updating. The market-driven worker requires continuous knowledge empowerment, only possible through deliberate, sustained and continuous training.

Appraisal System
Performance processes must add value to corporate attainment of target market positioning, otherwise HR cannot be said to be truly keyed to business strategy. Critical to success is that the process must be merit-driven, based on agreed targets, consistent and predictable, keyed in to the reward system, and employ transparent and fair appraisal.

Employee Relations and Reward Management
A critical HR challenge is to narrow the vision gap between the organisation and the employee. How for instance do we achieve a transformation of attitudes that will erase the subconscious perception by the public servant (of course, not all) of his employer as a continuation of colonial imperialism, unworthy of loyalty, and undeserving of effort and service; yet the same people, in their community projects in the traditional setting, work selflessly in pursuit of a common goal. Also, in the private sector, modern enterprise goes through a lot of stress trying to galvanize and harmonize values in pursuit of a shared, common, and consistent vision, perhaps due to hidden fears and suspicion that companies are instruments of cultural subjugation, designed to grind the poor, for the eternal enrichment of the rich, usually perceived as foreign, even when Africans have majority equity in these companies -Aimiwu (2004).

Generally, Africans are hardworking. No people can be more hardworking. Take a look at an average African market woman who goes from Alagbado (a sorb of Lagos, commercial capital of Nigeria) dutifully every morning at 5a.m, after preparing children for school and husband for work, to sell her wares at Idumagbo market in Lagos, a distance of about 50 kilometres. She does this from 5a.m to 10p.m every day except Sundays or a market woman who carries her wares from Dodowa to Accra, a distance of about 20 kilometres towards the East of Accra in Ghana to sell after she had met the daily needs of her family. If this does not amount to hardwork, what does? Obviously the problems are due to unresolved transformation issues, right from the pre-independence days to the present day Africa. HR must evolve systems to address this challenge, in her management of employee relations, and Industrial Relations.

Many years of misrule have so severely dehumanized and impoverished the people, who as workers, increasingly perceive employers as oppressor always willing to maximize profit at their (workers) expense. What can the HR managers do to erase the afore observed impression of an average worker
against its employer? What can ever be done to motivate the African worker to be market-driven? Their own remunerations needs are also market-driven. ‘If you pay peanuts, you get monkeys.’ We should upgrade our remuneration package and acquire the best. Let us also have a transparent, merit-driven, reward system that significantly shows the difference between performers and non-performers.

CONCLUSION AND IMPLICATIONS

The various issues describe the focus of best practice in Human Resource Management in today's globalised world. Each of them provides huge opportunity for practitioners to find a place in the globalized World. Becoming a business partner is no longer a matter for debate if African Human Resource will take its rightful place in the globalised world. The Human Resource also has a platform to support the line manager in delivering on their commitment. And in doing so, I will recommend the following road map to the African HR managers in addition to those suggested earlier:

1. Understand the issues that face the business and what the desired business model is in your specific industry.
2. Develop a familiarity with the overall strategy direction of the company, and what exactly the targets are.
3. Immerse in the needs of the various key line managers to gain an understanding of their issues and how HR might partner with them. This exercise also provides excellent opportunity to study the interaction among the team members in the various functions more closely, and better enable HR to design custom-made training intervention for such teams or individuals within the team. Africans have their peculiarities and these must be considered in the nature, type and curricular of training for workers
4. Grow the capability within HR to achieve these tasks, and accept that new skills will have to be learned. There is hardly a substitute for reading and study of appropriate literature, and sharing among practitioners.

Obviously, globalisation is a product of human processes, and advantages belong to those with the most resourceful human resources. The era of 'anything goes' is dead with the advent of globalisation. In an increasingly borderless (European Union, African Union, World Trade Organisation, World Bank and IMF, Transnational Companies) and disappearing market barriers, the message is "change" or become totally irrelevant. African Nations can not operate in isolation particularly now that the entire world has become an open market for all to buy and sell their wares, skills, competences and talents.

The big players in the Global market should play down on inequalities which the new scenerio is gathering to avoid tensions and social upheavals capable of threatening industrial peace and harmony in Africa and other parts of the world.

The global market must not be designed to protect the self-serving interest of only the big players in the market. African trade unions must be at the forefront of the struggle to ensure that the rules and regulations governing the activities of the various players within the market, including African countries are people-centered. To be indifferent is courting disaster.

REFERENCES


Kester 0. Kehinde: A perspectives on wage determination and Bargaining in Nigeria
Articulating Competences of Managers to address the changing work environment demands in the District Local Governments

Florence Nansubuga, Makerere University, Uganda

This paper discusses the current management system in the District local governments in Uganda. The purpose of the study was to examine the process through which managers can reflect critically about what they normally do (their actions) to meet the expectations of their roles, and to determine better ways of solving problems according to the demands of the work environment. This process involves articulating tacit knowledge, translating it into explicit competences and then developing a mix of competences basing on the reflection-action theory. The study was carried out in two districts as pilot samples and it was targeting employees in managerial positions. Data was collected using a questionnaire and it was analysed quantitatively. Results indicated that reflection-action learning enables managers to determine relevant competences and act proactively when facing challenges due to changes in the work environment. The process encourages managers to put an emphasis on the outputs of their actions as a way of managing performance before assessing the results/outcomes. It therefore serve to complement the current performance management in District local governments which focuses on results by introducing a component of outputs which are direct image of ones competences.

INTRODUCTION

The decentralization policy in Uganda was established under the Local Government Act 1997 to give more administrative powers and to devolve more functions and services from the centre to the District Local Government Authorities (DLGA) (Makara, 1998). The aim was to deal with issues of good governance, improved service delivery and poverty alleviation that had become challenges of the various Ministries in the Central Government (Nsibambi, 1998). The Central government came up with this idea to integrate functions of all sectors of the Country such as education, health, road works, agriculture and other crosscutting issues such as gender, HIV/AIDS and environment into a single management plan at District levels (GoU 1997: 34, S.36). According to Onyach-Ola, (2003), this level of planning and performance management was introduced in District local governments without sufficient preparation of the personnel in how to handle such complex issues. Although the personnel had technical competences related to their sectoral backgrounds, they lacked planning and performance management competences that were essential for reconciling a mixture of programmes from the different sectors.

The Ministry of Public Service attempted to intervene by introducing a new public performance management system which requires District officials to shift focus from inputs to outputs (ROM, 1997). The system also encourages District officials to set clear priorities for the resource available and follow standardized operating procedures to produce results. This implies that no matter what little resources are made available, there must be some results to show that those few resources are well utilized. However due to the complexity of the DLGA operations which are situated in dynamic and varying social, political and economic contexts (Cheng, et al, 2003), district officials have found it difficult to fully adapt the new performance management system (Kloot, 1999).

One of the major challenges that are faced is that the DLGA operational context is continuously changing. In the past the DLGAs were the only legitimate service providers in the community. Today, due to the introduction of the Sector-wide approaches (SWaps) the operations of the DLGAs requires working together with many partners who originally were outside its scope (Macaulay & Lawton, 2004; Samson, 2003; DFID policy paper, 2001). The partnership includes the district officials themselves, the NGO workers, the private service providers, and the consultants (Bowman, et al, 2004). The inclusion of many
partners in the Districts operations has made service delivery competitive where the district officials must compete with their partners in order to retain some of the functions since whatever is implemented by the partner means loss of jobs and credibility to the DLGAs (Kloot, 1999). The District official still lacks competences to deal with such a dynamic turbulent environment in which partners are also perceived as competitors. These kind of competences requires managers to critically reflect on concrete experiences, examine what they thought they knew (tacit knowledge), set their own explicit performance goals and determine alternative up to date actions (explicit knowledge) to address the goals (Broussine, 2000; Drejer, 2001; Høyrup, 2004; Munene, et al., 2004). Unfortunately, the system of prioritizing available resources and following standardized procedures for getting results does not allow for critical reflection and can only work in a stable environment.

The purpose of this study is to examine the reflection-action learning as a means of articulating tacit knowledge to allow managers reflect on the implications of their actions (competences) and relate them to the their outputs in their operational environment. More specifically the study will investigate the relationship between Reflection-action learning, competence mix, and adaptability to work environment as expressed in the following hypotheses;

**H1:** There is a significant relationship between reflection-action learning and competence mix

**H2:** There is a significant relationship between competence mix and adaptability to the work environment

**Competence mix and adaptability to the work environment**

As organizations are trying to pay more attention on creating performance management competences (Brewis, 1996), there is a propensity to develop standardized technical competences that focus on continuity in a stable working environment. These standardized technical competences tend to be fragmented thus affecting role clarity whenever there are rapid changes in the environment (Salaman & Butler, 1990). Thompson, et al. (1997) observed that there are always other existing competitors and potential new entrants looking for opportunity to break into existing markets. For organizations to continue surviving successfully in the competitive environment, they must be ready to deal with any new challenge from the innovative competitors. In this case it is important for employees to reflect on the consequences of their actions and habits that once served them well while determining which ones they should unlearn and which new competences they should acquire to address the changing environmental demands (Atkinson, 1999). Hakasson referred to this kind of reflection as essential for adapting and adopting the uncertain work environments (Hakasson, 1982). He defined adaptability to the work environment as the ability to solve difficult exchange relationship problems within a given organization such as modifying a product or service to suit the customers’ requirements. It is the readiness to scan changes in the work environment consciously and accurately and to respond appropriately (McCarthy, O’Connell & Hall, 2005).

According to the European Union presidency conference, (EUPC, 2004), workers and organisations need to respond to the external and internal environments. The ‘external’ changes are beyond the organizations direct control, technological change, innovations, competition, globalisation, government regulations and de-regulations and consumer behaviour. The internal changes include pressures arising from initiatives, innovations or failures of the organization such as changes in product or service price and demand. Appropriate response to changing work environment requires employees to develop innovative strategies and new work methods. This will happen only when they engage in reflection-action learning to which we turn next (EUPC, 2004).

**Reflection-action learning and Competence mix**

According to Marsick & Watkins (1990) reflection relates to understanding one's own standards, goals and interests, learning about backgrounds and underlying assumptions and determining actions aimed at improvement. However, it is important for employees to reflect critically if they are to challenge routine practices or cultural norms and assumptions behind their reasoning and action (Brooks, 1999) that make
them behave unimaginatively. These routine practices and assumptions hinder improvement. Critical reflection allows employees to examine the current work practices, to address moral and ethical dilemmas and to evaluate organizational goals and strategies with regard to improvement (Brooks, 1999). Brookfield, (1987) defined a three stage process in which individuals reflect critically. The process is oriented towards detecting and analyzing the tacit assumptions that underlie their actions, decisions and judgments. The first stage is when the individual become conscious that the tacit knowledge exists; the second stage involves translating tacit knowledge into explicit competences; and then the last one involves assessing the accuracy and validity of the explicit competences.

**Figure 2:** The three stage process for developing competence mix (Brookfield, 1987)

During this three stage process, tacit knowledge serves as a frame of reference for creating new competences, whereas assessment of accuracy and validity allows the individual to unlearn and create a place for new better competences. This means that knowledge is broken down and then built up again as competence mix to suit the new environmental challenges (Bolhuis and Simons (1999). Thompson & Cole (1997) proposed that individuals within the organization should maintain an awareness of the implications of changes in the environment and continuously develop a set of unique mix of competences that are most critical for the current environment and competitive success. Atkinson, (1999) conceptualized value adding competence mix as cognitive aspects that include self knowledge, emotional resilience and personal drive.

**METHODOLOGY**

This study was conducted in two districts namely, Kampala district and Kabalore district. These were selected purposively as a pilot study. The target sample was forty District Local Government employees holding managerial positions. These included heads of Directorates, heads of Departments and heads of Units. Data were collected using a questionnaire. The study variables with their alpha coefficients ($\alpha$) and number of items/ measures (N) were as follows; reflective-action learning ($\alpha = 0.83$, N = 30); competence mix ($\alpha = 0.94$, N = 28); and adaptability to work-environment ($\alpha = 0.79$, N= 18). We used Spearman rank order correlation and regression analysis to test the hypotheses.

**RESULTS**

This section presents results according to the hypotheses basing on the Spearman rank order correlation. However the overall dependent variable percentage explained by the predictive variables is presented basing on regression analysis.

**H1:** There is a significant relationship between reflection-action learning and competence mix.

The results (table 1 below) indicate a significant relationship between reflection-action learning and competence mix ($r_{\alpha} = 0.55**$ and $p = 0.01$). This means that the two variable are strongly related and in a positive direction. When reflection action learning increases among managers, their competences in terms of what they should know and do on job also increases.
H2: There is a significant relationship between competence mix and adaptability to the work environment.

The results in the table below indicate that there is a significant relationship between competence mix and adaptability to the work environment ($r_{1.2} = 0.44^*$ and $p = 0.01$). This value shows positive association between the two variables, meaning that whenever a manager acquires new varying competences, adaptability to the work environment also increases.

**Table 1: Relationships between the different pair of variables basing on spearman’s rank order correlation (N = 23)**

<table>
<thead>
<tr>
<th></th>
<th>Reflection-action learning</th>
<th>Competence mix</th>
<th>Adaptability to work</th>
<th>Adaptability to work environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competence mix</td>
<td>0.55**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adaptability to work</td>
<td>0.34</td>
<td>0.44*</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (1-tailed).**

Regression analysis indicated that reflection-action learning and competence mix could predict 38% of the variance. The R square was equal to 0.44 and adjusted R was 0.38. Since this was a small sample we consider an estimate of the corrected R square value (the adjusted R square 38%) the true explanation of population value. In addition, the analysis showed that only competence mix significantly contributed to the prediction of adaptability to work environment ($\beta = 65\%$ and $p = 0.009$ (see table 2)

**Table 2: The association between predictors and adaptability to work environment**

<table>
<thead>
<tr>
<th>Predictors</th>
<th>R square</th>
<th>Adjusted R square</th>
<th>R</th>
<th>Mean square</th>
<th>df</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>0.44</td>
<td><strong>0.38</strong></td>
<td>0.69</td>
<td>2</td>
<td>7.3</td>
<td>0.004</td>
<td></td>
</tr>
</tbody>
</table>

Unstandardized Coefficients

<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>Std. Error</th>
<th>Beta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reflection action learning</td>
<td>.013</td>
<td>.268</td>
<td>.011</td>
</tr>
<tr>
<td>Managerial competences</td>
<td>.458</td>
<td>.158</td>
<td>.652</td>
</tr>
</tbody>
</table>

Dependent Variable: adaptability to environment

**DISCUSSION OF FINDINGS**

Brookfield (1987) argued that assessing the accuracy and validity of tacit knowledge to unlearn what one already knew is essential for creating new better competences that suit the dynamic work situations. The significant relationship between reflection action learning and competence mix expressed in this study confirms Brookfield’s argument. Without reflecting on ones past experiences and then relating it to the demands of the work environment, the manager would not be able to unpack tacit competences and learn new competences that are relevant (Boyatzis and Kolb, 1995). This is why it is important to train managers to learn how to critically reflect on what they have been doing all along and find out whether there are ways to improve in relation to the environmental demands. In this process the employees may need to focus more on their outputs (what they do and how they do it) rather than focusing on the results of their action as contemplated by the new performance management system (ROM, 1997). The manager
would ask himself questions like: Whom do I interact with (people or other environment factors)? What information do I look for in this interaction? What problems do I solve on a regular basis? What hard decisions do I make when faced with challenges? These questions serve as guidelines for reflection and enable the individual to translate tacit competences into explicit competences (Munene et al., 2004; Stover, 2004).

The results support Nonaka’s view that the more managers learn to reflect rationally on the consequences of their actions the more they are likely to develop new ideas (Nonaka, 1996). The new ideas then develop into a range of competencies among which managers may select those that can address emerging task-challenges without duplicating what they have been doing routinely (Atkinson, 1999). Whenever this happens the organization is bound to remain competitive in situations that are challenging such as implementing a project through a development partner who is at the same time perceived as a competitor. Having a range of competencies also aids the managers to behave proactively when solving problems within a turbulent work environment. For instance district local governments today indirectly compete with NGOs to obtain grants from donors in order to implement development projects in the communities they serve. Donors usually have specific requirements and demands on which they base to determine who will implement the projects. Such a situation may pose an externally generated challenge and requiring unusual competences from managers. It is only those managers that can behave proactively with readily available competencies across the magnitude of donor requirements and demands that will have the greater opportunity to access the grants.

CONCLUSION

In order to improve performance in the district local governments’ managers need to continuously look back and reflect on the way they have been solving their role/task related challenges, and what actions have led to successes or failures. They need to think critically on the challenges they have faced in relation to the work environment and demands and determine new efficient ways of dealing with these challenges. This process helps them to acquire new relevant competences and thus become more competent when addressing problems that may arise as a result of changes in the work situation. For instance managers in the district local governments usually implement programmes directly in the community depending on the sector requirements whether health, education, agriculture or works. They may not face work related challenges when implementing such programs because that’s what they do on a regular basis. They may have gained credibility from the community as having the capacity to produce expected impact. In this situation some of the managers’ competences may be tacit and can be applied automatically and unconsciously without any modification. Given a situation where the implementation process has changed such as when district managers may be required to work together with an NGO or a private service provider or a consultant to implement a programme, this manager is likely to face challenges whereby his day to day tacit ways of solving problems may not be applicable. Then the manager needs to re-adjust his/her competences to suit the new work situation. This will require him/her to think about the previous actions and analyze them in a critical manner. The tacit competences then become explicit and provide the manager with an opportunity to think of new ways for dealing with the demands. The manager thus becomes conscious of the outputs of his/her actions.

Based on the above discussion, this study argues that since the operations of the District Local governments require the managers to exercise flexibility in determining the effective competences that can suit work demands, there is a need to review the new performance management systems that focus on results to put emphasis on outputs as well. For instance, in the above scenario, where a manager is expected to implement programs directly, both the immediate outputs and the results may be attributed to the manager or the District local government. However with the second scenario where the District manager is expected to work with a partner, who will be an NGO or a private-service provider or a consultant, it will be difficult to attribute the result to a particular individual or organ, but much easier to
examine the outputs of each contributing party. A performance management system that focuses on what the manager does (the output) and how he/she does it (the process) would be more valid than one that focuses on results. Moreover, results are always an outcome of outputs many actors. Mistakes are often made at output and process levels and can be made by any one or more of the complementary actors. This implies that by the time one starts examining the results things may have gone wrong way back at the output level. The reflection-action theory that has been described in this study has a potential to complement the result oriented management by facilitating reflection and action at these levels and thus prevent costly mistakes that tend to emerge during evaluations.

REFERENCES


Stress at work: any potential redirection from an African sample?

Gbolahan Gbadamosi, University of Worcester, Worcester, UK

Research on workplace stress has generated a massive interest and following in the management and behavioural literature in the Western world, but not much data has come out of Africa. This study explored the relationship among Perceived stress, Perception of sources of stress, Satisfaction, Core self-evaluation, Perceived health and Well being. Survey data was collected from 355 employees in Botswana. Result from descriptive data and correlational analysis indicates significant links between Perceived stress, Satisfaction, Core self-evaluation and Well being. Overall, much of our findings are consistent with what has been reported in the literature. Managerial implications of the findings were discussed.

INTRODUCTION

The amount of research attracted by the field of occupational stress is perhaps substantial enough to discourage the initiation of new research activity in the area, yet not so much of this cumulative body of knowledge has emerged from Africa. It is interesting that research activity in the field of stress has continued to grow (Jones & Bright, 2001, Johnson et al., 2005). However, the concept continues to lack specificity which might make it attractive to researchers, as diverse definitions and approaches can be adopted and a wide range of potential stressors, strains and intervening variables operationalised under various heading related to the concept (Kinman & Jones, 2005). On the flip side however, this lack of concept clarity that continues to surround the meaning of stress, has raised other questions on the continued usefulness of the concept (Briner, Harris & Daniels, 2004).

The Perceived Stress Scale (PSS) adopted for this study is a measure of the degree to which situations in one’s life are appraised as stressful (Cohen et al. 1983; Cohen and Williamson 1988). The items were designed to tap how unpredictable, uncontrollable and overloaded respondents find their lives (Cohen & Williamson 1988). The PSS was designed for use in community samples with at least junior high school education, a criterion which our study sample meets. The scale was argued as providing a conceptually clearer (better) measure of appraised stress (Cohen 1986).

According to Judge, Locke, Durham, and Kluger (1998), subjective appraisals are influenced by “the deepest (e.g., metaphysical) assumptions people hold about themselves, other people, and the world” (p. 18). These fundamental beliefs, or core self-evaluations, influence personal appraisals of external events and are particularly suited for occupational stress research (Best, Stapleton & Downey, 2005). Core self-evaluation is a broad, latent, higher-order trait indicated by four well-established traits in the personality literature: self-esteem, generalized self-efficacy, neuroticism, and locus of control. The commonality of these traits is that core self-evaluation is a basic, fundamental appraisal of one’s worthiness, effectiveness, and capability as a person (Judge et al. 1997). The importance of these four core self-evaluation traits has been well reference in the literature (Judge et al. 2003). In several studies, (Erez & Judge 2001; Judge et al. 2000; 1998a & 1998b) the four core traits have not only been shown to load on a single factor, they also share conceptual similarity (Judge & Bono 2001) all buttressing the argument that they are all indicators of a common core (Judge et al. 2003). The validity of the core self-evaluations construct is revealed in its positive association with job and life satisfaction as well as work performance (Judge, et al., 1998b). In several studies, core self-evaluations have been linked with job satisfaction and job characteristics (Judge et al. 1998b; Judge et al. 2000; Judge & Bono 2001); job performance (Judge & Bono 2001); motivation and performance (Erez & Judge 2001). However, in many of these studies core self-evaluation has been measured indirectly; and Judge et al. (2003) noted this is a serious limitation. In the present study we measure the concept directly using the 12-item CSES (Judge et al. 2003).
In the present study we focus attention on occupational stress measured by two popular measures (perception of stress and perception of the sources of stress) and it relationship with satisfaction, core self-evaluations, perceived health and well being among employees in Botswana. We did not find any prior African studies that had undertaken similar effort using these variables. We therefore propose to test the following specific hypotheses about the relationships.

Proposed Hypotheses:

1. There are no significant gender differences in all the study variables
2. There is no relationship between perception of stress and perception of the sources of stress
3. There is no relationship between perception of stress on one hand and each of satisfaction, perceived health, well being and core self-evaluations
4. There is no relationship between perception of the sources of stress on one hand and each of satisfaction, perceived health, well being and core self-evaluations

METHODOLOGY

Sample and Respondent Characteristics

Survey data was collected from a sample of public and private sector employees in Gaborone, Botswana. All participating organisations were visited (18 organisations in all participated) and the human resources department, through a designated officer, served as the collection point for returned questionnaires in sealed envelopes. This method of self-selecting and volunteering organisation has proved to be an effective way of obtaining participation in Botswana (Gbadamosi, 2006). A total of 430 questionnaires were returned with 355 being usable of the 700 questionnaires administered, representing an effective response rate of 50.7 percent. Botswana is a relatively small country with a population of about 1.785 million people; total adult literacy of 77%, and GNP per capita $3430.00 (UNICEF 2003 – Statistics). About 54 percent of respondents were females and only 35 percent were married. Also about 35 percent falls within the age bracket of 21-30 years and 48 percent were between 31-40 years. Over 65 percent have worked for over 6 years. Most of the respondents were well educated with about 56 percent possessing a basic university degree or higher. Over 68 percent were in the fairly high income bracket equivalent of over 500 US dollars monthly at the time of data collection.

The Procedure and Measures

The research instrument was a structured questionnaire measuring a total of 6 variables. The variables measured were Perceived Stress, Perception of sources of stress, Satisfaction, Perceived health, Well being, and Core self-evaluations. The reliability coefficient alpha reported for all the measures were within acceptable region (reported in Table 3).

1. **Perceived stress**: was measured with the popular 10-item scale of Cohen et al. (1983) and Cohen & Williamson (1988). Examples of item include: (1) In the last month, how often have you been upset because of something that happened unexpectedly? (2) In the last month, how often have you felt nervous and "stressed”? (3) In the last month, how often have you been able to control irritations in your life? This was anchored on a 5-point scale from ‘Never’ to ‘Very Often’. High scores on this scale indicate high perceived stress.

2. **Perception of Sources of Stress**: was measured by a 20-item scale of Sutherland & Cooper (1995). The items were measured on a 4-point scale from “Strong”, “Moderate”, “Sometimes” and “Never” a source of stress. Examples of items include: (1) Time pressure and deadline, (2) Work overload (3) My spouse’s attitude towards my career (4) Threat of job loss. The higher the score on this scale therefore the fewer the sources of stress perceived.

3. **Core Self-Evaluations**: was measured with the 12-item scale of Judge et al. (2003). Responses were anchored on a five-point scale from 'Strongly Disagree' to 'Strongly Agree'. Six of the items were reverse scored and Judge et al. (2003) reported reliability coefficients from 0.81 to 0.87. The higher the score the higher the core self-evaluations.
4. **Perceived Health:** measured by a 2-item measure. “Do you consider that your (1) physical health and (2) state of emotional wellbeing are – very poor, poor, average, good and very good?” Higher scores indicate better health perception by respondents.

5. **Well Being:** also measured by a 2-item scale. “Given your current lifestyle, to what extent do you (1) feel at risk from heart disease (e.g. from high blood pressure) (2) feel at risk from job burnout (e.g. physical and emotional exhaustion)?” This was anchored a 5-point scale from ‘high risk’ to ‘low risk’. Lower scores on this scale means higher well being.

6. **Satisfaction:** was measured with 5-item measure. Examples of the items include: (1) Are you satisfied with your job for the time being? (2) Do you have to force yourself to go to work? (3) Do you often think about quitting your job and finding yourself another job? All the responses were anchored on a Yes/No response. All five items were added for analysis, with the negatively worded items reversed scored. Hence the higher the score on the scale the higher the satisfaction of the respondent.

7. **Demographic Characteristics:** The demographic profiles included in the study are gender, marital status, age, work experience, education, type of organisation and total income. Table 1 shows summary of the respondents characteristics.

<table>
<thead>
<tr>
<th>Table 1: Summary of Sample Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td>Missing</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Age</strong></th>
<th><strong>Education</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 20</td>
<td>1</td>
</tr>
<tr>
<td>21-30</td>
<td>126</td>
</tr>
<tr>
<td>31-40</td>
<td>170</td>
</tr>
<tr>
<td>41-50</td>
<td>47</td>
</tr>
<tr>
<td>51-60</td>
<td>10</td>
</tr>
<tr>
<td>Over 60</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Work Experience</strong></th>
<th><strong>Type of Organisation</strong></th>
<th><strong>Total Income (Monthly)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 1 year</td>
<td>18</td>
<td>5.1</td>
</tr>
<tr>
<td>1-5</td>
<td>107</td>
<td>30.1</td>
</tr>
<tr>
<td>6-10</td>
<td>87</td>
<td>24.5</td>
</tr>
<tr>
<td>11-15</td>
<td>79</td>
<td>22.3</td>
</tr>
<tr>
<td>16-20</td>
<td>33</td>
<td>9.3</td>
</tr>
<tr>
<td>Over 20</td>
<td>31</td>
<td>8.7</td>
</tr>
</tbody>
</table>

| Others             | 15  | 4.2  | Missing   | 2  | 0.6 |
| Missing            | 1   | 0.3  |           |     |

Note: (N = 355); P = Pula; 1 Pound Sterling was about 6 US Dollars

**ANALYSIS AND RESULTS**

In our analysis descriptive statistics was used to explore some of the variables. On satisfaction, we found about 52% of the respondent were not satisfied with their job; 87% noted there were conditions about their jobs which could be improved; 73% were not satisfied that their efforts are commensurate with their
rewards but only 36% claimed they have to force themselves to go to work. On perceived health, 48.5% of the respondents reported their physical health as good with another 20% claiming it is very good. Similarly emotional well-being was reported as very good (43.1%) albeit about 33% claimed it is average. On well being, respondents’ indicated risk for heart diseases like blood pressure was average (35%) while another 27% puts it as a low risk. Similarly, the risk of job burnout from physical and emotional exhaustion was reported to be average (33%) with the other four options ranging from 14% to 18% - a very even spread.

The questions relating to health problems were mostly unanswered with the missing items in the five identified health problems ranging from 27 (7.6%) to 34 (9.6%). Specifically, when asked if they suffer from ailments the “No” responses for gastric problems (82.5%), chest pain (83.1%), hypertension (84.2%), Insomnia (82.3%), and migraine (85.9%). On the perception of sources of stress, the following items stood out as strong sources of stress in the sample: lack of career development (38.6%), incompetent boss (38.2%), work overload (38.4%), and time pressure and deadline (35.6%). At the other end of the continuum the following were never sources of stress: the amount of travel required by my work (48.4%), taking my work home (42.3%), keeping up with new technology (41.7%), my spouse’s attitude towards my career (58.3%), dealing with environmental groups (48%) and threat of job loss (47.7%).

We investigated if there were any significant gender differences in all the study variables and the result is reported in Table 2.

<table>
<thead>
<tr>
<th>S/N</th>
<th>Study Variables</th>
<th>Gender (Mean)</th>
<th>Levene's Test for Equality of Variances</th>
<th>t-test for Equality of Means</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Male</td>
<td>Female</td>
<td>F</td>
</tr>
<tr>
<td>1</td>
<td>Satisfaction</td>
<td>7.93</td>
<td>8.29</td>
<td>.151</td>
</tr>
<tr>
<td>2</td>
<td>Perceived Health</td>
<td>7.54</td>
<td>7.21</td>
<td>3.565</td>
</tr>
<tr>
<td>3</td>
<td>Well Being</td>
<td>5.71</td>
<td>5.27</td>
<td>2.151</td>
</tr>
<tr>
<td>4</td>
<td>Perceived Stress</td>
<td>3.14</td>
<td>3.23</td>
<td>1.798</td>
</tr>
<tr>
<td>5</td>
<td>Perception of Sources of Stress</td>
<td>2.69</td>
<td>2.71</td>
<td>.051</td>
</tr>
<tr>
<td>6</td>
<td>Core Self-evaluation</td>
<td>3.29</td>
<td>3.31</td>
<td>4.642</td>
</tr>
<tr>
<td>7</td>
<td>Age</td>
<td>2.75</td>
<td>2.90</td>
<td>.888</td>
</tr>
<tr>
<td>8</td>
<td>Marital Status</td>
<td>1.73</td>
<td>1.75</td>
<td>.147</td>
</tr>
<tr>
<td>9</td>
<td>Work Experience</td>
<td>3.12</td>
<td>3.37</td>
<td>2.248</td>
</tr>
<tr>
<td>10</td>
<td>Type of Organisation</td>
<td>2.25</td>
<td>2.25</td>
<td>1.201</td>
</tr>
<tr>
<td>11</td>
<td>Level of Education</td>
<td>3.86</td>
<td>3.66</td>
<td>4.281</td>
</tr>
<tr>
<td>12</td>
<td>Total Income</td>
<td>3.49</td>
<td>2.99</td>
<td>6.157</td>
</tr>
</tbody>
</table>

Notes: N = 355, Male = 162, Female = 191

As the table shows, Levene’s test for equality of variance shows significant variance differences between male and female only for core self-evaluation (p < 0.32), level of education (p < 0.039) and total income (p < 0.014). However, the independent t-test revealed satisfaction (p < 0.020), perceived health (p < 0.048) and total income (p < 0.000) to be significantly different between men and women. Differences in total income was strongest with males (mean = 3.49, SD = 1.314, SE = 0.104) earning significantly more than the females (mean = 2.99, SD = 1.180, SE = 0.086). Male income on the average is between P5001-
P8000 while female income on the average is about P5001. The correlation matrix also verified this significant relationship between gender and total income, $r = -0.196$, $p < 0.01$ (see table 3). We can conclude from this finding that females are more satisfied with their jobs, the males perceived themselves healthier and they also earn significantly more than females. There are no other gender differences among the study variables and this partly confirms our null hypothesis 1.
Table 3: Means, Standard Deviations, Coefficient Alpha and Intercorrelations among Study Variables

<table>
<thead>
<tr>
<th>Study Variables</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>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived Stress</td>
<td></td>
<td>.056</td>
<td>.219**</td>
<td>-.341**</td>
<td>.090</td>
<td>-.196**</td>
<td>.100</td>
<td>.014</td>
<td>.001</td>
<td>.102</td>
<td>.076</td>
<td>-.055</td>
<td>-.110*</td>
<td>8.14</td>
<td>1.46</td>
</tr>
<tr>
<td>Perception of Sources of Stress</td>
<td></td>
<td>-.147*</td>
<td>.065</td>
<td>-.273**</td>
<td>.139*</td>
<td>.015</td>
<td>.010</td>
<td>-.156**</td>
<td>.027</td>
<td>.086</td>
<td>-.096</td>
<td>-.155**</td>
<td>7.36</td>
<td>1.61</td>
<td></td>
</tr>
<tr>
<td>Satisfaction</td>
<td></td>
<td>-.230**</td>
<td>.186**</td>
<td>-.224**</td>
<td>.123*</td>
<td>.000</td>
<td>-.053</td>
<td>.017</td>
<td>-.039</td>
<td>-.107*</td>
<td>-.172**</td>
<td>5.46</td>
<td>2.20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceived Health</td>
<td></td>
<td>-.262**</td>
<td>.364**</td>
<td>-.105*</td>
<td>-.103</td>
<td>.057</td>
<td>-.132*</td>
<td>.011</td>
<td>.164**</td>
<td>.167**</td>
<td>3.19</td>
<td>.47</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Well Being</td>
<td></td>
<td>-.181**</td>
<td>-.100</td>
<td>.162**</td>
<td>.130*</td>
<td>.119*</td>
<td>-.124*</td>
<td>.065</td>
<td>.185**</td>
<td>2.71</td>
<td>.57</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core Self-evaluation</td>
<td></td>
<td>.013</td>
<td>-.041</td>
<td>.129*</td>
<td>-.047</td>
<td>.047</td>
<td>.274**</td>
<td>.250**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gender</td>
<td></td>
<td>-.091</td>
<td>.008</td>
<td>.093</td>
<td>.001</td>
<td>-.080</td>
<td>-.196**</td>
<td>.54</td>
<td>.49</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
<td>-.226**</td>
<td>.810**</td>
<td>-.026</td>
<td>-.028</td>
<td>.301**</td>
<td>2.84</td>
<td>.78</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marital Status</td>
<td></td>
<td></td>
<td></td>
<td>.194**</td>
<td>.084</td>
<td>.076</td>
<td>.210**</td>
<td>1.75</td>
<td>1.23</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work Experience</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.017</td>
<td>-.130*</td>
<td>.266**</td>
<td>3.27</td>
<td>1.35</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Type of Organisation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-.008</td>
<td>.050</td>
<td>2.27</td>
<td>1.56</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level of Education</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.559**</td>
<td>3.74</td>
<td>1.28</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3.21</td>
<td>1.27</td>
<td></td>
</tr>
</tbody>
</table>

Notes: (2-tailed); * p < 0.05; ** p < 0.01; n = 391 Alpha reliability coefficients are reported in bold and parenthesis where applicable.
The intercorrelation matrix among all the study variables is reported in Table 3. Our results indicated an insignificant inverse relationship between perceived stress and perception of sources of stress also confirming our null hypothesis 2. We also found significant positive correlations between perceived stress and satisfaction, while perceived stress showed significant inverse correlation with perceived health and core self-evaluations. The relationship of perceived stress with well being was weak and insignificant. We thus reject our null hypothesis 3. For our third hypothesis, we found a significant inverse correlation between perception of sources of stress on the one hand and each of satisfaction and well being on the other. Perception of sources of stress was however significantly positively correlated with core self-evaluations. Again we reject our null hypothesis 4.

**DISCUSSION, MANAGERIAL IMPLICATIONS AND CONCLUSION**

The purpose of this study was to investigate stress at work and some of its correlates using an African data. We anticipate that given the relatively low level of empirical data on this concept from Africa we might be able to bring to the fore some tentative comparative data to the massive empirical data already in Western literature and thus inspire a process of continued investigation in this all important behavioural concept.

Our results suggest that while perceived stress is inversely related with core self-evaluations perception of sources of stress is directly related with it. Given the inverse albeit insignificant relationship between perceived stress and perception of sources of stress this is not a surprise. High scores in our perception of sources of stress measure indicate the individual perceives many of the items on the scale as never being a source of stress. This implies that the fewer the sources of stress indicated (perception of sources of stress) the higher the perception of stress, even though this inverse relationship is not statistically significant. This finding needs to be interpreted with caution as we did not find precedent in the literature. We found a direct relationship between perceived stress and satisfaction; whereas we found an inverse relationship between perception of sources of stress and satisfaction. This result is consistent with the literature which had reported that employees’ core self-evaluations may operate directly on both job satisfaction (Best et al. 2005; Judge et al. 2003; Judge et al. 2000, Judge, et al., 1998b) and burnout (Best et al. 2005). Best et al. (2005) measured burnout with only items assessing emotional exhaustion and depersonalization dimensions.

We also found direct significant relationship between perception of sources of stress and core self-evaluations which is consistent with the nature of reported positive self esteem which core self-evaluations represent (Judge et al., 2003). Respondents with higher core self-evaluations scores reported fewer sources of stress. This is again consistent with Best et al. (2005). Interestingly we also found that with fewer sources of stress expressed (perception of sources of stress) significantly lower satisfaction but higher well being was also reported. Our result further reveals direct significant relationship between the two variables (satisfaction and well being). Overall, much of our finding is consistent with the literature. Much as this confirms what we already know, it is valuable given that not much data has been generated from African samples in this area of behavioural research.

There are a number of managerial implications for our foregoing discussions. First, the finding that perception of stress, satisfaction, core self-evaluation and well being are linked was expected and supports existing research in the area as reported earlier. It is therefore not surprising that many of the occupations that are reporting high stress levels are also reporting low levels of job satisfaction (Johnson et al., 2005). Secondly, the fairly low levels of job satisfaction reported calls for managerial attention although augmented by the relatively high levels of perceived health, but again a generally average level of reported well being.

There are however a number of limitations of the study. First, correlation analysis is limiting in terms of its interpretation and does not tell us much about the nature of the data as well as establish causal relationship particularly in this area of research where the conceptual and empirical literature is massive (at least in the West). We hope to explore the data further in subsequent development of the paper. Secondly, the relationship of the variables with demographic data was also unexplored in this report due to space constraints which again we intend to develop further. Finally, the study is limited
by the self-reporting nature of its data which may weaken the validity. However, like most studies using self-report measures we cannot be certain that all responses have been entirely sincere.

Conclusively, the paper provides empirical information on the state of perceived stress at work along with some related variables – satisfaction, core self-evaluations, perceived health and well-being – in an African sample (Botswana). Although some explanations of the findings have been made, a more detailed interrogation of the data would be required to put the findings closer to what we already know in reported Western literature. It is, however, hoped that this process already initiated would provoke more attention to behavioural research issues in future IAABD conferences in addition to the near over concentration of research efforts on finance, economic development and marketing related issues for which the IAABD conference has generated much more enviable research interest (Gbadamosi & Iyanda, 2006).

REFERENCES


Desirable Characteristics of a Stakeholder Manager: Perspectives from Employees and Customers of a Developing Country Context

Muhsin Salim Masoud, University of Dar es Salaam, Tanzania

The objective of the research was to explore the desirable managers’ characteristics that shape the relationships between managers and employees and customers in the firms that exist in Tanzania a developing country. The study contribution is a model which describes the desirable characteristics of a stakeholder manager. The model indicates that duty based ethics and strategic legitimacy are the attributes that employees and customers perceive to be important in their relationship with the firms’ managers. The findings do not advocate that managers can just act for the purpose of being good rather the actions of the managers are mainly strategic in nature. The results therefore refuse the common good concept in relationship to stakeholder issues and rather advocates for the managers to practice duty based ethics when interacting with stakeholders.

INTRODUCTION
The study explored the perspectives of employees, customers and managers in the firms in order to come up with characteristics that shape relationships among them. The research was a result of failure of the previous studies conducted by Agle, Mitchell, and Sonnenfeld (1999) and Masoud (2007) which tested the model developed by Mitchell, Agle and Wood (1997) in the USA and Tanzanian contexts respectively using different domains. The model assumed that stakeholder relations with non shareholders stakeholders are influenced by managers other regarding values as advocated by Etzioni (1988), Clarkson (1995) and Argandona (1998). Masoud (2007) results were insignificant as those of Agle et al (1999). The need was therefore found to explore the managers’ characteristics that interact between managers and stakeholders relationships.

PROBLEM STATEMENT
The research was conducted in order to find answers on the contradictions shown in the previous studies which were conducted by Agle et al (1999), in USA and Masoud (2007) in Tanzania. In the studies self regarding and other regarding values were regarded as moderating variables between attention paid to stakeholders and stakeholder attributes. The assumption was that managers’ salience to stakeholders was a result of the concept of common good as advocated by Argandona (1998). The two research results did not show significant results. Masoud (2007) tested the model developed by Mitchell et al (1997) which was tested by Agle et al (1999) in USA and applied by Gago and Antolin (2004) in Spain in the Tanzanian firms.

The stakeholder relations in the model tested was assumed to be influenced by managers’ characteristics in this case by managers other regarding values. It was assumed that managers attention to non shareholders stakeholders increases by managers’ willingness to act towards the common good. The model advocated Etzioni, (1988), conceptualisation that people act in the ways that benefit others even when that means harming themselves. Etzioni, (1988, p 52-66) cited several kinds of evidences which include experimental results, public opinion polls, economic data and qualitative incidents which suggest that ‘many people often act on behalf of a moral utility’ and not merely to gain more consumption pleasures, both in private and in public choices.

The problem that exists was that Masoud (2007) results were largely insignificant as those of Agle et al (1999) and there were contradictions which were mainly related to the employees and customers stakeholder groups. As a result research was deemed necessary to explain the phenomenon which was not answered by the prior studies. In this case the context which was a developing country as opposed
to the developed country where the model was developed had to be investigated in order to come up with the concepts that fit the environment. The research question was: what are managers’ characteristics that are desirable by customers’ and employees’ in their relationships with the firms’ managers?

Freeman, (1984) provided a pioneering work in the area of stakeholder and developed the basic features of the concept in a book entitled “Strategic Management: A Stakeholder Approach.” Freeman (1984) provides the ground that stakeholder relations in the firms are mainly strategic. (Suchman, 1995) related legitimacy to strategy by considering that legitimacy can be looked at in two different ways strategic perspective and institutional tradition. The strategic perspective assumes a high level of managerial control over legitimating process. This view looks at the ways in which organisations manipulate and deploy evocative symbols in order to obtain societal support. The institutional tradition looks at legitimacy as a set of constitutive beliefs, organisations do not simply extract legitimacy from environment, and rather external institutions construct and penetrate the organisations in every respect. The literature cited provided the researcher with the starting point in order to study the managers stakeholders relations but as the theories were developed in the different contexts and a deeper understanding was necessary an exploratory study which was qualitative in nature was conducted.

METHODS
The research used qualitative case studies and put emphasis on a full contextual analysis of fewer events or conditions and their interrelations (Schindler and Cooper, 2003). The cases also made possible for the researcher to develop a better understanding of the phenomenon already in literature and also build up new concepts (McKinnon, 1988). No model is complete and therefore theories are capable of being falsified (Popper, 1967). Therefore the development of new concepts is a continuous process. The strength of qualitative inquiries is based on its ability to capture as many variables as possible that can explain the relationships and their deeper meaning (Gummesson, 2000, 2006). Therefore due to the need of developing new concepts and also to capture the unexplained relations qualitative inquiry was necessary in order to contribute to knowledge and come up with the model that fits the context of the study.

The research used two ways of collecting evidence, interviews and direct observation. Interviews provide important evidence when doing case studies, as cases deal with studies about human affairs and issues concerning people can be reported and interpreted through the eyes of the respondents (Yin, 2003). It was also possible for the researcher to observe certain behaviours concerning employees and customers while conducting interviews. Using more than one source of evidence to a certain extent solves the problem of construct validity by providing a number of measures of the same happening (Remenyi Williams, Money and Swartz, 1998).

In determining the number of cases needed it is recommended to use the concept of comparison in order to choose cases, which represent different aspects of reality referred to as theoretical sampling which is defined by Gummesson (2000, p. 95) as “an ongoing sampling process in which the researchers simultaneously collect, code, and analyse their data and decide along this journey what to collect next and where it may be found”. In order to undertake a replication strategy (Yin, 1994) for the purpose of comparison (Glaser and Straus, 1967) and to have rich information more than one case was conducted. The results obtained from the first pilot case guided the choice of the second case. The number of cases was determined by the existence of theoretical saturation which is defined as “the diminishing marginal contribution of additional case; the researcher will have no need to continue with further cases when the marginal utility of an additional case approaches zero.” (Gummesson, 2000, p. 96)

The principal researcher himself performed the interviews. Five cases were developed which involved the conduct of interviews involving a combination of managers, employees and customers from five firms. Four of the firms were service oriented and one was a manufacturing firm. Fifteen of the
interviews were conducted in the premises of the firms investigated which enabled the researcher to make some marginal observations. Seven of the interviewees agreed to read and make comments on the text of the interviews. The procedure helped to “corroborate facts and evidence” and also improved the “construct validity” (Remenyi et al. 1998, p.179). The cases were developed for a period of five months.

Questions were asked in unstructured manner to find out desirable managers characteristics from employees and customers perspectives. The data were analysed following the steps identified by Denzin and Lincoln (2003, p. 65) using the following procedure:

(i) Writing of Case Stories according to the case study protocol
(ii) Presentation of the cases according to the emerging concepts as per the research questions
   - Stories from the interviewees, information obtained from the documents and Researchers’ observation and experience
   - Comments from the interviewees
(iii) Within the Cases Analyses followed the case study protocol
   - Relating the findings in the cases to the existing theories and empirical studies
   - Summary of the emerging features at the end of each case
(iv) Across Cases Analysis to answer the research question
   - Matching of Factors that shape managers characteristics across firms
   - Factors and Model contributions
(v) Final Model and Concepts Contribution related to the research objective and question

RESULTS AND DISCUSSION
Four main factors emerge from the cases that shape managers characteristics which mould the behaviour of the managers towards employees and customers. The main factor is the inborn qualities which are enhanced by education and exposure/experience and environmental factors that interact between exposure and experience or the combination of experience/exposure with education. When the four factors are put together they create managers’ characteristics which are duty based ethics and strategic legitimacy. The following figure provides a summary of the concepts as extracted from the five cases:
ENVIRONMENTAL FACTORS
The first thing to note in relation to the environmental factors is the intervention between experience/exposure and when experience/exposure is combined with education and they can not be directly linked to inborn qualities. The environmental factors include the following:

- Competition
- Country of origin of a manager whether developed or developing
- Tribe or ethnic background
- Laws and regulations either within the company or the country
- Decision making power

Competition has been seen as a positive feature in transforming the managers’ attitudes towards employees and customers through the process of copying or the struggle for customers. In relation to employees the findings suggest that managers are compelled to perceive employees in a better manner due to fear caused by labour turnover of employees which can impact on the quality of the products. The country of origin of a manager whether developed or developing has an impact in shaping managers attitudes, it has been found that managers coming from developed countries to a certain extent adhere more to the duty based ethics when dealing with customers and employees. It is also suggested in the findings that this feature can also be attained by the local managers who are exposed. Tribe or ethnicity of a manager featured slightly in some interviews some of the attitudes of managers were related to their ethnicity background, managers coming from tribe X normally adhere more to duties than other tribes. The feeling was not agreed by others who had different experience of managers coming from the tribe X and therefore for them tribe was not important. Someone may argue that tribe is supposed to be included under the inborn qualities but it can be refuted on the bases that it is the environment that an individual is in that relate him/her to a certain ethnicity group. A person belonging to tribe Y can be affected by the environment and behave like someone from tribe X due to interactions. The point here is that it is the environment that matters most and not the genetic issues.

Laws and regulations have been taken to be important where there are internal regulations within the firms to a certain extent managers have to behave in relationship to the regulations. On the other hand where firms lack internal regulations managers look at the general laws in the country in relationship
to their attitudes towards salaries of the low level employees. Attitudes towards customers also depend on the safety laws that exist within the country. To a certain extent laws and regulations of the country or within the company mould the behaviours of the manager towards employees and customers. Again the impact of laws and regulations depends on the inborn qualities of the manager in some cases even without the laws and regulations managers act properly. The government has set a minimum wage but managers who want to invoke strategic legitimacy pay employees more. Creation of an environment where a manager has the decision making power is also essential for the manager to utilise his/her experience/exposure, education and inborn quality in a strategic and dutiful manner. In one situation a manager was seen to have experience/exposure but due to lack of decision making power he failed to be a good manager towards employees and to a certain extent customers. In the same case a manager was employed who had all the attributes but lacked the decision making power and he took a decision to quit the firm instead of being regarded as a failure, the quality he didn’t agree to be associated with.

**Experience/Exposure**
Experience has been related to the number of years that a manager has been dealing with the customers and employees. Exposure is associated with the way the manager has encountered different working environment in different parts. A manager who has experience of working at one environment is not regarded as exposed. The employees and customers experience shows that those individuals who might not be possessing management education, or higher level of education when they have experience and exposure, combined with the inborn qualities, with the intervention of appropriate environmental factors they can acquire the two characteristics. But as the arrows indicate (look at figure 1 above) the impact becomes stronger when such individuals have education.

**Education**
The education which sounds more is that of a higher level that is a university degree or equivalent and above and also related to management studies. To a large extent those managers who had management education and at the same time have been exposed and possessed experience of being managers in different environments could establish good atmosphere for the employees and customers. It is important to note that the findings suggest that education alone without experience and exposure can not make a good manager who possesses the two characteristics even when combined with the inborn qualities. According to the case findings it was not possible to have a completely fresh graduate without any experience or exposure to be strategic even when he/she possesses inborn qualities. The findings also indicate that some managers have the education but due to lack of experience, intervention of environmental factors and inborn qualities they don’t hold the two qualities/values.

**Inborn Qualities**
Three features have been associated to the inborn qualities from the findings of the cases which are:
- Readiness to learn and copy
- Reasoning capacity
- Calling – Ability to exercise duty based ethics
Readiness to learn and copy was found mainly to depend on the way a person is born rather than to be associated with other factors like the environment. Reasoning capacity of a manager is also associated more with particular individual characteristics than other factors though to a certain extent it can be enhanced by the level of education though not necessarily. A manager who can reason quickly and provide positive decisions to particular problems of employees and customers is considered to be in a better position to acquire the two characteristics compared to the one who can not act in such a manner.

Another important feature is “calling” known in Kiswahili (the national language in Tanzania) as ‘wito’. This attribute is more associated to the way managers’ respect their duties that are the exercise of duty based ethics. This attribute in some situation is enhanced by experience/exposure and also environmental factors. Those managers who have the ‘wito’ or calling attended more to the problems of employees and customers in a better way and therefore are in a position to invoke symbols, that is
actions that please employees and customers in a strategic manner in order to satisfy employees and
customers.

The above discussion of the cases provides the four factors that when combined enable the creation of
the two managers’ characteristics strategic legitimacy and duty based ethics. As shown in figure 1 that
a manger who combines all the attributes will be able to practise ‘duty based ethics’ and invoke
‘strategic legitimacy’ in relation to employees and customers (Suchman, 1995 p. 575 ; Gichure, 2006,
p. 42).

CONCLUSIONS AND IMPLICATIONS
The research concludes that managers’ characteristics that are considered to be desirable between
managers, employees and customers relationships are the practice of managers of duty based ethics
and strategic legitimacy (Suchman, 1995 and Gichure, 2006). The stakeholders did not relate their
relationship with the managers with the concept of common good that is the business firms’ managers
just act for the purpose of being good rather there should be benefits to be obtained. The results also
come up with the factors that are important to exist in order to create good stakeholders’ managers.
These factors are: environmental factors, experience/exposure, education and inborn quality.
The policy implications of the research are based on the need of the developing countries to create
conducive environments that will come up with good managers. The employees need policies and
laws that safeguard their rights.

The policy implications also touch the Education sector from the kindergarten levels to the higher
education levels. More emphasis has to be put on ethical matters, especially in the business schools
which train future managers. Education was found to be an important factor that shapes managers
characteristics. There is little emphasis on ethical issues on the trainings and especially in the business
schools. There is a need to emphasise more on the teaching of business ethics and more especially on
duty based ethics (Bennis and O’Toole 2005; Nginjiri, 2005 and Gichure, 2006).

The inborn qualities of the managers which include reasoning capacity and calling (practice of the
duty based ethics) are important to be emphasised in business schools. Despite the fact that these
qualities are inborn the nature of education to a certain extent can be improved when curricula
includes practices that enhance reasoning capacity and the attribute of calling ‘wito’ among the future
managers. This can be done through adequate case study teaching methods. In the African developing
countries the emphasis should be even more, because the results indicated that managers coming from
the developed countries are to a certain extent better than those from a developing African country
context.

To the managers the message provided by this research which is related to the evaluation of the
employees and customers is as follows: The stakeholders value more those managers who adhere to
the duty based ethics, and it is not the favouritism based on bribes or relationships. Generally the
stakeholders engage in various firms and it is difficult to use bribes and relations but fairness is of
paramount importance. Good managers are the ones who are ready to learn and change depending on
the environment and not those who are rigid. Managers are supposed to be flexible especially when
dealing with employees and customers who are human beings and not physical beings. It is of
importance to have managers who have experience and are also exposed to different environments
instead of those who do not possess these attributes; this applies to the enhancement of recruitment
procedures in the firms.

Finally the study suggests further areas of research which need to be conducted in qualitative and
quantitative manner. Qualitative case research need to be conducted in other contexts of developing
and developed countries in order to come up with the characteristics that shape managers’
stakeholders’ relations in those contexts. Quantitative studies need to be conducted in order to test the
model generated in this study. The survey can be conducted after enhancing the model through
theoretical and empirical literature review.
REFERENCES


Teacher Operant Competences and Organisational Citizenship Behaviour in the Performance of Ugandan Primary Schools

John C. Munene, Makerere University Business School, Uganda

The study set out to identify a set of functional or operant competences relevant to primary school teaching in Uganda. It was prompted by a need to search for valid teacher practices that can be used as an input in designing an output oriented job description and setting clear performance targets for primary school teachers in the Country. We interviewed ten key teacher informants to generate a set of competence areas referred to as Key Results Areas where each teacher teaching in primary schools must get results. These KRAs were administered in a questionnaire format to three hundred and eighty four primary school teachers and their supervisors who also rated each respondent on a measure of organisational citizenship behaviour. An explanatory factor analysis returned eight interpretable factors which were used as indices for further analysis. A bivariate correlation produced positive correlation between OCB and some of the factors. A multiple regression indicated that operant competences and OCB can predict 25% of the variance in the performance of schools. We recommended a more widespread study of operant competences of primary teachers in preparation for a competence based human resources management including competence based primary teacher training, performance target setting and appraisal.

INTRODUCTION
Over the last two decades, the management of competences has become prominent in the management of human resources and has led to an emerging body of practice referred to as Competence Based Management or CBM (Crawford, 2000). CBM can systematically integrate human resources management functions in the daily, monthly, and annual business plans of organisations through a common language, framework, direct linkage with the core values and mission of the organisation, and clear outputs (Armstrong and Baron, 1995). These linkages have three functions. Overall, they maximise the delivery of services to the customer. Specifically, they make it possible for employees to monitor their own behaviour (self monitoring). In addition, supervisors can monitor the subordinates’ behaviour closely using the same common language that employees use in self-monitoring. Although CBM has been practiced in UK for over 20 years (Lane, & Robinson, 1995) and Australia for over 15 years (Crawford, 2000) and the USA where the concept became popularised (Boyatzis, 1982) we know very little usage of this practice in the Ugandan private and public sectors and in most of Africa. More significantly there is very little published application of this practice in the management of teacher “human resources” in Uganda despite the introduction of performance contracts among the teaching profession in Uganda and elsewhere. This has deprived school managers such as principles, and head teachers of a powerful teacher human resources management tool which could assist them in knowing whether or not their teachers are doing the right thing (Lane and Robinson, 1995). By providing an answer to this question primary school managers can manage their own and their teachers’ competences and practices and increase the quality of teaching and the well being of children during the primary school cycle. This study reports an exploratory study of two sets of teacher practices that are hypothesised to relate significantly to the performance of schools namely competence and organisational citizenship behaviour.

LITERATURE REVIEW
Teacher Competences and Performance
The introduction of competences and standards approach to the teaching profession is relatively new but follows a similar trend to that of other vocational and general management areas, at least in Britain (Reynolds, 1999) and has attracted adversaries and advocates (Prescott, 1995). The adversaries argue that the Standards approach to the teaching profession provides for a narrow focus creating the opinion that subject knowledge is sufficient for the professional practice of a teacher
(Reynolds, 1999). Nevertheless, studies endorsing the Standards approach to teacher training are accumulating (Garland, 1993, and Prescott, 1995). One study conducted by O’Reilly and McCrystall (1995) found the approach to be an efficient and effective method for transferring skills to the work situation and a close resemblance to the work of a teacher in the actual work situation. Another study identified eleven competence areas with specific and measurable competences such as making home visits to establish vocational opportunities of students and developing research protocols to establish the relationship between parents and students (Mndebele, 1997).

Despite the increasing attention paid to teacher practices or standards, there is still very little published work on the subject on the African Continent. The main objective of the study described here was to identify a set of primary teacher practices or work based competences that are specific, measurable, learner centred and can be used by both the supervisor and the teacher to evaluate the performance of a primary teacher.

**Organisational Citizenship Behaviour and Teacher Performance**

A substantive concern against behavioural competences and standards approach to teacher training is that the approach is too narrow to encompass the complex nature of the teaching profession (Reynolds, 1999). A construct that is found to address professional dedication generally, is referred to as organisational citizenship behaviour (OCB) (Organ, 1988). A recent study of teacher OCB (Oplatka, 2006), provides supporting evidence that the OCB construct can capture teacher professionalism in terms of performance-directed behaviours. The study identified four components of teacher OCB. The first one involved assisting pupils beyond what is required such as undertaking to provide special assistance to pupils outside class and helping out students with personal problem. The second component concerned classroom performance-directed behaviour including the introduction of innovations in teaching and in designing assignments. The third focused on fellow staff in terms of standing in, helping with administrative tasks, and providing emotional assistance. The fourth was oriented towards the school as an organisation like teacher participating in school events and activities and taking on unrewarded roles in the school.

**Hypothesis:** There is a positive relationship between operant competences and contextual performance measured as OCB.

**METHODOLOGY**

**Procedure**

We used a survey design to collect qualitative and quantitative data. An interviewer analysed and profiled ten qualified teachers using the Operant Competence Analysis and Profiling (OCAP) interview schedule described in detail in Kagaari and Munene (2007) and Munene, Bbosa, and Eboyu (2004). The information gathered was analysed qualitatively to identify Key Result Areas along with their knowledge and operant competences. The analysed data was converted into a questionnaire that was administered to a study sample of 384 primary school teachers selected from 100 schools in and around Kampala, the capital city of Uganda.

**MEASUREMENTS**

**School Performance**

Performance was measured using self reports. The first question referred to as “Rank” in table 1 below, required the head teachers to indicate whether their school had appeared at least once in the annually published fifty best performing schools (among 3000+ primary schools) in the last six years. The second question requested the respondent to indicate the percentage of pupils who had obtained the best three aggregates namely 4, 5, and 6 in this order. The results were converted into an ordinal scale which was used for the final analysis.

**Organisational Citizenship Behaviour**

We used a 20 item measure we developed locally and first used in Nigeria by the first author (see Munene, 1995). The items were meant to capture conscientiousness, altruism, courtesy and innovation. The reliability for the scale was .83. OCB information was provided by supervisors. The
data was factor analysed using a varimax rotation that produced three factors. The first two were interpretable. One was named conscientiousness the second was a combination of altruism, courtesy and innovativeness. Since we could not interpret the third, we dropped it out of further analysis. We calculated indices for the two factors as well as a composite OCB index which used all the 20 items.

**Teacher Competences**
Teacher competences were measured by one hundred and twenty four operant competences on a four Likert scale ranging from “this is very true of this school, this is true of this school, this is untrue of this school and this is very untrue of this school”. An exploratory factor analysis was used to identify eight latent key results area which were used in subsequent analysis.

**Sample Characteristics**
384 teachers from 100 primary schools took part in the study. The majority of teachers had been in their current school between 6 to 10 years. There was no difference in tenure between male and females. The mean age was between 25-35 years. There was no significant difference between the age of female and male teachers.

**RESULTS**
One of the problems raised against behavioural competence frameworks being applied to complex jobs like teaching and management is whether or not they capture the complexity involved in enabling the teacher to perform her job. We indirectly examined this problem by collecting data on the performance of schools on national examinations and of the individual teacher on a measure of OCB. Table 1 below summarises the relationship between school performance and operant competences of teachers in the participating schools. Table 2 addresses the contextual performance/OCB of a primary teacher in the sample.

### Table 1: Competences and School Performance (N = 100)

<table>
<thead>
<tr>
<th>KRAs and Pooled Operant Competences</th>
<th>Rank</th>
<th>Grades</th>
<th>Total of Grades and Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning and managing educational trips</td>
<td>0.16*</td>
<td>0.04</td>
<td>0.08</td>
</tr>
<tr>
<td>Setting &amp; marking examinations</td>
<td>0.14*</td>
<td>0.00</td>
<td>0.04</td>
</tr>
<tr>
<td>Guiding and counselling</td>
<td>0.03</td>
<td>0.02</td>
<td>0.05</td>
</tr>
<tr>
<td>Planning and managing co-curricular activities</td>
<td>-0.02</td>
<td>0.01</td>
<td>0.03</td>
</tr>
<tr>
<td>Continuous Assessment</td>
<td>0.07</td>
<td>-0.05</td>
<td>-0.01</td>
</tr>
<tr>
<td>Attending school and PTA meetings</td>
<td>0.14*</td>
<td>0.09</td>
<td>0.13*</td>
</tr>
<tr>
<td>Planning and teach lessons</td>
<td>0.04</td>
<td>0.06</td>
<td>0.07</td>
</tr>
<tr>
<td>Preparing learning materials</td>
<td>0.01</td>
<td>0.00</td>
<td>0.02</td>
</tr>
<tr>
<td>Pooled teacher Operant Competences</td>
<td>0.14*</td>
<td>-0.01</td>
<td>0.05</td>
</tr>
</tbody>
</table>

* Significant at .05 or better

The table indicates that three KRAs correlated positively with whether the school had ranked among the best annually publicised schools. One KRA comprises of the technical skills that teachers are taught during teacher training. The other two are typically work based competences. The pooled teacher operant competences also correlated with ranking. It is also interesting to note that operant competences are more likely to predict overall performance than performance in terms of grades pupils receive in a specific year. This is because a specific performance result such as grades is often a combination of many organisational issues so that people related behaviours cannot be expected to predict such results on their own (Organ, et al, 2006). This may also explain the weak relationship identified between rank and operant competences in table 1.

A construct we invoked to test the efficacy of the standards or competence approach to primary school teaching and training is OCB. We introduced OCB through the argument that it is the kind of soft competences that are normally associated with professionalism as against straightforward
technical knowledge. We argued that if competences of a teacher are comprehensively identified, profiled and measured, they should be able to correlate with a measure of OCB. The table below provides the findings of the resultant analysis.

Table 2: Operant Competences and OCB (N = 280 – 330)

<table>
<thead>
<tr>
<th>KRAs &amp; Pooled Operant Competences</th>
<th>Conscientiousness</th>
<th>Mixed Component</th>
<th>Composite OCB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning and managing educational trips</td>
<td>0.14**</td>
<td>0.21**</td>
<td>0.17**</td>
</tr>
<tr>
<td>Setting &amp; marking examinations</td>
<td>0.00</td>
<td>0.05</td>
<td>0.03</td>
</tr>
<tr>
<td>Guiding and counselling</td>
<td>0.09</td>
<td>0.12*</td>
<td>0.10*</td>
</tr>
<tr>
<td>Planning and managing co-curricular activities</td>
<td>0.10*</td>
<td>0.12*</td>
<td>0.11*</td>
</tr>
<tr>
<td>Continuous Assessment</td>
<td>0.08</td>
<td>0.06</td>
<td>0.06</td>
</tr>
<tr>
<td>Attending school and PTA meetings</td>
<td>0.10*</td>
<td>0.15</td>
<td>0.11*</td>
</tr>
<tr>
<td>Planning and teach lessons</td>
<td>0.06</td>
<td>0.07</td>
<td>0.07</td>
</tr>
<tr>
<td>Preparing learning materials</td>
<td>0.00</td>
<td>0.08</td>
<td>0.07</td>
</tr>
<tr>
<td>Pooled teacher Operant Competences</td>
<td>0.08</td>
<td>0.16</td>
<td>0.12*</td>
</tr>
</tbody>
</table>

** Significant at .01 or better; * Significant at .05 or better

The table indicates that the supervisor-scored conscientious component of OCB correlated positively with educational trips, co-curricular activities, and attending school and PTA meetings. The mixed component composed of altruism, innovation, and courtesy correlated positively with educational trips, guiding and counselling, and co-curricular activities. The composite OCB correlated with educational trips, guiding and counselling, co-curricular activities, attending school and PTA meetings, and the pooled teacher operant competences. An interesting finding from the table is that OCB in general did not correlate with specifically classroom related operant competences or KRAs. The exception was the composite OCB which correlated with the pooled operant competences. Finally we explored the combined relationship of OCB and operant competences on the performance of primary schools. Table 3 shows the regression results which we used to examine the relationship.

Table 3: Regression on Primary School Performance

<table>
<thead>
<tr>
<th>Predictors</th>
<th>B</th>
<th>Std. Error</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
<th>R Square</th>
<th>Adjusted R square</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>0.50</td>
<td>0.26</td>
<td>1.93</td>
<td>0.06</td>
<td>.25</td>
<td>.22</td>
<td>6.7</td>
<td>.00</td>
<td></td>
</tr>
<tr>
<td>Educational trips</td>
<td>0.18</td>
<td>0.12</td>
<td>0.22</td>
<td>1.46</td>
<td>0.15</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Set &amp; mark examinations</td>
<td>0.41</td>
<td>0.14</td>
<td>0.37</td>
<td>2.89</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attend school and PTA meetings</td>
<td>0.22</td>
<td>0.10</td>
<td>0.27</td>
<td>2.21</td>
<td>0.03</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Composite OCB</td>
<td>0.72</td>
<td>0.48</td>
<td>0.65</td>
<td>1.49</td>
<td>0.14</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mixed Component</td>
<td>0.21</td>
<td>0.27</td>
<td>0.23</td>
<td>0.81</td>
<td>0.42</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conscientiousness</td>
<td>0.01</td>
<td>0.23</td>
<td>0.01</td>
<td>0.04</td>
<td>0.97</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Teacher Operant Competences</td>
<td>0.71</td>
<td>0.30</td>
<td>0.55</td>
<td>2.37</td>
<td>0.02</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

We selected the KRA and pooled operant competences from the zero order correlations presented in table 1. The KRAs that correlated with performance included educational trips, setting and marking examination, attending school and PTA meetings and the overall teacher operant competences. We included the composite OCB, mixed component OCB and conscientiousness. These variables were able to predict 25 % of the variance in school performance. The specifically technical KRA of setting and marking examinations contributed most to the variance. This was followed by the pooled teacher operant competences and the less technical KRA of attending staff and PTA meetings. The table has provided more evidence that the competences of a primary teacher lie as much outside as inside the classroom. It has also confirmed our proposition that operant competences that go beyond the
classroom can be identified, that they can be measured and that they can be found to relate to desired results because they are output oriented.

**DISCUSSION AND CONCLUSION**

The study set out to examine teacher practices that matter to primary school teaching and learning in Uganda. To get to the practices, we developed and applied the Operant Competence Analysis and Profiling (OCAP) Framework and its accompanying instrument. The framework is based on the constructivist approach to competences which suggests that it is counterproductive to spend energy looking for the one true set or sets of competences. Like the standards approach to competence management and development, the OCAP framework is output oriented making it possible for the users of the competence to know exactly what to expect when they set out to produce what is expected of them.

The study has shown that operant competences under each KRA or competence area are generally complex and learner centred. Two other issues have also come out. The first is that careful scrutiny of both the KRAs and the operant competences shows that both are about what the teacher does rather than the job he or she does. This is an advantage that comes with output oriented profiling. It means that a teacher provided with an operant competence based job description does not have much work to do to identify what behaviours she needs to perform his/her job according to minimum acceptable standards. Most of the required behaviours are either described or are clearly implied so that a trained teacher would have little difficult in constructing for herself the specific activities required in each operant competence. The teacher is also assisted in this because the competences are output rather than input oriented. The second issue that has come out, and to which we have referred to a number of times, is the complexity of most of the operant competences and of course all of the KRAs. This complexity means that many of the popular personal or mediating competences such as leadership, initiative, planning, judgment, analysis, thinking and feeling are implicated in almost all KRAs but do not take centre stage and therefore obscuring the specific activities required to perform according to expectation.

Outside the standards and functional competence based approaches, there is a rigorous academic search for a few universal competences. This is also attractive to practicing managers who are allured by the possibility of defining, evaluating, and selecting a worker using as few personal competences as possible. Focusing on a few competences may be academically satisfying even conveniently practical because you do not have to deal with a multitude of operant competences. However it succeeds only in obscuring the relationship between outputs and inputs, provides more opportunities for mistakes and prevents constant as well as instant self reflection since the individual following such enablers performs his her work without clear standards. In the long run promoting enablers instead of functional or operant competences prevents human resources practitioners from demonstrating the complexity of their profession and opens them up for outsourcing. For, if the work of the so called human resources experts can be summarised in a half a dozen or a few multiples of a half dozen competences, then line managers can be assigned to managing them as long as they are identified and agreed upon. However, the professional gap that was intended to be filled by human resources experts at work remains. In Uganda it is increasingly occupied by risk managers, pro-active internal auditors and information and communication technologists (ICT) focusing on process re-engineering. The risk managers and internal auditors look at all functions including human resources to identify and mitigate risks. The ICT process re-engineers examine work processes for the purpose of making them more efficient. These three new comers on the line management scene rely on some form of operant or functional competence detail to do their work. This indicates that practicing managers are not averse to work process details. They only seem to be reluctant to deal with such detail only when they are seen as human resource activities. An academic search for a few competences feeds this attitude at the expense of overall organisational effectiveness for neither internal auditor, ICT process engineer, nor risk manager is exposed to the kind of training required to delve into the complexities of human behaviour at work.
WAY FORWARD

The data presented here indicates that the OCAP framework is capable of capturing the complexity of professional jobs. More importantly, once laid out, the profile can be used for designing operant competence-based human resources instruments and infrastructure. Because the framework produces work-based competences, it may not be suitable as a base for selecting teachers coming fresh out of college unless the training is based on a curriculum developed from similar data. It may however be a basis for development oriented assessment centre for identifying work-based competence gaps and training needs. It can also provide a sound basis for a professional and comprehensive competence based open appraisal (Munene, Kaggwa, and Tusiime, 2006). In this case the appraisal would be based on the eight KRAs and it would be made clear to teachers that they would have to get results in each of the competence areas. To set measurable goals for the appraisal cycle, the head teacher or any other supervisor would sit together with the teacher and identify targets for one or more KRAs. The specific targets would be developed from the many operant competences that have been generated under each KRA or can be regenerated when the environment of the work changes substantially. This way the appraisal would be based on operant competences that are output oriented and easy to use since agreeing on what each teacher is expected to achieve is relatively easier with operant competences (Munene, Kaggwa, and Tusiime, 2006).

The concept of competence is taking root in management. However, there is very little of it being introduced in the teaching profession. Government in Uganda and other African countries should consider developing output oriented competences in order to improve the productivity of the primary teacher and consequently school performance. This will require a systematic and nation-wide profiling of all teaching jobs using the OCAP or similar frameworks and utilising the data for designing in-service training, upgrading programmes, and open appraisals.

REFERENCES


An analysis of HRM Practices in Polytechnics in Ghana: The Impact of Size

Kojo Saffu, Brock University, Canada

Samuel Obeng Apori, Takoradi Polytechnic, Ghana

Angela Elijah-Mensah, Takoradi Polytechnic, Ghana

This study empirically examines the relationship between size of the organization and human resource management (HRM) practices that have been found to contribute to organizational productivity. We draw on the resource-based view of the firm and hypothesize that large Polytechnics, defined as having more than 100 academic and administrative staff, can be differentiated from small Polytechnics, defined as employing less than 100 academic and administrative staff, in their use of human resource management practices. Contrary to prior research findings, we found that size did not correlate with the usage of the HRM best practices. Both large and small Polytechnics used identical HRM practices. In other words, size did not differentiate between the human resource management practices employed. The findings and implications of the study are discussed in detail in the paper.

INTRODUCTION

The public sector in Ghana is undergoing reforms as part of the country’s structural adjustment programme (Boey-Ocansey, 2005). The significance of the public sector reforms is exemplified by the on-going educational reforms culminating in the passage of the Polytechnic Act 745 of 2007 by the Ghanaian Parliament. The new Polytechnic Act 745 makes the Polytechnics fully-fledged autonomous tertiary institutions and places them in a unique position to play a leading role in helping Ghana to meet its manpower and technological needs (Apori, 2008). It is significant to note that both the former law, PNDC Law 321 of 1992 and the new Polytechnic Act 745 of 2007 did not prescribe a set of best HRM practices that all Ghanaian Polytechnics must comply with. It is therefore to be expected that each Polytechnic will adopt HRM practices that best meets its needs resulting in diversity in practices among the Polytechnics.

Admittedly, HRM practices are critical to the realisation of the above national objectives. The Polytechnics must attract, develop and maintain an energetic workforce to support their goals and strategies. High commitment theories suggest a link between certain HRM practices and improved organizational performance. It has been found that firms that use comprehensive employee recruitment and selection procedures, extensive employee involvement and training, and formal performance appraisal approaches linked to incentives were likely to have higher productivity, and enhanced corporate financial performance.

Prior studies have generally addressed the relationship between HRM practices and performance in large private sector organizations (Carlson, Upton and Seaman, 2006). There is a dearth of research on the relationship between HRM practices and performance in educational settings such as Polytechnics. This study fills the identified gap in the literature by examining the impact of size on HRM practices in a non-private sector business setting, more specifically in a tertiary educational setting. While it is arguable whether the findings can be applied to public sector organizations, the results of prior empirical studies provide the basis for theoretical investigation of HRM practices in Polytechnics in Ghana.

EMPIRICAL AND THEORETICAL PERSPECTIVES

It is acknowledged that the strategic use of a set of HRM practices positively impacts organizational performance (Carlson et. al., 2006; Wright and Snell 1998; Pfeffer 1994). Positive relationship has
been established between HRM practices and productivity, turnover, and firm performance (Huselid 1995). Prior empirical research shows there exists a bundle of HRM practices that can influence the performance of the firm (Huselid, Jackson and Schuler 1997).

This study is anchored on the resource-based view (RBV) because it is one of the major theoretical perspectives of HRM research (De Kok et. al., 2006). RBV assumes that differences in the physical, organizational and human resources between firms cause a fundamental heterogeneity in their productive potential (Priem and Butler 2001).

The resource-based view supports various organization characteristics associated with greater organizational complexity and resource richness. In this study, we choose firm size as the organization characteristic because prior empirical studies suggest a size effect in the use of HRM practices (De Kok et. al., 2006). The link between firm size and professional HRM practices is well established (De Kok 2003). Firm size is often used to show lack of specific resources such as financial, organizational and/or human resources. There is empirical evidence that formal HRM practices entail developmental costs (Klaas, McClendon and Gainey 2000). Larger firms tend to benefit from resource availability while smaller firms are constrained by the lack of resources. For instance, smaller firms generally make less use of best HRM practices than larger firms. More specifically, they make less use of formalized recruitment practices, provide less training to their employees and are less likely to use formalized performance appraisals (De Kok et al 2006). There is less use of HRM practices in small firms due to lack of resources, or lack of specific knowledge (Hendry et. al., 1991). The lack of usage of professional HRM practices can be explained by the lack of specific organizational and human resources.

Company growth theories indicate a positive link between firm size, complexity and HRM best practices. As firms grow in size they become more complex and develop more formalized procedures and policies. Larger firms have a greater demand for human resources. It is reasonable to expect that complexity in terms of layers of management would lead to a greater demand for practices such as recruitment, selection and performance appraisal. Similarly, as firms increase in size, it is expected that specialization increases in tandem (Wagar 1998). There is positive correlation between firm size and HRM specialization (Cyr, Johnson and Welbourne 2000). Specialization is consistent with the resource-based view. Greater specialization is related to greater knowledge resources (Damanpour 1996).

Based on the foregoing, coupled with the fact that the PNDC Law 32 of 1992 and the Polytechnic Act 745 of 2007 did not prescribe any best HRM practices, we argue that large Polytechnics defined as those employing more than 100 academic and administrative staff will apply HRM best practices such as recruitment, selection, performance appraisal of their staff more than small Polytechnics, defined as those employing less than 100 academic and administrative staff. More specifically, we state the following hypotheses:

H1 : The recruitment and selection practices in a large Polytechnic will be different from those in a small Polytechnic.
H2: The performance appraisal and training practices in a large Polytechnic will be different from those in a small Polytechnic.
H3: The development and maintenance of records in a large Polytechnic will be different from those of a small Polytechnic.

**METHODOLOGY**

*Sample and data collection*

The population for the study comprised all the 10 Polytechnics in the ten administrative regions of Ghana. The Rectors, Registrars, Deputy Registrars, Deans, Heads of Departments/Units/Sections
comprising the Polytechnics’ senior management team were contacted for their participation in the study. Questionnaires, informed by instruments used in earlier studies by Saffu et. al., (2007) and Kotey and Slade (2005), were mailed to 200 senior officers in the 10 Polytechnics. After several telephone reminders, 121 usable responses were received representing 60.5% response rate.

**Variables**
The dependent variables comprised HRM practices namely: recruitment and selection, performance appraisal, training and the development of policies and maintenance of records. The literature shows a positive relationship between these functional areas and size (Kaman et. al., 2001).

Size, the independent variable, has been identified as one factor that accounts for varying degrees of complexity in the HRM practices of firms and organisations (Kotey and Slade, 2005; Hernandez and Franklin, 2004). Contextual differences give rise to variations in the definition of “size”. For the purposes of this study, we define a small Polytechnic as one with less than 100 employees, and a large Polytechnic as one with more than 100 employees.

**ANALYSIS**
Considering the number of respondents of the various polytechnics were not the same, we converted the frequencies corresponding to the items on the questionnaire to percentages, thereby providing reasonable grounds for comparison to be carried out. The main statistical tool used in the analysis was the chi-squared test of independence because it helped to establish whether or not the proportion of positive responses corresponding to the test items were roughly the same as one moved from one Polytechnic to the other.

**Test of hypotheses and results**
According to the criteria for size in this study, four of the eight responding Polytechnics are classified as large as they have over 100 employees, while the remaining four are classified as small because they have a staff strength of less than 100.

**Statistical analysis**
We performed chi-square test on the hypotheses. To test H1, we asked the respondents to choose from a range of recruitment and selection methods that were applicable in their Polytechnics. The higher number of positive responses a technique received from respondents in a particular Polytechnic was indicative of the use of technique in that institution.

The results showed p-values of 0.1405 for the recruitment of academic staff in the various Polytechnics, and 0.166 for administrative staff. Analysis of the selection methods for academic and administrative staff had p-values of 0.6312 and 0.2114 respectively. The p-values for the analysis of coverage of induction and contents of appointment letter were also 0.6839 and 0.2365 respectively. Since all the p-values are greater than 0.1, the maximum significant level permissible, we rejected H1 and conclude that recruitment and selection practices in a Polytechnic is not related to size. In other words, no significant differences exist between the recruitment and selection practices of large and small Polytechnics.

We used the chi-square test to test H2. We asked the respondents to choose from a range of performance appraisal and training methods, the ones that were applicable in their Polytechnics. The higher the number of positive responses a technique received from respondents in a particular Polytechnic was indicative that technique was used in that institution.

The p-values are as follows: performance assessment methods for academic and administrative staff are – 0.7556 and – 0.3069 respectively; methods of training for academic and administrative staff are – 0.0946 and 0.2724 respectively; and use of performance appraisal information – 0.13353. Once again, with the exception of the p-value for methods of training for academic staff (i.e. 0.0946) all the p-values are greater than 0.1, the maximum significant level permissible. In the case of methods for training for academic staff which recorded a p-value of 0.0946, that is very close to 0.1 and therefore
presents a very weak significance level. We reject H2 and conclude that performance appraisal and training practices in Polytechnics is not related to size. No significant differences exist between the performance appraisal and training methods employed by both large and small Polytechnics.

Thirdly, we asked the respondents to choose from a range of policies and records the ones which were available in their Polytechnics. The higher the number of positive responses a type of policy or record received from respondents in a particular Polytechnic indicated the availability of such policies and records in that institution. The results showed p-values of 0.8589 for the types of written policies available in the responding Polytechnics, 0.439 for grounds for termination, and 0.8817 for the types of records kept by these Polytechnics. All the p-values are greater than 0.1, the maximum significant level permissible. Therefore, H3 was also rejected and conclude that development of policies and maintenance of records in a Polytechnic is not related to size. No significant differences exist between the policies and maintenance of records in both large and small Polytechnics.

DISCUSSION
Firstly, both large and small Polytechnics used identical formal recruitment and selection methods such as advertising in newspapers and professional journals, formal interviews, giving appointment letters with conditions of service, and giving an induction. This finding is inconsistent with studies that found small organisations prefer informal recruitment and selection methods because these are inexpensive, convenient and suitable to their less complex needs, while larger organisations require larger workforce and use a wider range of techniques and methods to attract and select the best workforce (De Kok et. al., 2006; Coetzer et. al., 2000; Kotey and Slade 2005).

To explain our findings, we speculate that though the Polytechnic Act 745 does not compel the Polytechnics to comply with a specific set of HRM practices, they may be employing similar practices due to the fact that when the Polytechnics gained tertiary status, they appear to have recruited most of their staff, especially those in management positions, from the civil service, specifically from the Ghana Education Service (GES) to which they were initially attached. Being highly bureaucratic, the civil service is characterised by extreme use of written documentation and the application of consistent rules and/or administrative manuals (Borgatti, 2002). It is plausible that the staff imported such administrative practices to the Polytechnics. It is therefore not surprising that the recruitment and selection practices of the Polytechnics are generally more formal and similar to what pertains in the Ghanaian civil service and other public sector organisations.

Secondly, the finding that there was no significant difference between performance appraisal and training practices in both large and small Polytechnics is inconsistent with prior research that has established a positive relationship between the amount of training that is provided and the size of an organisation (Lerman et. al., 1998), and between performance appraisal techniques and size (Coetzer et al, 2000). Similar to the explanation in the preceding section, we contend the fact that majority of the core administrative staff who were recruited to start the Polytechnics came from the GES and the civil service can also explain the current finding. We surmise the introduction of civil service practises which are highly formalised can explain the finding that both large and small Polytechnics have similar practices in appraising and training their staff.

Thirdly, our hypothesised relationship between HR policy development and the maintenance of records and size of Polytechnics is at variance with research indicating small organisations develop and implement HR policies that differ from those of large organisation as a result of differences in size (Kotey and Slade, 2005; Hernandez and Franklin, 2004). As previously discussed, we argue that the presence of civil service staff and practices in the Polytechnics may explain this finding.

CONCLUDING REMARKS AND IMPLICATIONS
In this study, we set out to extend our understanding of the effect of size on HRM practices in a public sector organisation setting. Most of the prior HRM studies have focused largely on private sector organisations. Polytechnics in Ghana were the focus of this study due to the crucial role they are expected to play in providing the requisite technical and skilled manpower for the socio-economic
development of Ghana (Apori, 2008). Drawing on the resource-base view, we generated and tested three hypotheses. However, none of the hypothesised relationships was supported. Even though the laws establishing the Polytechnics do not prescribe any best HRM practices, we found that HRM practices in the Polytechnics were similar irrespective of size. This led us to speculate that because the core Polytechnic staff were from the Ghana Education Service, it is possible that they imported such bureaucratic administrative practices as the extreme use of written documentation and the application of consistent rules and/or administrative manuals to the Polytechnics.

The findings have implications for Polytechnic management as well as for future research. Firstly, for the Polytechnics to successfully achieve the goals set for them in the Polytechnic Act 745, it is imperative for them to pay attention to HRM practices. In particular, they must pay attention to systematically recruit, select, develop, utilize, reward and maximize the potential of the available human resources because of the link between certain HRM practices and improved organizational performance. (Schermherhorn 2001; Megginson, Franklin and Bryd, 1995). Secondly, since HRM practices are similar for both large and small Polytechnics, it is possible that the Polytechnics may be employing HRM practices that may not be cost effective, suitable or relevant to their needs. Management must determine the most appropriate HRM practices rather than use one-size-fit-all measures. This calls for research further research.

The findings also have implications for research. While this study focuses on Polytechnics, the study provides an avenue for a comparative study of the HRM practices in other tertiary institutions like the universities. For instance, the study could be replicated in privately and publicly funded universities to see if the findings hold. Similarly, a comparative study involving public sector and private sector organisations should be carried out to ascertain the differences or similarities with our findings.

Limitation
Since the study was carried out in public Polytechnics, the findings are strictly applicable to such institutions. Generalisations may therefore be done with caution.

REFERENCES
Retrieved on 03 February 2008.


PNDC Law 321 (1992) of Ghana


Segmented Work and Ethnic Divided Workers in the Nigerian Oil Sector

Chima Mordi, Brunel Business School, UK

This article extends the analysis of the internal labour market. It examines the accommodation of ethnic labour market segmentation within the Nigerian oil sector workforce and its consequences. Specifically the objectives of this article are (a) to identify ethnic embedded segmentation as a method indulged by MNC Shell to control labour in its Nigerian subsidiary, (b) to examine the character of embedded ethnic segmentation and unearth the means through which Shell management has embarked on the policy and the dilemmas or benefit of this strategy for the management of employment relation. Qualitative analysis of available evidence indicates that embedded labour market segmentation has been sought during the pursuit for labour market segmentation via numerical flexibility. Managers have, obviously not created ethnicity, although they have indulged it as a construct of control in the workplace. The paper contributes to the literature on ethnic and labour-control studies.

INTRODUCTION
Despite their popularity in western human resources literature and discourses, the theories of (ethnic) labour-market segmentation via numerical flexibility remain relatively unknown within the Sub-Saharan African human resource and industrial relations literature. This study aims to fill the gap. This study examines Shell’s labour policies in its Nigerian subsidiary, Shell Petroleum Development Company of Nigeria Limited. It attempts, in particular, to identify and examine the key instruments and methods through which Shell seeks to exact control upon its (indigenous) workers. The research identifies two main types of labour market segmentation utilised by Shell Nigeria to control labour. The first is “employer economic segmentation”, which entails the adoption of various management strategies such as flexible and temporary contracts; and the second is “embedded ethnic segmentation”, which involves the exploitation of specific circumstances in the Nigerian environment, such as its ethnic differences, to break up and further control its workforce. This paper focuses on the later instrument of labour control - embedded ethnic segmentation. First, the paper highlights different notions of embedded segmentation, i.e. political-, religious- and ethnic-embedded segmentation. Secondly, the article defines ethnic segmentation within the remit of capitalist workplace relations. The third section examines the evidence for, or how Shell managers have used, ethnic segmentation and examines the benefits that managers engender from the current use of ethnic segmentation. Lastly, the researcher offers conclusions and recommendation.

NOTIONS OF EMBEDDED SEGMENTATION
There are various dimensions of embedded segmentation that can be found within any firm operating in Nigeria and Sub-Saharan Africa countries (SSA); these include religious-, political- and ethnic-embedded segmentation. An exploration of ethnicity will aid a clearer understanding of embedded ethnic segmentation. Ethnicity at work presupposes that groups of workers are socially and culturally united or classified together on the basis of common history, language, nationality, and geographic location (Khan 2002; Kamoche 1992, 2000). They are actively or passively opposed to the hegemony or inclusion of the other ethnic persons/groups in the core segment and sometimes in the periphery segment of the workforce (Bonacich 1994:474-475; Ukiwo 2005). Ethnicity may be defined as ‘the employment or mobilisation of ethnic identity and difference to gain advantage in situation of competition, conflict or cooperation’ (Osaghea 1995:11). In Nigeria the search for job security amid a spiralling unemployment rate encourages people from the same ethnic configurations to insulate their jobs against others (Ekeh 1989; Osaghea et al 2005). Thus, job insecurity encourages ethnicity at work (and vice-versa). This point resonates with Nyambegea’s(2002: 1078-1079) argument that ‘in a multi-ethnic society, the ethnic group is a source of sociological attachment for workers and serves as an important reference of self-identification’.
NIGERIAN LABOUR MARKET

Several elements of the Nigerian labour market give Shell a non-regulated context to promote unpopular strategies and provide a near absolute dominance of the labour process. Most notable of these features are the size of the labour market and unemployment, the lack of stable government and labour policies, repressed trade unionism, unilateral pay determination systems and the role of external institutions. Nigeria is the most populous country within the African continent with a population estimate of over 135 million people (Worldfactbook). There are over 250 ethnic groups and about 354 languages within the Nigerian boundary. The Nigerian economy is heavily reliant on the oil sector, which generates 20% of GDP, 95% of foreign exchange earnings, and about 80% of budgetary revenues (Okafor 2007). In 2007 the GDP real growth was 6.1%, and the inflation rate was 6.5% while the labour force is estimated to be 50.13million (Worldfactbook). This seemingly qualifies it as the largest workforce in Africa. The Institute for Security Studies reports that there were over 60 million Nigerians unemployed at the end of 2000. The intense struggle for scarce employment opportunities empowers and places a multinational employer, such as Shell, in an asymmetrical position in the employment relationship.

RESEARCH METHOD

This article employed the use of a qualitative research design. The choice was logical, since the phenomenon had not been studied previously. Primary and secondary sources were used to identify and evaluate strategies utilised by Shell management in its bid to control labour in its Nigerian subsidiary. The focus of the research task resulted in an attempt to use three main types of data, which involved a series of in-depth interviews backed up by secondary and primary documentary data. The documentary data included Shell’s policy papers, such as original letters of employment, Annual Reports, union agreements, communiqués and newspapers. It should be noted that the use of these three types of evidence was aimed at minimizing or overly relying on a single data source.

The site for this study has been “Shell” Petroleum Development Company Nigeria. Shell is the operator of a Joint Venture Agreement with the Nigerian National Petroleum Corporation (NNPC), which holds 55% with Shell holding 30%. It is the largest employer of labour in the Nigerian oil sector and has been in the country over 65 years or since Nigeria was a Greenfield. 46 respondents, made up of four (4) senior managers, 31 middle management/junior indigenous workers, and 11 officials from the two petroleum workers’ trade unions were interviewed. Respondents interviewed were drawn from Shell Nigeria’s Human Resource Unit, Industrial Relations Units, Community Development Unit, and Legal Unit. Permission was sought from managers of various units to interview other workers. The interview response rate was 95% particularly among Shell respondents who were on weekend studies in the Delta State University. Interviews were semi-structured and often lasted about thirty minutes or more. Descriptive statistics was used to analyse the data. It is the opinion of the researcher that this research is limited by the fact that it concentrates on one of Shell’s subsidiaries. Hence a research comparing Shell practices across several countries, subsidiaries or multinational companies is recommended in the future.

Ethnicity and Shell recruitment and selection

Embedded ethnic segmentation is a control tool or another way Shell management, away from the point of production, appear to be shaping the labour market, union and management relations. This is achieved by encouraging the use of informal “ethnic recruitment channels” in order to filter which indigenous workers are placed in Shell’s lucrative core and hurled into its precarious peripheral segment. This obviously is in contrast to the pervasive assumption about the degree of formality, which pervade Shell recruitment process. For instance, when asked if ethnic consideration was paramount during recruitment and selection, one of the respondents a senior HR manager acknowledged the prevalence of this occurrence and pointed out that:

you don’t expect Shell to come out and say ethnicity is used as an official policy of the organisation or plays a role in the way we recruit or promote…we within the organisation in Nigeria know it’s an informal policy…I cannot tell you that all the recruitment carried out in
Shell have been done always without resorting to ethnic consideration especially for many of the secondary jobs.

Jenkins (1997: 66-67) captures the situation in Shell Nigeria when he indicates that in multi-ethnic labour markets, ‘ethnic categorisation is a powerful criterion governing the allocation of job seekers to jobs’. The management pursuit for labour market segmentation via flexibility allows ethnic categorisation its entry into the recruitment process. In Shell for instance issues of ethnicity can be seen during recruitment processes when an applicant is supported by a manager and worker or influential personality in the country, who wields considerable clout both in and outside the firm. Of the twenty-seven Shell workers who (twenty-three middle management and four senior management) were asked how they found out about their jobs, fifteen of the respondents affirmed that contacts, relatives and friends in Shell invited them. Three of the indigenous senior managers also pointed out that they got to hear about the vacancies from insiders. This paper does not suggest that all recruitments in Shell are through informal methods rather it clearly identifies it as a recruitment method that cohabits with other formal methods.

Suggestions that large bureaucracies such as MNCs are immune to environmental factors such as ethnicity, the influence of kin network or word-of-mouth recruitment may not be completely fact based. The finding aligns with Anakwe’s (2002) revelations that 32% of managers in Nigeria recruit through informal recruitment channels. In Shell Nigeria informal recruitment can be seen during periods of outsourcing of jobs to local communities. While describing how the jobs are outsourced, one of the Shell managers indicated that communities are encouraged to form alliances and apply for jobs, ‘this is one way we try to make sure that the communities benefit from the contracts being awarded’. Note that ethnic alliances do not only affect peripheral jobs but core jobs. One of the informants when asked if he could explain how ethnic considerations surface during the periods of recruitment and selection, he stated that:

To start with, some of the jobs are not really advertised to the public. I mean before a ‘chance’ or job is to be given to any contractor, the ‘ogas’ [unit heads] already knows and makes contacts with ‘their people’ inside and outside the company. They fit tell their people eyetin (the requirement or what) they go say or write for proposal. Na this same oga go negotiate with the people wey go sit down for the panel.

This pattern of recruitment obviously jars against the prescriptive text on recruitment, which recommends a methodical procedure comprising of an appraisal of whether the vacancy needs to be filled, a job analysis the production of job description and person specification. The evidence from the foregoing shows an accommodation of formal recruitment methods and informal recruitment practices.

**Embedded ethnic segmentation and Promotion**

It is generally agreed among workers in Shell that the choice of which workers make it to the top stratum of Shell’s management position appears to be subjected to meticulous and unbiased official processes. However, the choice of who gets into the middle and lower management positions is less rigorous and more subjective. One respondent pointed out that

Shell is “anaesthetized” to ethnic considerations. Being in a senior management position, I can readily confirm that if anyone aspires to any of the ‘top-senior’ management positions in this firm, such a person must have the requisite qualifications, skills and proven track record of relevant job experience.

The view expressed above contradicts other respondents who argue that ethnic “job gatekeepers” sometimes manipulate middle and lower management positions in the core and peripheral sectors of Shell’s labour market. While passionately recounting his personal experience, a manager in one of Shell’s Community Development Unit pointed out that:
by ranking, I am the second in position in this unit however, I ought to be the Chief Officer in this unit given the fact that I am the oldest here, and I have the most educational qualification and experience. However, a man I tutored on this job is my boss. Why? He is from the dominant ethnic group in this firm.

Unionisation, ethnic associations and collective bargaining

Majority of the union officials interviewed pointed out that they were not affected by ethnicity. However, Note that Shell workers, unions and Shell management, continue to engage the services of these indigenous cultural institutions (influential traditional chiefs, town or ethnic associations) in settling not only labour matters but also to appeal to their subjects, especially in times of kidnappings of multinational oil company workers. A classic example is how Shell has involved these parties in resolving the Ogoni Crisis. This has found them to be partners in development; this claim is based on the fact that they are nearer to the host community of their operation than the government/state and its agencies, which are far from them. The advantages of using the traditional institutional means of regulating industrial relations include the fact that they are cheaper to operate; it is less cumbersome, less legal and based on face-to-face interaction between all the parties.

Furthermore, the use of ethnic recruitment channels in Shell Nigeria has a nexus to the prominence of “workplace ethnic associations”. The existence of such associations as parallel organisations to trade unions has not served to increase the effectiveness of the latter in Shell Nigeria. It is not atypical for workers in Shell to be members of the workplace or external ethnic associations rather than joining oil-sector trade unions. There are several reasons for this, the first being that the oil sector trade union represents less than 60% of the workforce and does not cater for many in the secondary segment of Shell Nigeria’s labour market (Shell and Environment Annual Reports 2001-2004; NUPENG paper). Thus, in search for protection from the volatilities of the labour market, many of these workers have joined ethnic associations within and outside the workplace. Another reason for joining the ethnic association relates to the fact that indigenous workers tends to feel that their “ethnic influential brother/sister” will help them better in protecting their job rather than a trade union.

Benefits of Using Embedded Ethnic Segmentation

There are links between the rising ethnic differentiation in Shell and the managerial pursuit for (numerical) flexibility. These two variables converge due to the need for labour supply in Shell Nigeria’s internal labour market. The vital bond between ethnicity and labour market segmentation via flexibility can be seen in the value both variables engender for Shell managers in their pursuit of labour control. Managers in Shell Nigeria have benefited from the use of ethnic recruitment channels in two distinct ways. The first is that the use of ethnic recruitment channels provides a ready source of labour and minimises cost. Secondly, the use of these variables gives support to the maintenance of a disciplined workforce and a numerically weak or effective trade union.

CONCLUSIONS: LIMITATIONS AND CONTRIBUTIONS

This article has tried to contribute to the literature on ethnic studies and labour relations. Embedded ethnic segmentation underpins the control of labour in Nigeria and Sub-Saharan African nations. Managers have, obviously not created ethnicity, although they have indulged or accommodated it as a construct of control in the workplace. Furthermore, conventional studies on ethnicity have focussed more on social-cultural relations of various ethnic groups and have not largely explored their impact on the labour process and their utility for controlling labour and maximising the extraction of labour surplus. This study fills that gap. Note that in view of a sample size of one firm (Shell), the findings of this study are a snapshot of current debates on shifting employment trends in Nigeria and Sub-Saharan African (SSA) large business environment. The author believes that it will make an interesting study if it was extended to other Shell subsidiaries in other countries or MNCs operating in the extractive sectors. The researcher recommends that the benefits of diversity and merit based recruitment be utilised across core-peripheral jobs. A limitation of the work is that it is a case study of a site; it will make for an interesting study if the study could be extended to other Shell subsidiaries or MNCs operating in the extractive sectors.
REFERENCES
Information Systems Curriculum: A Recommendation for the 21st Century

Godwin Tetteh, London South Bank University, UK

The main argument in this paper is that there is a need for undergraduate programs in information systems to include in their curriculum, courses on information systems change management. This study is therefore conducted to gain insight into the effect of inclusion in an IS curriculum, change management models and the teaching of information systems change management to final year BA Management, BA Business Studies & BA Business Administration students. The main purpose is to evaluate if teaching and learning information systems change management has an impact on the students' behaviour and attitude towards IS implementation in organizations. A secondary and overarching aim is to provide empirical data to support re-construction of educational programs and curriculum in information systems to include change management paradigms to develop university-trained graduates who can support the changing needs of the 21st century's information economy.

INTRODUCTION

Information Systems curricula in universities today need deconstruction and reconstruction. They need frequent updating to remain useful for the graduates, universities and organizations. The importance of Information Systems (IS), Information Technology (IT) and Information & Communication Technology (ICT) and how they change personal, organizational and societal lives have been rehearsed (Rainer, et al, 2007; Pearson & Saunders, 2006; Clarke 2007). Implementation of information systems empower people, change organizational structures, change business processes and alter relationships between organizational members (Boudreau, 2006). It helps improve efficiency, enable employees and teams to work together effectively and organizations to alter work processes to achieve competitive advantage, (Boudreau, 2006; Legris et al, 2002). IS implementation is therefore conceived as a change process. However information systems project failures are nevertheless being witnessed by organizations. While researches have identified a number of factors that have contributed to these failures, in recent times, deficiencies in project and change management skills are being seen as prominent and among the top factors leading to project failure. For instance, IS projects fail because the implementations are heavily skewed towards technological aspects (McNish, 2002). There is also the issue of competencies gap - capability to translate our knowledge and skills into practice. As noted by Angerh (2004) our knowledge and skills to help implement information systems in organisations as a change process are not well developed.

Information systems professionals need profound educational base to be able to respond to organizational and technological dynamics in the 21st century. Information systems courses have for a long time lacked adequate integration of disciplines and skills that provide programs of study which suitably prepare students for the work place where information systems implementation and technological change comes to live. Chambers (2006) noted that success in the future with respect to IS, IT and ICT entails change management, and “interaction workers will need education and skills training to develop the ability to problem-solve and collaborate, above and beyond their basic knowledge of IT”. Johnson (2006) according to his deficit model noted that one of the main reasons why information systems implementation is unsuccessful is the deficit in the educational background of project managers. He observed that project managers are unfamiliar with good project management principles, models and theories. Gallivan et al (2004) review of the literature on IS curricula noted similar concerns. They described the situation as the “curriculum gap”. Their explanation of how the gap comes about is that there is “one set of skills valued by IT practitioners but not emphasized in IS curricula, and another set that had lost its practical importance, but which was still strongly emphasized in academic programs.” They opined that the new type of IS professional will be one who had contextual orientation and an ability to apply technology to bring about change and business solutions. The anxiety regarding education and curriculum is also echoed by Clarke, (2007) who
raised some concerns and posed a number of questions: what is IS change management, how is it taught and learnt in universities; how is it conceived or perceived and implemented in organizations?

Despite this concern very few studies have been conducted into University curricula in the area of Information Systems and Management of Change (IS&MC). Among a host of questions to be addressed in this study are: Does teaching IS & MC aid change the perception and attitudes of the under-graduate students? Does the teaching of IS & MC prepare and equip them with appropriate skills, knowledge, models and tools to be change-agents and change champions and therefore serve them to translate their change concepts into consequential practice? The purpose of this study therefore is to evaluate if teaching and learning of information systems and management of change (IS&MC) module has impact on the behavior and attitude of students on an information systems program of study.

LITERATURE REVIEW AND THEORETICAL FRAMEWORK
An examination of the literature suggests that, a large number of the universities especially in the United States of America have included project management courses in their curricula as a result of the influences of benchmarks of the Association of Information Technology Professional (AITP) Model Curriculum and the Project Management Institute's (PMI®) Guide to the Project Management Body of Knowledge (PMBOK® Guide). Johnson's (2006) study that investigated a number of information systems curriculum in US universities found that of the 203 institutions with graduate information systems programs surveyed, 78 (38%) indicated they had a project management course. While the study was interesting, it raised a number of issues. One such issue is how project management is perceived in the curricula? Unfortunately, for these universities project management is conceived as a technical phenomenon and as a result it is taught from that theoretical perspective and practiced from that paradigm. Information systems is therefore thought of as a technical and engineering subject and taught in the classroom as such. For instance topics covered in project management courses include application of techniques such as: project planning, work breakdown structures, critical path analysis, project cost and time management, earned value analysis, cost-benefit analysis, project life cycle, systems development methodologies and hands-on experiences using project management software e.g. MS Project. As observed by Johnson "The subject of project management.....can be applied to any technical project," (Johnson, 2006). The study also noted that project management course covered hard skills while giving less emphasis to soft and social skills. The study in conclusion found that the adoption of project management model (AITP) curriculum among information systems graduate programs was disappointing. Markus and Benjamin (1996) have also discussed three IS change models - traditional IS, facilitator and advocate models. While they observed some strength of these models, they were concerned that the models appear to over rely on technical expertise, technical change and authority to control users' IT decisions and responsibility for technical outcomes. The predominance in the literature on theoretical, methodological and practical reliance on technical configuration cannot be overemphasized.

Given these limitations, this study takes the view that information systems implementation is a change management process and that the program of study should include models and theories that are consistent with this perspective. This paradigm is not exclusive but inclusive of traditional project management configuration. Therefore these models and theories should also be taught in the classroom. This will provide information systems students in the classroom with experience that will help them understand the components of information systems change management and fully appreciate the challenges of achieving successes in information systems implementation in real life organizations. We agree with Markus and Benjamin (1996) when they suggested that there is need for new branches of computer personnel, information systems curricula and training.

DESIGNING THE STUDY AND METHOD
This study was designed and conducted within the Business & Information Systems (BIS) department of the Faculty of Business, Computing & Information Management at London South Bank University, London, UK. The curriculum and degree Programme of interest for this study was the BA (Hons)
Business Studies, BA (Hons) Business Management and BA (Hons) Business Administration. The students that took part in the study were in Level 3 studying Information Systems & Management of Change (IS&MC) as a core module on these three degree programs. The aims of the module include the following: implementing IS is a change process; compare and contrast different approaches to the management of change; using the different approaches in a complementary manner rather than as competing strategies. The following is an overview of the content of the module - (i) Introduction to systems theory and information systems implementation (ii) change and definitional issues (iii) hard and soft systems (iv) Soft Systems Methodology (iv) PRINCE Project Management methodology; (v) SSADM systems development methodology (vi) theories and models of change (vii) approaches to change (viii) readiness for change: resistance to change; minimising resistance to change (ix) IS and Stages of Growth (x) change agent, leader or champion.

The author teaches the Information Systems and Management of Change module on the three degree programs named above. To reiterate, the purpose of this study was to evaluate the impact of the curriculum and the module on the behavior and attitude of the students whose final year core unit is the module. The theoretical framework and the instrument for this research draws heavily from a number of change models and theories - Systems theory, Lewin’s Group Dynamics theory, (Burns, 2004); Lewin’s 3 step model, (Burns, 2004); Contextualist theory Pettigrew, (1990); Soft Systems Methodology, Checkland (2000); the Emergent Perspective, Walsham and Weima (1994); Theory of Reasoned Action (Fishbein & Ajzen, 1975) and Theory of Planned Behaviour (Ajzen, 1991).

There were 41 full-time and part-time students enrolled on the module during the academic year 2006-7. With regard to the part-time cohorts, some are managers and the others are potential managers. Though the number enrolled on the module was 41, the total number of usable participant responses was 36 students, Table 1 giving a response rate of 88%. Examples of full-time jobs and responsibilities of the part-time students were Development Manager, Property Manager, Business Consultant, Sales & Marketing Executive, Investment Banking, HR Advisor Administrator, Events Co-ordinator. The average age of the full and part-time students is 22 and 30 respectively, Table 1.

<table>
<thead>
<tr>
<th>Table 1: Profile of Study Participants in Academic Year 2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

In conducting this study, the research employed the “statement method” (Oz, 2001). In measuring change in behaviour, Oz noted that we try to measure to what extent a person is likely to behave in a new manner that is different from an existing behaviour. In using the “statement method”, the belief is that the people responding to a stimulus statement, or a question, know whether the behaviour they indicate is new or not. Oz (2001) argued that since it is impractical to actually observe changed behaviour for research purposes, researchers use this method whereby researchers provide first-person change – statements and have respondents indicate to what degree they agree or disagree with the statements. Based on the Theory of Reasoned Action, TRA (Fishbein and Ajzen, 1975; Ajzen and Fishbein, 1980 1980), Beck and Ajzen (1991) demonstrated the usefulness and validity of the Theory of Planned Action (Ajzen, 1985) that helped with the development of the “statement method”. Beck and Ajzen noted people who reported that they behaved or intend to behave in a certain manner actually did behave in that manner in consequential practice. One lesson from the study and the theory is that, we can conclude that if people agree with statements that reflect new behaviour or change, they actually go out to behave in the new manner showing the change behaviour and encouraging change behaviour. In view of this and based on this theory the research method that was used in this study was the “statement method” to determine change in behaviour or intended change in behaviour following the teaching of the module to these students.
A pretest-posttest questionnaire-based study using the “statement method” (Oz, 2001) was therefore conducted. The questionnaire, Self-Assessment of Change Management Knowledge, Kirkpatrick (1985) available on request, consisted of fifty (50) questions or items that operationalised concepts from the theoretical framework and elicited responses from the participating students. Some of the items in the questionnaire related to change agent competency, leadership, timing, organisational context, planning, cost, staff participation and involvement, processes, systemicity, individuals, groups, minimizing resistance, collection of 'hard' and 'soft' data. The questionnaire uses Likert Style scale: "1= strongly agree; 2=Agree; 3= Neither; 4=Disagree; 5=Strongly Disagree." A longitudinal timeframe was employed. The instrument was thus administered in the first session (before teaching commenced) of the first week and also in the tenth week of the semester (after teaching the module). This approach was adopted so that responses in Week 1 could be compared with responses in Week 10 to allow us to say whether the module has made any impact on the student’s perception and attitude towards information systems implementation.

DATA ANALYSIS

An SPSS analytical software tool was used to help with the analysis of the data. While an attempt was made to assess the number of students whose attitude might have changed as a result of teaching and learning the module, patterns of the change were also analyzed. One-way analysis of variance, ANOVA repeated measure, descriptive statistics and Friedman Test techniques were therefore used. Pre-module responses were analyzed and compared with post-module responses. The application of these techniques enabled measures to be taken from the same group of students on the two occasions – before commencement and completion of the teaching and learning of the module - to determine the change that has taken place as a result of the teaching and learning the module. The Friedman Test, a non-parametric technique was only used as an alternative to determine whether change has taken place from a different perspective i.e. a non-parametric perspective. The use of the three techniques illustrated a rough and ready use of “triangulation”. The module is conceived as a factor and having a pre-course and post-course impact.

RESULTS AND DISCUSSIONS

Table 2 shows an extract of pre and post module changes in responses to a number of statements. An examination of the first item in Table 2, “Few people in any department have any ideas to improve the effectiveness of the dept/organization” suggests that the mean response to the statement changed from 2.72 to 3.39. The Wilks’ Lambda and the associated probability value are 0.904 and 0.061 respectively. The probability value of .061 really means p is slightly greater than .0005 (p>.0005). We can conclude that there is statistically a slight change as a result of time. When the Friedman Test was conducted, the Mean Rank for the pre-test and the post-test were 1.35 and 1.65 respectively. The associated significant level is .056. This test also suggested differences. Comparing the scores for the two periods, it appears that there was a steady increase in the change of attitude with regard to the statement. This is consistent with the results from the descriptive statistics. The descriptive statistics, for the pre-course, showed that 47% of the students agreed and 30% disagreed with the statement. Based on the statistics following the triangulation, a conclusion can be drawn that the module made some difference to the students’ behaviour.

Our students here appear to agree that more people in the organization have ideas for change improvements and for that matter, more people should be given the chance to engage with the change development. There are success stories about participative change management, and the literature has demonstrated that one of the reasons for the success of participative management is that the practice and the theory is underpinned by the belief that everyone has ideas for contributing to change and improving the effectiveness of the organization and therefore should be allowed, in their diverse and small ways, to participate in the change process. One implication of this result is that managers therefore must give all staff the opportunity and encouragement to express these ideas freely before and during change implementation. The work of Crane et al (2003) resonates these concepts and practices.
Table 2: Changes in Mean Responses

<table>
<thead>
<tr>
<th>Change Concept</th>
<th>Mean Response</th>
<th>Std Dev</th>
<th>Wilks' Lambda</th>
<th>F-value</th>
<th>p-value</th>
<th>PE Squared</th>
</tr>
</thead>
<tbody>
<tr>
<td>Few people in any department have any ideas to improve the effectiveness of the dept/org.</td>
<td>Pre 2.72</td>
<td>1.233</td>
<td>0.904</td>
<td>3.37</td>
<td>0.061</td>
<td>0.096</td>
</tr>
<tr>
<td></td>
<td>Post 3.39</td>
<td>1.440</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decisions to change should be based on opinions as well as facts.</td>
<td>Pre 1.81</td>
<td>0.467</td>
<td>0.52</td>
<td>32.28</td>
<td>0</td>
<td>0.48</td>
</tr>
<tr>
<td></td>
<td>Post 3.17</td>
<td>1.424</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In order to save time, managers should make decisions regarding change without seeking input from subordinates</td>
<td>Pre 3.33</td>
<td>1.242</td>
<td>0.887</td>
<td>4.44</td>
<td>0.042</td>
<td>0.113</td>
</tr>
<tr>
<td></td>
<td>Post 3.86</td>
<td>0.961</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Most people will accept a change if managers explain that the change is necessary for the survival of the organization</td>
<td>Pre 2.00</td>
<td>0.862</td>
<td>0.88</td>
<td>4.76</td>
<td>0.036</td>
<td>0.12</td>
</tr>
<tr>
<td></td>
<td>Post 2.47</td>
<td>1.082</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>People with negative attitude towards change should be encouraged to quit</td>
<td>Pre 2.89</td>
<td>1.3</td>
<td>0.677</td>
<td>16.66</td>
<td>0</td>
<td>16.7</td>
</tr>
<tr>
<td></td>
<td>Post 3.97</td>
<td>0.81</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The style of leadership of the boss is the most important factor to consider when managers are trying to decide whether to recommend or initiate a change</td>
<td>Pre 3.31</td>
<td>1.215</td>
<td>0.620</td>
<td>21.49</td>
<td>0.000</td>
<td>.380</td>
</tr>
<tr>
<td></td>
<td>Post 2.11</td>
<td>1.008</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

A significant change is also noted in the response to the second item in Table 2 i.e. the statement “Decisions to change should be based on opinions as well as facts”. As shown in Table 2, the average response increased from 1.81 to 3.17. The Wilks’ Lambda is .52 with a probability value of .0000 (which really means p<.0005). The p value is less than .05; therefore we can conclude that there is a statistically significant effect for time. In other words this change is not chance induced. This suggests that there is a considerable change in behaviour across the two time periods. The change in behaviour is consistent with the literature. Drucker (1967) encourages collection of facts and opinions to aid problem solving to bring about change. Checkland (2000) SSM also advocates collection of data on feelings, emotions, and opinions; and gathering hard and soft data during data collection to aid analysis, design and change implementation.

Another change observed as illustrated in Table 2 is the increase in the mean from 2.89 to 3.97 for the questionnaire item “People with negative attitude towards change should be encouraged to quit”. The Wilks’ Lambda is .68 with a probability value of 0. The p value is thus less than .001. With regard to this item we can also conclude that there is a statistically significant effect for time and that the change that occurred was not due to chance. This appears to suggest that our students will be willing or ready to advise staff that resists change to quit; or sack those who put up any resistance to change. This change in behaviour and action seems to support the literature. Kotter and Schlesinger (1979) discuss approaches to minimizing change and addressing resistance to change and suggest that encouraging people to leave, firing or dismissing them should be the last resort in terms of action to be taken after all avenues have been explored to bring about change.
The change in Mean Response to the questionnaire item “the style of the leadership of the boss is the most important factor to consider when managers are trying to decide whether to recommend or initiate a change” is very interesting. The change decreased from a pre-test of 3.31 to a post-test of 2.11. The Wilks’ Lamda is .620 and a probability value of 0 which means \( p < .0005 \), an indication that there is a significant change. A decrease is also noted in the response when the Friedman Test was conducted. The Mean Rank in the Friedman Test showed a decrease from 1.76 to 1.24 with a Sig. Level of .000 (which really means \( p < .0005 \)). On the face of this result one may be tempted to infer that this steady decrease means that “the style of the leadership of the boss is not the most important factor to consider when managers are trying to decide whether to recommend or initiate a change”. But when the descriptive statistics is examined, we note that for the pre-test 31% of the students agreed and 47% disagreed. However the post-test results showed that 61% agreed with the statement and only 8% disagreed. The respondents appear to agree that an important factor in success change implementation is leadership style.

As a consequence of the above, we can draw the conclusion that, statistically there is evidence to support the position that teaching and learning the module has had an impact on the students’ behavior and attitudes towards IS implementation as a change process. It is also noteworthy that this study has been replicated for three consecutive academic years: 2004-5, 2005-6 as well as 2006-7 study, the detailed data and analysis which has been presented in this paper. There were 39 students in 2004-5 cohort and 20 students in 2005-6 cohort. Remarkably, similar results were obtained giving credence to the study’s approach and results. Further research is planned for the academic year 2007-2008. Therefore the total number of students involved in the study over the four-year period will be large enough and statistically significant to enable very strong and useful conclusions to be drawn from the study.

Teaching information systems graduates to develop behaviors and social skills to be change agents and implement change phenomena in organizations has been the subject of the literature in recent years. Cougar and Zawarki (1980), in their research and seminal book noted that information systems professionals were characterized by “low social needs and high growth need” (p5). They recommended that some action is required to address this people problem that appears to be endemic within the IS profession. This is also echoed by Markus and Benjamin (1996) who observed that the IS community should engage the soft skills education issue proactively.

One of the learning outcomes of Information Systems courses is for the students to graduate with the relevant attitudes, behaviors and skills to implement information systems successfully in their host organizations. From this study we note that our students started and completed the module with a high possibility that they will become IS change agents: change agents with leadership style that promotes widespread involvement and participation at multiple levels and encourages contribution from a large number of staff; emphasizes both soft and hard data collection to aid analysis, puts high premium on both technical and social skills, abilities and knowledge and sensitive to the context in which the change is being implemented. Our students are thus likely to volunteer and take part in change processes; they may probably act as change champions.

Markus and Benjamin (1996) expressed similar views when they said that IS managers and executives are likely to be effective change advocates for organisational change implementation. Perhaps our students will now leave with the full knowledge that, for change implementation, a change approach that puts high premium on hard facts should equally emphasise and acknowledge soft skills, user engagement with and user interpretation of the change phenomenon. We should be teaching change management and implementation methods that stress subjectivism and facts. Thus the information systems curricula in the universities should be reconstructed to be underpinned by both subjective and positivistic configuration.

LIMITATION
This study was conducted complying with confidentiality code of practice. In doing so, the students were asked not to write their names on the questionnaire. Consequently, it was not possible to perform analysis of paired responses. Instead analysis of unpaired responses was performed. It was
therefore not possible to gain insight into changes that have occurred in each individual student. This would have been more interesting. A secondary limitation relates to the timeframe. Our students’ responses should have been measured on a weekly basis. This would have enabled a trend line of the changes to be developed and a proper pattern of the change to be identified.

CONCLUSIONS AND IMPLICATIONS
The results of the statistical analysis suggest that the teaching and learning of IS&MC do make a difference and shape students’ attitude towards change implementation. One implication of this study is that the old information systems teaching and learning curriculum may not be appropriate for the 21st Century. The wider implication is that IS curriculum be framed as an integration of technical, social and political dynamics and interactions. In other words, the integration of change management theories and modules into information systems program courses is a useful configuration. Our recommendation therefore is that, for an IS curriculum to be ‘fit for purpose’, i.e. meeting the needs of the 21st Century organisations and IS graduates who will work in these organisations implementing systems, the curriculum should put high premium on technical and organisational processes, content and context. This task might not be an easy one. If the universities and the developers of curriculum are themselves not change agents, then it will be difficult for them to develop and implement IS curriculum that can impact teaching and learning in that direction.

REFERENCES
http://www.12manage.com/methods_ajzen_theory_planned_behaviour.html
Kotter & Schlesinger (1979). Dealing with resistance to change: Explanation of six Change Approaches
www.12manage.com/methods_kotter_change_approaches.html
"Stakeholder Democracy" is becoming popular with academics interested in evaluating stakeholder participation and influence in decision-making and organizing processes of corporations. This paper examines the extent of 'Stakeholder Democracy' as exercised by Kenyan consumers in Nairobi and Nakuru towns, and the factors that enhance or hinder consumer expression in the marketplace. The findings demonstrate the awareness of the consumers of responsible business practices but reveal a sense of powerlessness in holding corporations responsible for their decisions and actions. We conclude by emphasizing the need to develop and strengthen institutions that advance consumer welfare and rights in Kenya.

INTRODUCTION

'Stakeholder democracy' is about stakeholders participating and influencing the decision-making and organizing processes of corporations (Matten and Crane, 2005). Stakeholder democracy in consumption advances both responsibility and accountability towards the consumers as they enter into exchanges with other parties (Crane and Matten, 2004). The marketplace provides an arena for consumers to exercise power through purchase decisions in what Powell (1969, p. 33) terms the ‘economic ballot box’.

Despite consumers becoming more informed, educated and aware of their rights (Barnes and McTavish, 1983), their ability to exercise these rights in the marketplace has been questioned (Fitchett, 2006). This is because the practice of stakeholder democracy is contingent upon certain antecedents like supportive infrastructure, availability of information, and the willingness and ability of stakeholders to embrace democracy. This paper examines the extent of 'Stakeholder Democracy' as experienced by the Kenyan consumer, and those factors that enhance or hinder consumer expression in the marketplace.

CONSUMPTION AS STAKEHOLDER EXPRESSION

We define stakeholder expression as the actions taken by stakeholders to participate in activities that ensure their welfare is considered in organizational decision making. Government regulation and successful consumer movement has enabled stakeholders to express their rights through influence strategies such as boycotts, litigation and protests (Box, 1991; Frooman, 1999). Whereas the consumer movement in the western countries has been successful, that of developing countries is less visible. In Kenya, a number of governmental and non-governmental organizations seek to address consumer interests by lobbying for policy change with the relevant government ministries, for example the Kenya Bureau of Standards and non-governmental institutions like Consumer Information Network. However, consumer expression is relatively low due to ineffective institutional framework and support systems (CIN, 2004).

The extent of consumer representation and participation as stakeholders may generally be a function of the contexts consumers operate in (Matten and Crane, 2005). This is influenced by factors: a) external to the organization, b) internal to the organization, and c) those arising from the consumers themselves (Fitchett, 2005; Shaw et al, 2006; Carrigan and Attalla, 2001).

External factors include government policies, regulation and a vibrant civil society (Matten and Crane, 2005). In European Union (EU) countries, for example, the right to safe and efficacious products, right to truthful measurements and labeling are enshrined in EU regulations. In other countries, organization use
self-regulation methods like consumer dialogue, including focus groups and interviews or web forums (Unerman and Bennet 2004). Weak consumers are protected by both marketplace mechanisms and legislative measures (O’Dwyer, 2005). Thomson and Bebbington (2005) highlight the need for formal governance mechanisms to influence stakeholder engagement within organizations. In Kenya, although a consumer bill that seeks to guarantee consumer rights has been proposed, it is yet to be passed by parliament. As narrated by a project officer of the Consumer Information Network, the judicial system is highly bureaucratic and legal redress of consumer complaints takes too long, or the complaints are never addressed.

**Firm-specific factors** relate to organizational environment, organizational culture and entrenched rituals of participation that influence consumer participation in organizational decision-making (Soskice, 1997). Stakeholder democracy thrives in an environment with easy informational flows necessary to give accounts of the impact of organizations’ decisions, and where a system for acting upon the consumer feedback is in place (O’Dwyer, 2005). Corporations might resist the idea of ‘stakeholder democracy’ or limit the extent of stakeholder expressions because they see it as a way of giving up their power (Kerr, 2004). Fitchett (2005) argues that for governance instruments to function as democratic instruments, certain systems need to be devised that oblige organizations to dialogue with their consumers, and to evaluate the extent to which the consumer views are instituted.

**Consumer-specific factors** include consumer fragmentation, lack of information, and willingness to participate in action. First, consumers are increasingly becoming fragmented (Kotler and Keller, 2006). This raises the problem of how they would make their claims and actions known to those charged with representing them (O’Dwyer, 2005). Matten and Crane (2005) have argued for the presence of formal structures in order to get relevant representation. Although these avenues have been successful, they are not always sufficient for consumer representation due to the heterogeneity of consumer motives (Fitchett, 2005). Second, consumers rarely have sufficient information to challenge organization decisions and actions, or to participate in stakeholder engagement exercises. Furthermore, information access depends on the mechanisms put in place by relevant bodies, or the willingness of organizations to supply that information (O’Dwyer 2005). Where this is lacking however, the technology available today has enabled globally dispersed individuals to share information regarding companies’ actions (Carrigan and Attalla, 2001). Third, is the unwillingness of consumers to participate in stakeholder engagement exercises which might stem from lack of faith in the impact of their participation (Carrigan and Attalla, 2001), or their self-interest. Consumers will often act to satisfy their own needs because they feel no ethical or legal obligation to represent anyone else’s interest (Fitchett, 2005).

This research explored the factors that influenced the use of various stakeholder expression methods by Kenyan consumers.

**RESEARCH METHODOLOGY**

The research examined the level of awareness of consumers in Kenya of their stakeholder rights, and the extent to which consumption is used as a means of stakeholder expression. The study employed a mixed methodology. Structured questionnaires were used for the quantitative study and focus groups discussions for the qualitative study. Four focus groups were conducted with eight participants in each.

Data collection was in the period between July and October 2007. The questionnaire was administered face-to-face by research assistants, which reduced incidences of non-response. The population of study consisted consumers of fast moving consumer goods residing in Kenya’s Nairobi and Nakuru towns. Out of the 600 participants targeted for the quantitative study, 496 participated giving a response rate of 82.5%. As shown in Table 1 below, respondents were grouped into two socio-economic groupings; AB (upper-middle class) and C1C2 (middle class and lower middle). This classification was based on the Market Social Research Association of Kenya (2000) Guide to Social Class Definitions. This has been
used by research companies like the Steadman Group. We targeted AB and CIC2 group due to their levels of awareness about social issues of our study. The choice follows Bohlen et al (1993) and Fletcher (1990) who argue that higher social classes are more concerned and informed about social issues than lower social classes. This was proven during the pilot study of this research, where we discovered that the lower class respondents were not informed enough to comment on some of the issues that were being discussed in the study. Therefore, the low class consumers were excluded from the sample.

Table 1: Distribution of Respondents By Gender, Social Class and Geographic Spread

<table>
<thead>
<tr>
<th>Geographic Spread</th>
<th>Gender</th>
<th>Social Class</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>Nairobi</td>
<td>(145) 58%</td>
<td>(151) 61%</td>
</tr>
<tr>
<td>Nakuru</td>
<td>(104) 42%</td>
<td>(96) 39%</td>
</tr>
</tbody>
</table>

The data was analysed using SPSS and statistical measures like the mean, median and standard deviation. All qualitative data was transcribed and analyzed using simple content analysis technique. In the following section, we present the key findings for this study.

**FINDINGS AND DISCUSSIONS**

We discuss the level of consumer awareness of responsible business practice and how this affects their purchase decisions. Second, we explore consumers response strategies to organizational action that positively or negatively impact on them, and third, the factors affecting consumer expression.

**Consumer Awareness of Responsible Business Practice**

The respondents were asked to list any issues about organizational activities that impacted their general welfare. Most respondents mentioned the right to information, good quality and safe products, right to fair prices. One respondent said: “I would say that basically it is the quality - is it to the [right] standard for customers or users, being honest in all their services and products.”

**Figure 1: Corporate Actions Considered Irresponsible by Respondents**

It was evident that consumers were well aware of what constituted ethical and unethical corporate behaviour by businesses. Consumers were mostly concerned with business practices in the environment e.g. pollution (63%) and in the marketplace e.g. harmful products (52%). Indeed, 45% had experienced some level of negative impact from harmful products and 31% environmental pollution. However, there
were few mentions on responsible practices in the workplace e.g. mistreating employees (16%) as affecting their purchase decisions. The findings explain that consumers are more concerned with responsible products and services by producers, whilst community or workplace issues might not significantly affect their purchase decisions. These results corroborate work by Maignan et al (2005) on the social issues that are of concern to the consumer which can affect their purchase behaviour.

**Consumer Action Towards Irresponsible Business Practices**

Respondents were asked what actions they had taken against socially irresponsible companies. 48% said they had done nothing, and 19% had boycotted the products of such company. 9% indicated that they had told others to boycott the company’s products, while 7% had reduced the usage of that product. Only 2% of the respondents had reported to a government office, and confirms Salem et al’s (2007) assertion that many consumers in LDCs are reluctant to complain to concerned bodies. The passivity of consumers to taking action was certainly evident: “I am very glad that someone sued them the other day”, and corporate responsibility initiatives (i.e. philanthropy) dismissed as “they are just giving back what they stole from us.”

Asked if they had ever purchased a product simply because an organization was deemed ethical, 54% of respondents indicated that ethics was not a determinant of their purchasing behaviour. They argued that they would use that avenue only if there was more information in the public domain about organizations CSR practices, or if variables like price and convenience in accessing the product from the ethical company remained unaltered. One respondent from the AB group lamented: “How would I know which one has the best practice and which one [does not]; where do I get all that information [about a company’s social responsibility record]?” Even with the increased use of modern communication technologies in the developing world, specifically the Internet and the mobile phone, it would be expected that the environmental and social claims and actions of companies would be available to the respondents.

The respondents pointed to the continued use of the products or services of companies they were dissatisfied with their CSR record because they had been ‘locked in’ and the exit costs of switching to another provider was too high. This is compounded by the fact that the consumers had limited choices to make in some sectors, for example, there are only two mobile telecommunication providers in Kenya. Overall, the main factors affecting purchase decision included cost, product convenience, and whether products met consumers’ basic needs as captured in the following respondents statements:

“If [product] not more costly”; “If it [the negative deed] has been given much publicity”; “If it [product] meets the need”; “Not if it is inconveniencing [to boycott the product]”

**Consumer Attitudes Towards Stakeholder Expression**

It was clear in the research that consumers were aware of their rights but they did not take any proactive action towards influencing corporations to change its behaviour. During the focus group discussions, respondents were questioned about their orientation to stakeholder expression. They displayed three forms of reactions: Indifference and Justification, Helplessness, and Solution Giving.

**Indifference and justification** also called ‘neutralization’(Chatzidakis et al, 2006) refers to the rationalization of behavior by individuals as a means of coping with decision conflict and insulating themselves from blame and guilt. These respondents expressed satisfaction as long as the companies provided products that met their needs and did not harm them directly. Others indicated that they did not believe their actions would make a difference: “It wouldn’t make any difference if I boycott alone and the rest of you are still buying the goods”, or had other priorities: “you know, everybody goes through hard times... I know what you have gone through, but still as far as am concerned to all extents and purposes this thing [product] still serves my needs”. Another justified their inaction with being ‘good citizens’
themselves: “there is no way I can stop buying because of their irresponsibility. At least, I feel am doing something better [by getting involved in CSR activities] even if they are not”.

Helplessness refers to the feeling that respondents were powerless to compel organizations to be responsible. The extent of helplessness was expressed when respondents noted that their involvement in focus group discussion was an avenue to voicing their concerns. They argued that researchers had better chances of highlighting their plights when they disseminated their research findings. Consumer vulnerability is particularly prevalent in developing countries because consumers may not know the relevant bodies that should be approached to complain, as well as the regulations and rules that govern the sales (Amine, 1996; Salem et al, 2007). Most of those who expressed helplessness came from the C1C2 social class. They argued a lack of legislative support: “Am not covered by the law as well, so it will be a fight between me and the company, and who will lose? definitely, myself, so I would rather keep quiet”, whilst others expressed fear of reprisal should they take any actions against the corporate offenders: “I would feel that if I did speak out I will be victimized because I feel that I don’t have support, I would probably just let it go”. Others admitted empowering the corporate offenders by their impassivity: “I don’t know what am supposed to do about it, I don’t know if writing an article would help or calling the cops on them would help, I cant do anything….. those guys are very powerful.”

Solution Givers refers to respondents who feel empowered enough and know what strategies to employ (e.g. boycotts, litigation) should they encounter corporate malpractices that directly affected them. This group, mostly from the AB class, had not directly encountered any corporate irresponsible practices that impacted them but seemed very sure of what action to take should they do so. “I would seek legal counsel privately, like I would consult, talk to a legal officer just to see what my stand is.”. Others believed that mass action would be an effect strategy to hold corporations accountable: “Rather than stopping to use it [the product], because it will be extreme, and because there are benefits from their services, the easier and the more beneficial way to do is mobilize those of us who are frustrated and demand for a channel to put a complaint before the concerned authority so that something is done”. Direct confrontational or usage strategies like consumer boycotts was deemed “too extreme” by consumers since the products were providing benefits to the consumer. Consumer mobilization was a way of expressing their voice as a collective: “The only thing which maybe you can do is look for people who agree with you and form a committee, a pressure group.” The main challenge is how to mobilize consumers fragmented because of divergent needs, motives, and issues.

Salem et al (2007) have argued that consumers living in developing countries favor government intervention for their protection. This was highlighted by, respondents indicating they wanted the government to take a more active role in protecting them: “They [the government] should come and tell us about our rights, what our rights are… it is the responsibility of the government to educate the public.” Others proposed developing strong institutional infrastructure to support the voiceless consumer: “The legal framework that should be set up, should particularly cater for that voiceless person who is also a buyer”. Nonetheless, discussions from the focus group revealed that respondents felt the society itself was responsible only if the government empowered them to do so as individuals.

CONCLUSIONS AND IMPLICATIONS
The rising concerns about the increasing power of corporations, especially in the developing countries have brought to focus the need to organize corporations in a more democratic manner (Matten and Crane, 2005; O’Dwyer, 2005; Shaw et al, 2006). Consumers in the developing countries have continued being vulnerable to powerful organizations, with the norm being proliferation of counterfeits, goods of sub-standard quality, fraudulent advertising among other offences. This has raised the concerns as to how organizations can be obligated to regard the welfare of their stakeholders in their decisions and activities.
Despite the legitimate social issues expressed by the consumers, they feel a sense of powerlessness in holding companies responsible for their actions. Thus, consumption as an avenue to get consumers’ to exercise their stakeholder rights has not been as effective as would have been desired. This is not unique to Kenyan firms but is also evident in the UK where studies have revealed that consumers have been reluctant in stakeholder engagement through consumption (Carrigan and Attalla, 2001; Fitchett, 2005). The apparent ineffectiveness of stakeholder engagement in Kenya has mainly stemmed from the barriers facing consumers caused by the institutional infrastructure that renders consumer decisions ineffective, and lack of knowledge on available options on the part of the consumer. Consumers need to be educated on their stakeholder rights and the avenues available for them to get these rights observed. In the interest of the public good, the media has a role to play in promoting and advocating for responsible business practice.

Nonetheless, there is need to go beyond awareness to hold corporations accountable for their actions. The research shows inadequate legislation and civil regulation infrastructure that compels companies to be responsibility and accountable towards the consumer. Consumers feel powerless in compelling any actions from organizations due to the weak judicial systems, poor representation by consumer bodies and the legal system, and the fear of reprisal by the corporations that are perceived to be very powerful. Government-driven interventions through legislation is privileged from company self regulation. This shows there is need to develop and strengthen key institutions responsible for consumer welfare. Importantly, corporations need to realize that stakeholder responsibility contributes to sustainable business in the longer term, and should seek to integrate the welfare of their consumers in their marketing strategy.

REFERENCES


In Defense of Whistle-blowing as an integral part of Organizational Integrity: A Theoretical Exposition.

Abel J. Diale, Tshwane University of Technology, South Africa

Constant media exposures of organizational wrong-doing, unethical dealings and illegal practices have come to dominate the discussions on corporate governance. Such exposures are normally brought about by, among others, stake-holder activism and organizational whistleblowers/employees. Common in these cases, employees and/or stakeholders have had prior knowledge about the organizational misdeeds, but chose not or, were afraid to speak-out. If they did speak out, then organizational retaliation would be-fell the individual whistleblower without any attempt on the issues raised and brings the organizational integrity into question. Numerous case studies and research initiatives have demonstrated that whistle-blowing can and does play a positive role in strengthening accountability mechanisms in organizations and by extension, helps build organizational integrity. (Jos, 1991; Johnson & Kraft, 1990). The attempt of this paper is to explore theoretically, the nature of whistle-blowing as it transcends across legal, ethical/moral and social fields. This will be demonstrated using documented South African cases of organizational misfortunes. This exploration will be used to provide aspects to be considered for a framework in building whistleblower infrastructure as an integral component of building organizational integrity.

INTRODUCTION

The litany of scandals that have become synonymous with modern organizational failures is gradually eroding the ethical respect that communities/stakeholders have on organizations to build and manage their own ethical infrastructure. In pursuit of building and promoting their integrity, organizations are embracing notions such as Corporate Social Responsibility (CSR), Code of Ethics (CoE), Good Corporate Governance (GCG) with minimal / little attention to advocating active and robust culture of whistle-blowing (Morrison: 2004, Egels: 2005, PSC: 2006). The opposite has been the case where-in conformity to organizational business practices became dominant by side-lining those who do not toe the line, this aspect will be highlighted in one of the cases later in the paper. This paper will attempt to engage the notion of whistle-blowing and its ethical imperatives as advocated by both scholars and practitioners. The conclusion will be in the form of aspects to be considered for a framework that will guide the establishment of a whistle-blowing regime in the efforts of organizations to reclaim their moral/ethical status.

WHISTLE-BLOWING OR SPEAKING TRUTH TO BUILD?

Whistle-blowing with all its associated features, has become one of the important key features of the accountability infrastructure in modern organizations. This can be seen from the “Hot-line approach” pursuit by South African organizations and the “R1million-a-man incentive scheme” by one of South Africa’s major banks. It will however be unwise, unfair or even suicidal to solely rely on it as a primary mechanism to enhance organizational integrity and accountability. As Busakwe (2006) observed, the current climate and approach of ensuring ethical conduct is predominantly creating and fostering the fear of being caught, avoiding investigations against one-self and on the part of the employees, to avoid at all costs being apprehended, charged and prosecuted. A sizeable volume of literature demonstrate that whistle-blowing transcend across legal, ethical/moral, economic and political environments (Auriacombe, 2004, 2005; De Maria, 1995, 1999, 2002; Diale & Holtzhausen, 2005; Fels, 2003; Uys, 2006; Jensen, 1987;Near & Miceli; 1985).

The ethical sensitivity associated with whistle-blowing triggers various forms of reactions, ranging from ostracizing and character assassination to pro-longed legal battles and ultimate bad publicity. With its
historical significance and in aiding to avoid disasters, whistle-blowing was greeted and acknowledged with a one-dimensional recognition – legal protection for individual whistleblowers. This gave rise to the mushrooming of Whistle-blower protection legislations around the globe. Emphasis is more on safeguarding the interests of the organizations, not so much on turning the tide for whistle-blowing to be part of the ethical infrastructure of the organization, see (De Maria : 2002); Diale & Holtzhausen: 2005; Vickers: 2000). Most meanings or even interpretations so far advanced on whistle-blowing emphasize whistle-blowing as pitting an individual against fellow colleagues or their own organization, referring to them as either “dissenters”, whether for good or bad, “tragic heroes” or “guardians of professional excellence”. As Peternelj-Taylor (2003) puts it, “the word whistle-blowing in itself is unfortunate and, its connotations so emotionally laden that it has become a powerful deterrent to speaking up”.

The approach adopted in this paper is not a prescription but rather, an attempt to dilute the negative connotations associated with whistle-blowing. These connotations relate to restricting acts of whistle-blowing as only pointing out negative issues/intentions of organizational members to prevent what is considered a possible disaster. Instead; attempt should be to embrace it like any other ethical and functional imperative to be embraced by members of the organization and, to advocate it as a constituent part of the organizational ethical and moral culture. Some sources attempt to provide a simplistic understanding of where the word whistle-blowing originates, intentionally or not they only refer to those aspects originating “from the world of sport and refers to the referee blowing the whistle to stop play when a foul is observed”, (Peternelj-Taylor, 2003; Camerer: 1999, 2001; Eby, 1994), but the same authors neglect to point out that, in the same world of sport, when a point/goal is scored, it is that same whistle that is blown that signifies the positive achievement of the scoring team, hence the deafening sounds of accompanying celebration. What makes whistle-blowing a special case of interest in building organizational integrity? A snap preview on literature regarding building organizational ethics will be used as a pre-curser to laying down the foundation to demonstrate its significance.

ETHICS IN ORGANIZATIONS, SOME GENERAL OBSERVATIONS

Ethics is a notion that is used to refer to standards of behavior that tell us what we ought to do in both our private and professional lives. They apply to all individuals, organizations and society as a whole. They represent a purposive action according to some set of values in determining what actions measure positively or negatively in terms of acceptable societal moral standards (Nadler, 2007; Paine, 1994; Andrews; 1989).

In this era of modern technological revolution and the expanding global village, organizations and their leaders have come under increasing pressure to demonstrate their moral and ethical pedigree. KLM. Inc (2007) rightly observed that, until recently, few organizations seriously considered ethics to be a legitimate topic for enterprise planning and strategic thinking. While organizational top management put priority and emphasis on organizational and functional strategies, ethics and regulatory compliance were left to human resources departments, finance departments and legal counsel to deal with. This was not considered an integral part of the planning and implementation process. Another observation is made by Navran (2003) referring to organizational collapses/misfortunes like the fate suffered United Way, WorldCom, Tyco, Enron, that organizational misconduct, whether by individual CEO or the organization itself, attacks and undermines the fundamental agreement between the organization and society; it violates trust.

South African organizations and institutions did not escape the scandalous publicity. The Travel-gate, Oil-gate and the Fidentia scandals are some of the cases to hit the headlines in recent times. The respective cases are briefly outlined below:

CASE # 1 - THE TRAVEL-GATE – SA PARLIAMENT’S UNFORTUNATE EPISODE
This is one of the unpleasant organizational misfortunes to ever hit South Africa in the post-apartheid era. The situation involves Members of Parliament (MP’s) who defrauded their Parliamentary travel benefits/privilege by fraudulently claiming for expenses other than traveling. During that period, they were working in cahoots with some travel agents, hence the name “Travel-Gate”. The amount estimated is around R20 million and 20 MP’s have so far admitted guilt in the scandal and guess, some of them are still in Parliament.

As is normally done in most damning public disclosure cases, you shoot the messenger and hope that the problem will get away. The whistle-blower in this case was a Parliamentary Chief Financial Officer who, after he blew the whistle was shown the door on trumped-up charges of financial mismanagement. Interestingly, when the whistle-blower approached the Labor Court in terms of the provisions of the Protected Disclosure Act (2000) to seek relieve for protection, the same Parliament opposed the action, not on the substance of the case but on a technicality. The technicality in this case was that MP’s were neither employees nor employers and therefore, the complainant could not claim protection under the PDA. The court subsequently ruled in favor of the whistle-blower with the presiding judge proclaiming “… it would be a national embarrassment if an official could not be protected for blowing the whistle on crooked MP’s”. The legal challenge for the dismissal is still pending, (Business Day, June 15 2007, Hartley, 2007).

The following are some of the observations made from this case:
Parliament in a constitutional democracy like South Africa is a legislation-making body and an embodiment of public trust. It has financial and compliance policies and codes of conduct that guide the conduct of public representatives and, safeguarding of public resources. The irony or reality thereof is that Parliament itself could not escape the scandalous ethical embarrassment of this nature and is not immune from ethical meltdown. Instead of face-saving the inevitable happened. This involved shooting the messenger on trumped-up charges and, challenging the very legislation (PDA) that it promulgated to protect those who expose unethical and illegal activities. It had to take a court judge to enforce the provisions of the legislation and by extension, to restore the public trust. Lastly, the shortcomings of the legislative approach to building organizational integrity where-in the effects of whistle-blowing tend to shift the focus on real issues to personality attributes of an individual whistle-blower.

CASE #2 - THE OIL-GATE AFFAIR – HOW POLITICAL PATRONAGE DICTATES AGAINST GOOD AND ETHICAL GOVERNANCE
The Oil-gate saga revolves around a black economic empowerment company that goes by the name Imvume that was set up to trade in hydrocarbons. This company was given a contract to procure gas condensate for a subsidiary of state energy company PetroSA. PetroSA is funded from the public purse and is controlled by the National Department of Minerals and Energy Affairs whose Minister then (in 2003) is the current Deputy President of the Republic, and the chairperson is a Senior Party official within the ruling African National Congress (ANC). The saga unfolded when Imvume asked for an advancement of R15 million (which was later declared irregular) to pay for shipment to which PetroSA obliged. Of the R15 million, in 2003, R11 million was passed on to the ANC coffers as donation for the 2004 national elections campaigns. PetroSA had to pay the same shipment twice. When the heat was turned on, Imvume used what has become worrying trend in South Africa’s transparency efforts, that is, applying to the country’s high courts to gag the media and anybody in exposing questionable business dealings. The subsequent inquiry by the country’s Public Protector (Ombudsman) saw nothing amiss about the deal and concluded that the deal did not constitute any illegality however, the current legal battle between PetroSA and Imvume indicate a different picture all together. In this legal battle, PetroSA is seeking recourse on the costs it incurred and has subsequently attached the assets of Imvume. The saga continues. (Business Day, August 3, 2005).

These are some observations made from this case:
Private companies that do business with government are required by law to observe and adhere to principles and practices of Corporate Governance as recommended by King Commission’s Reports 1&2 regardless of political or any other affiliation. Corporate greed and political patronage undermine the principles of corporate governance and ethical business practices at the expense of taxpayers. What need to be borne in mind is that, Imvume is a beneficiary in terms of Black Economic Empowerment (BEE) initiative aimed at advancing the previously disadvantaged individuals and groupings. Lastly, the relations between private companies and the dominant political establishment provide a fertile ground to put to test whistle-blowing initiatives and political and leadership support for them to flourish. The central contention in this case is whether political affiliation and patronage exempt organizations from ethical business practices or not.
CASE #3 - THE FIDENTIA FIASCO – *HOW PUBLIC TRUST WAS TAKEN TO THE CLEANERS*

This is one case that may be referred to as South Africa’s version of Enron, it makes one wonder whether indeed the notion of Corporate Governance exists in the minds of some company officials and board members. It involves one Fidentia Holdings (a little-known and unlisted entity), with its two subsidiaries; Fidentia Asset Management and Bramber. The episode goes like this, the Financial Services Board (FSB), an independent institution established by statute to oversee the South African Non-Banking Financial Services Industry in the public interest, mandated a team to probe the affairs of this company as per its mandate. Fidentia by then was looking after R1.6 billion of other people’s money. Among its investors were the Living Hands Umbrella Trust (R1.47 billion), which pays out money invested with it by the Mineworkers’ Provident Fund to orphans and widows of people killed in mining accidents and Transport Training and Education Authority (Teta) R245 million. What the investigation team discovered include what is referred to as “misrepresentation to clients”, “misappropriation of client funds”, “misrepresenting investments”, “inadequate corporate governance” and “material conflicts of interests” (Business Day: February 2, 2007). In addition, about R406 million of “clients funds unaccounted for”.

The FSB further applied to the Cape High Court for Fidentia Holdings and its subsidiaries to be placed under curatorship. This was partially granted and the final curatorship was granted on March 27, 2007. This fiasco claimed the directorships (held in other prominent companies) of one black prominent businesswoman in South Africa, who it emerged that a loan was advanced to her from the coffers of the company she had fiduciary responsibilities at and, the criminal charges brought against the two Fidentia Executives. It will be highly improbable for one to suggest that Board members of this company had no clue of what was happening. The cases cited, organizational members were aware of the some of the dealings but supposedly, chose the *ostrich approach*. These scandals, one can only imagine the effects that they will have on both the public and investor confidence and trust. The observations made from the cases above further re-enforces that ethics is as critical a component/feature (*in addition to* other business processes) in building confidence and integrity in organizations.

In response to ethical challenges that befell them, organizations in turn devoted resources in drawing-up Ethical Codes. The end-product being compliance-based ethical regimes, with the aims of preventing, detecting and punishing legal violations. Organizations embraced punitive legal compliances (Nadler, 2007; Paine, 1994; Busakwe, 2006). They became overzealous in advocating an approach that prioritized the threat of detection and punishment in order to channel in a lawful and acceptable behavior. As expressed by (Nadler, 2007; Andrews, 1989; Navran, 2003) ethical codes are not stand alone and, they should not serve as a “fluence-shot” to prevent a problem nor should be used as an “anti-biotic” to cure an ethical problem. This assertion can be made against litany of corporate scandals that have taken place in this decade alone despite these organizations having these policies, regulations and codes.

There is a common trend and understanding relating to features of a sound and sustainable ethical culture in organizations. KLM.Inc (2007) identified the following: statement of values, code of conduct, executive leadership and a system; Nadler (2007) identified leadership; commitment, collaboration, implementation, reflection and renewal; Navran (2003) suggests two key strategies, ethical leadership and ethical support systems; Andrews (1989) observation has three aspects, the development of the executive as the moral person, the influence of the organization as a moral environment and, the action needed to map a road to economic and ethical performance. In all these instances, there are common denominators, they are, *leadership, systems and practices* that are supposed to be the bed-rock of the institutional ethical infrastructure. The significance and role of whistle-blowing as an integral part of organizational integrity will be approached from the same perspective as that of building the ethical culture. That is, whistle-blowing should be made, like any value, part of the statement of values that will have to be committed to, embraced, communicated and be lived by all members of the organization. The section that follows is the suggested framework / set of principles in putting whistle-blowing in its rightful place, as an integral part of promoting organizational integrity.
WHISTLE-BLOWING – ADVOCACY FOR ORGANIZATIONAL INTEGRITY

Earlier in the paper, an observation was made that whistle-blowing should not only be regarded as an antidote to organizational misfortunes, neither should we be overzealous about the protection promised by the whistle-blower protection legislation currently sweeping the reform agenda of most organizations. Instead, an approach should be advocated that will begin to view it as positively as possible. What need to be acknowledged though are the following critical realities;

- Whistle-blowing occurs when there is an ethical dilemma relating to clash of values in the absence of clear guidelines,
- It has the potential of enhancing organizational administrative responsibility and does lead to policy change, (Jos, 1991; Johnson & Kraft, 1990),
- When poorly managed and implemented, whistle-blowing can have disastrous consequences for both the organization and individual whistle-blowers, as in the cases cited. De Maria (2002: 4), when evaluating whistle-blower protection legislations in Australia, New Zealand, South Africa, Ireland and the UK, made the observation that, whistle-blowing is reminiscent of a swim in shark-infested waters, in which death faces a person, as distinct from to a career and psychological health, awaits those men and women of good conscience.

The point of departure in efforts to making whistle-blowing part of the ethical fiber is to advocate for a different and positive interpretation of what whistle-blowing is about, what it should be and, what its place within the organizational value system is. Since the topic is about whistle-blowing and its importance in building organizational integrity, then a complete approach to the notion of whistle-blowing needs to be embraced. Some suggestion on building the proposed framework revolves around the following aspects:

- Making Integrity a Governing Ethic: As Busakwe (2006) and Paine (1994) highlight, organizational integrity is based on the concept of self-governance in accordance with a set of guiding principles. The role of managing ethics in this instance will be, to give life to organizational guiding values, make it the life-blood of the organization, making it a driving force to foster continuity and conformity. Let this aspect be what defines the organization, what it stands for and what it wants to achieve. All these aspects should be contained in the mission statement, vision and values.
- Identify and Communicate the Value of Whistle-blowing within the framework of Organizational Values, i.e. Ethos of Whistle-blowing. This aspect is related to the interpretation of the notion of whistle-blowing, as described above, its new image and positive image that should be advocated. This should help to foster responsible conduct among organizational members. This aspect is made to counter the accusations that are normally leveled against whistle-blowers and the negative reactions it normally brings. This should provide guidance when faced with ethical uncertainty and dilemma.
- Leadership: This aspect should recognize and encourage whistle-blower leadership at all levels and divisions of the organization. It refers to giving space and recognition to developing whistle-blowing champions. In most instances, top management of the organization is expected to play the leading role on ethical issues, to lead by example and portray observable behavioral actions, this view is an addition to such proclamations. Therefore, top officials will have to demonstrate that whistle-blowing is in the interest of all, for the good of all.
- Systems, Processes and Policies: This aspect relates to creating and sustaining the ethical (whistle-blowing) organizational climate and culture. In cases cited and others that have been widely publicized, the most damning acts of whistle-blowing were done externally. These scenarios, painted either of the two aspects; i.e. the lack of internal mechanisms supporting whistle-blowing or the deliberate acts of disregarding the acts of whistle-blowing and the information provided with the ultimate aim of silencing those who speak out. The prevalence and maintenance of these whistle-blower systems, processes and policies will be an easier task to embark upon because the culture and climate shall have been cultivated.
- Continuous Monitoring, Appraisal, Review and Training: This aspect is put forth in recognition of the fact that, to have a sustainable whistle-blowing system, efforts have to be made to monitor its success / failure; strengths/weaknesses and what members need to know on how their whistle-blowing actions/conduct have
enabled the system to achieve its objectives. Training opportunities in whistle-blowing and related aspects will enable organizational members to gauge their actions and contributions to the super-purpose. This will have to provide opportunity for members to learn about new techniques and sharpen their resolve to act in the best interest of themselves, organization and the broader stakeholder community.

The framework suggested is made in view of the new trend in advocating for whistle-blowing and its significance to organizational prosperity. (Calland & Dehn, 2004) provide an insight as what need to be considered and acknowledged when confronted with acts or even discussions on whistle-blowing, they maintain that “….whistle-blowing is about basic issues which lie at the heart of human activity. It covers loyalty and the question of dubious practices. It concerns communication and silence, is about practicing what one preaches and about leadership. It focuses on responsibility toward others and the accountability of those in charge. It is where public and private interests meet”.

The new approach is gaining momentum that pursue whistle-blowing as a means to deter wrong-doing, promote transparency and good governance, underpin self-governance and maintain public confidence, (Borrie & Dehn, 2001). It is this approach that this paper embraces and promotes so as to begin to give whistle-blowing its rightful place in both theory and practice of organizational ethics.

CONCLUSION AND IMPLICATIONS

The efforts of building organizational integrity is a mammoth task that requires men and women of ethical pedigree and courage, to inculcate whistle-blowing as an ethical imperative is no less demanding. However, much as there is serious talk of making modern organization responsible to the communities they serve, such efforts should not be confined to academic and pedagogic discourse, but tangible actions need to be initiated and implemented.

The attempt of this paper is not in any way to prescribe the step-by-step, chronological formula (like in the physical sciences), of how whistle-blowing can become an integral part of organization’s ethical infrastructure, but to suggest aspects that may be considered when contemplating its advocacy. The overall theme is making it more of a value than simply a once-off activity to prevent disasters. It is about acknowledging human nature and its significance. Corporate scandals will still be part of the daily news bulletins and will continue to cause misery of incalculable proportions for the foreseeable future.

REFERENCES


Business Day: “Another Rubicon”, August 3, 2005


Religious Core Values and Ethical Sensitivity: An Empirical Investigation of University Undergraduates

Francis Odianonsen Iyoha, Covenant University, Nigeria

This paper examines the role the teaching of a set of religious core values to university undergraduate students could play in shaping their ethical sensitivity. Using a sample of Accounting and Business students of a religious based university and a survey instrument that contains four scenarios, the results show that there is no significant difference between accounting and business students concerning acceptability of questionable accounting and business practices. There were also no significant differences found between male and female students in their ethical sensitivity. Furthermore, accounting students are found not more ethically sensitive than business students regardless of courses in codes of professional conduct. These results suggest that the core values have positive effect in shaping the ethical sensitivity of the students in the same direction irrespective of course of study and sex. It is therefore concluded that the teaching of religious core values show positive indication of potential to improve ethical sensitivity of students. However, policy implications could not be drawn from the study due to a number of limitations which include small sample size. Further studies that would consider those limitations are recommended.

INTRODUCTION
Ethical values have become of essence in creating wealth and maintaining a free society. To be effective, ethical initiatives must directly address the inner life and character of human beings through education of the right type. In this understanding, one of the religious based private universities in Nigeria has designed a curriculum that could make its graduates ‘total men/women’ fit for all aspects of human endeavour. The belief of the authorities of the university is that the workforce of the 21st century should comprise ethical, creative and critical thinkers, change adapt individuals, innovative and life long learners. To realize this vision, education should have human, moral and spiritual principles and values at its heart.

This idea represents a paradigm shift which the University has anchored on the novel concept of ‘Total Man.’ The concept involves a departure from:
Form to Skill
Knowledge to Empowerment
Figures to Future building
Legalism to Realism
Points to Facts
Mathe-matics to Life-matics. (Oyedepo, 2002).

In order to support the philosophy and the ensuing transformation, a set of religious package described as Core Values has been put in place to equip the students with an aptitude for spirituality, integrity and commitment. Therefore, the objective of this study is to investigate whether there would be differences in the propensity of future Accountants and Business managers from this university to engage in questionable accounting and other business related behaviours.

Structure of the Paper
Following the introduction, the rest of the paper is structured as follows: (i) Review of existing literature (ii) Methodology, (iii) Analysis of results, (iv) Conclusions and implications.
REVIEW OF RELEVANT LITERATURE

The Core Values in Context

As observed by Mele (2005), education which exposes students only to ethical dilemmas and ethical theories will not stand them in good stead in the work world to behave ethically when faced with “environmental pressures.” He further opines that “training in morals and values, including honesty, integrity, trustworthiness, and open-mindedness is the best way to help students remain ethical actors in the workplace.” The set of core values of the university which has both ethical and spiritual components satisfies the above assertion. The core values include following: Spirituality, Responsibility, Capacity building, Diligence, Integrity, Sacrifice and Positive mentality. The spirit of the core values is also in consonance with the views of Mendieta (2002) that religion does not only involve a sense of spirituality, but also involves a nonconformist stance to the status quo. The University’s adopts a nonconformist stance with respect to unethical practices. Therefore, the core values reinforce some of the well known theories of ethics- teleological, deontological, and virtuous and system development ethics. The model is depicted in the table below.

Table1. Core values and relevant theories of ethics

<table>
<thead>
<tr>
<th>Core Value</th>
<th>Meaning</th>
<th>Relevant ethical theory</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Integrity</td>
<td>Achieving good consequences</td>
<td>Good outcome oriented-Teleological Ethics</td>
</tr>
<tr>
<td>b. Diligence</td>
<td>Fulfilling obligations, following proper procedure</td>
<td>Duty-oriented- de-ontological ethics.</td>
</tr>
<tr>
<td>c. Responsibility</td>
<td>Habitably being motivated by proper intentions and developing virtuous character traits</td>
<td>Character oriented-virtuous ethics.</td>
</tr>
<tr>
<td>d. Spirituality</td>
<td>Commitment to continuous general /personal organizational and extra organizational improvement</td>
<td>Holistic supportive-system development ethics.</td>
</tr>
<tr>
<td>e. Positive mentality</td>
<td>Commitment to continuous general /personal organizational and extra organizational improvement</td>
<td>Holistic supportive-system development ethics.</td>
</tr>
</tbody>
</table>


Religion

The role of religion in affecting ethical behaviour is well noted in literature. For instance, Conroy and Emerson (2004) found that religiosity in students correlated significantly with perception of ethical behaviour. This corroborates the age long belief as expressed by Socrates, and cited in Beggs and Dean (2007) that “…virtue comes to the virtuous by divine dispensation.” The above assertions point to the fact that religion has a role to play in the pre-disposition of human beings towards doing that which is adjudged ‘right.’ As noted by Lehman (2004), key institutions such as religion “play a central role in the formation of a civil society committed to the highest good in the form of honesty, trust and the cultivation of virtue.”

However, it has been observed by Lehman (2004), that the decline of religion has created a tendency to move away from the values that were once found in religious experience, thereby creating an ethical vacuum. Hence Beggs et al (2007) conclude that “without moral education entrusted to the most learned and wise citizens, people would succumb to self-serving, immoral behaviors.” This is the gap the core values are expected to bridge.

In the case of accounting education, as observed by Lehman (2004), “the role of moral theory has been superseded by a focus on procedures that neglect the common values that shape a civil society.” These procedures and standards required of the accountants are usually articulated in a Code of ethics. The codes are expected to provide guidance and rules to members in the performance of their professional
responsibilities. This view is supported by (Bommer, Gratto and Tuttle, 1987, Patterson, 2001 and McDevitt, Giapponi, Tromley, 2006), as they assert that “in some professions, codes of conduct are created to give guidance to decision makers facing ethical problems. They are meant to act as a deterrent to unethical decisions.” It is in this connection that it has been observed that teaching students professional codes of conduct may be the reasons that accounting students tend to demonstrate higher ethical development than other university students (Dunn, 2006, Ponemon and Glazer, 1990 and Jeffery, 1993). This tends to elevate accounting students to a high level of ethical sensitivity than other students. Though codes may be informative and helpful, however, the motivation to behave ethically as noted by Spiceland, Sepe and Tomassin (2001) must come from “within oneself and not just from the fear of penalties for violating professional codes.” In training and developing accountants therefore, there has to be a focus on the religious dimension (irrespective of the existence of code of conduct) to move beyond procedures to closely knit moral thinking and ethics. This becomes imperative following the constructive connection between accounting and religion. This connection has been captured thus:

At the macro level, accounting is based upon the democratic notion of the ultimate prerogative of the will of the electorate. At the micro-level it is based on the Christian ethics of responsibility to the society of which the individual forms a part, responsibility to the weaker brother or sister, responsibility to the state, responsibility to the traveler and stranger, and ultimate responsibility to God. (Barclay, 1991, cited in Lehman, 2004).

Thus, the core values are expected to moderate the ethical sensitivity of the students in the same direction irrespective of any teachings in codes of ethics. Hence, I propose the following null hypothesis:

1. Ho: There is no significant difference between Accounting and Business students’ respondents concerning the acceptability of questionable business and accounting practices.

Gender
Men and women have been found to make moral judgments in quite different ways. A number of studies which include (Eyon, 1997; Borkowski and Ugras, 1998; Conroy and Emerson, 2004; Emerson, Conroy and Stanley, 2007) found that female students exhibit stronger ethical sensitivity than their male counterparts. The import of this is that males are more comfortable accepting ethically questionable situations. Given the expected effect of the core values of the university on the students, males and females are expected to react to ethically questionable situations in the same way. Hence, I propose the null hypothesis:

2. Ho: There is no significant difference between male and female respondents concerning the acceptability of questionable business and accounting practices.

METHODOLOGY
Prior research in ethics show that characteristics such as age, race, sex and religion serve as good predictors of ethical attitude (see for example, Emerson and Conroy, 2004, Eyon et al., 1977). In this study, we did not control for age and race. There are no adult students in the university. The students are young (mean age of twenty years) and of the same race. We also did not control for students without training in ethics and morals and also not considered were atheists, freethinkers and humanists. These groups do not form part of the student population.

The study employed a survey instrument which consists of four scenarios. Each of the scenarios describes a brief situation involving ethical dilemma in the context of accounting and business settings and the decision taken by a relevant officer. The four scenarios concern: the material misstatement of net income to evade tax liability; the payment of illegal fees to secure a huge contract job; the reclassification of loans to evade tax liability; the payment of illegal fees to secure a huge contract job; the reclassification of loans
to avoid penalty from regulatory authorities and the falsification of age to secure a well paid job. (Details of scenarios available on request).

The respondents were asked four questions; two of which measured the attitude of the respondents. The other two questions measured the intention of the respondents towards taking the actions described in the scenarios. In both cases, the respondents were asked to rate their responses based on a Likert type Scale of the range 1 to 7. The attitude questions relate to the seriousness (high score suggest seriousness) and ethicality of the actions (low score suggest action unethical). The behavioural questions relate to whether respondents or their peer would undertake similar actions. Low scores in each case suggest that neither the respondents nor their peers would undertake the action.

The survey instruments were administered to final year Accounting and Business undergraduate students. The final year students could be said to represent tomorrow’s business leaders. Also, the final year accounting students have taken sufficient accounting and ethics courses to appreciate the implications of ethical/unethical accounting actions. The use of students as surrogates accounting and ethics research has been justified as a legitimate methodology (Loyd and Thompson, 2005). The method has been used by a number of authors in previous accounting and ethics studies (Dunn, 2006; Schatzberg, Sevick, Thorn and Wallace, 2005; Green and Weber, 1997).

A total of three hundred (300) questionnaires were administered to respondents; out of which twenty three had missing information and thirty eight were not returned. Therefore, two hundred and thirty nine (239) were useable and this represents 79.6% of the total questionnaire administered and considered adequate for the purpose of the analysis. The useable responses are made up of one hundred and thirty two and one hundred and seven accounting and business students respectively.

Table 2a shows the results of the ANOVA test for statistical differences between Accounting and Business students concerning the acceptability of questionable accounting and business practices. Accounting students consider the actions in scenarios 1 and 2 more serious than the business students as shown by the higher mean scores. The likelihood that the respondents would take similar action is also lower for the accounting students. Overall, only 3 of the 16 questions have statistically significant differences. This implies that there are no marked differences between accounting and business students concerning the acceptability of questionable accounting and business practices. These results give credence to hypothesis 1. Therefore, hypothesis 1 is not rejected.

Table 2b shows the results of the ANOVA test for statistical differences between male and female students concerning the acceptability of questionable accounting and business practices. The likelihood that the respondent would take similar action in respect of scenarios 2 and 4 is lower for male than females. The likelihood that a peer would take similar action in scenario 4 is lower for male than female. Similarly, the males also consider the action in scenario 2 less ethical than the females. These positions contradict extant literature which concludes that female students exhibit stronger ethical attitude than their male counterparts. However, only four of the 16 questions have statistically significant differences. This is an indication that there are no marked differences between male and female students in terms of ethical sensitivity to unholy business and accounting practices. Hence we do not reject the null hypothesis that there is no significant difference between male and female students concerning acceptability of questionable accounting and business practices.
Table 2: Results and Discussion
Analysis of Variance

<table>
<thead>
<tr>
<th>Individual Scenarios</th>
<th>(a) Mean (Std. D)</th>
<th>(b) Mean (Std. D)</th>
<th>F-ratio</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Acct</td>
<td>Business</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Male Mean</td>
<td>Female Mean</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seriousness of the action</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scenario 1</td>
<td>5.30 (2.09)</td>
<td>2.17 (1.30)</td>
<td>2.54</td>
<td>2.52</td>
</tr>
<tr>
<td>Scenario 2</td>
<td>4.98 (1.76)</td>
<td>3.64 (2.00)</td>
<td>2.11</td>
<td>0.069*</td>
</tr>
<tr>
<td>Scenario 3</td>
<td>5.20 (1.88)</td>
<td>2.47 (1.68)</td>
<td>0.88</td>
<td>0.51</td>
</tr>
<tr>
<td>Scenario 4</td>
<td>5.99 (1.69)</td>
<td>4.49 (2.28)</td>
<td>0.46</td>
<td>0.83</td>
</tr>
</tbody>
</table>

Respondent would take similar action

| Scenario 1           | 1.45 (0.63)       | 1.67 (1.57)       | 1.28    | 0.284   | 1.41 (2.25) | 1.68 (1.84) | 1.03 | 0.488 |
| Scenario 2           | 3.67 (1.83)       | 3.9 (2.39)        | 2.22    | 0.046** | 3.64 (2.07) | 3.95 (2.17) | 4.39 | 0.001*** |
| Scenario 3           | 2.3 (1.37)        | 2.3 (1.76)        | 1.56    | 0.246   | 2.27 (1.54) | 2.43 (1.68) | 1.47 | 0.215 |
| Scenario 4           | 2.15 (1.27)       | 3.21 (2.11)       | 0.31    | 0.990   | 2.05 (1.54) | 2.37 (1.51) | 2.35 | 0.036** |

A peer would take similar action

| Scenario 1           | 3.87 (1.83)       | 3.21 (2.11)       | 1.06    | 0.394   | 3.10 (1.87) | 3.93 (2.15) | 0.91 | 0.490 |
| Scenario 2           | 4.19 (1.52)       | 3.21 (2.17)       | 0.79    | 0.580   | 4.45 (1.90) | 4.79 (1.93) | 0.86 | 0.523 |
| Scenario 3           | 3.40 (1.75)       | 4.00 (1.84)       | 0.44    | 0.846   | 3.69 (1.83) | 3.71 (1.81) | 0.83 | 0.546 |
| Scenario 4           | 3.2 (1.86)        | 4.7 (1.89)        | 0.84    | 0.523   | 3.62 (1.93) | 4.25 (1.78) | 2.86 | 0.013*** |

Ethicality of the action

| Scenario 1           | 2.17 (1.32)       | 2.42 (2.10)       | 0.43    | 0.852   | 2.11 (1.57) | 2.45 (1.80) | 0.36 | 0.900 |
| Scenario 2           | 3.64 (2.00)       | 3.70 (2.28)       | 0.44    | 0.852   | 3.60 (2.13) | 3.73 (2.15) | 2.04 | 0.067* |
| Scenario 3           | 2.47 (1.65)       | 2.66 (1.98)       | 1.10    | 0.363   | 2.32 (1.55) | 3.78 (2.01) | 1.61 | 0.152 |
| Scenario 4           | 1.71 (1.71)       | 1.90 (1.90)       | 0.34    | 0.887   | 1.81 (1.33) | 1.80 (1.25) | 1.81 | 1.152 |

*significant at the 10% level  ** significant at the 5% level  *** significant at the 1% level
CONCLUSIONS AND IMPLICATIONS
This study provides a positive indication that the teaching of religious core values to students could have an influencing effect on their ethical sensitivity. The findings presented in tables 2a&b indicate that knowledge of core values is associated with lower acceptability of the ethical situations presented in the four scenarios. Thus, it is concluded that the overall impact of taking core value courses is strong and hence, we fail to reject the null hypothesis that there are no significant differences between accounting and business students concerning acceptability of questionable accounting and business practices. We also found no significant differences between male and female students in respect of acceptability of the ethical issues presented in the various scenarios.

With respect to policy implication however, the generalization of these results is constrained by the small sample size and a number of factors not controlled for. It would therefore be inappropriate to draw inferences that could have implications for policy under the circumstance. However, to enable policy implications to be drawn, we encourage future research that could expand the sample size and comparison groups to include adult students, atheists, humanists, freethinkers and even practitioners.

REFERENCES


Firm Political Responsibility:  
A Proposed Definition and a Typology of Firm Political Responsiveness

Mike Valente, University of Victoria, Canada
Andy Crane, York University, Canada

Using three illustrative cases of companies operating in three divergent sectors in developing countries of Africa, this manuscript introduces the notion of political responsibility to represent the growing trend associated with private sector companies (small and large) advertently or inadvertently taking on the role of government. It also presents a typology of four different approaches to political responsiveness to account for the different ways in which the private sector might take on the provision of social, political and civil rights.

INTRODUCTION
Leading economists and activists have expressed concern in light of the decline of country boundaries that has granted corporations with substantial power over nation states. National and international governing bodies simultaneously, and perhaps resultantly, struggle to alleviate many of the social and environmental inequities that are spiraling out of control with little sign of effective and sustainable solutions afoot. Yet in the midst of this bleak circumstance, there is growing evidence that the private sector is overcoming institutional pressures and is filling some of the gaps left by its public sector counterparts. In many cases, these activities go beyond traditional philanthropy or corporate social responsibility (CSR) programs in that they place firms in quasi-governmental roles where major decisions about public welfare and social provision have to be made. While evidence of this trend is growing, there remains ambiguity around the role of the corporation in a truly global world where powers of developed country governments have weakened and the legitimacy and capabilities of developing and emerging countries have failed to ignite as a result of government complacency, incapacity and corruption. Moreover, while initially perceived as a godsend, studies are beginning to flag inherent dangers associated with firms filling governmental gaps in social services. This leads to an inherent conflict faced by companies operating in regions where governmental responsibilities are waning. More specifically, while companies are faced with the need and often obligation to fulfill these roles, they place themselves in the rather controversial position where a profit-seeking entity makes decisions for the surrounding public welfare with little, if any, democratic measures in place to ensure accountability.

Drawing upon three in depth case studies of companies operating in three divergent sectors in developing countries of Africa, this manuscript introduces the notion of political responsibility to represent the growing trend associated with private sector companies (small and large) advertently or inadvertently fulfilling gaps left by government. A typology of four different approaches to political responsiveness is then presented to account for the different ways in which the private sector might take fulfill these gaps. To segregate these types, two dimensions are used to denote the degree of intentionality and directness of a firm’s political responsiveness.

BACKGROUND
To date, a plethora of traditional and new actors have struggled to effectively address the social and environmental concerns that have gained substantial urgency and legitimacy over the past decade (Hart, 2005; Margolis and Walsh, 2003; Soros, 2002). Developing country governments, non-governmental organizations, international institutions such as the IMF and World Bank and developed country
governments have all faced incredibly scrutiny in their efforts to address some of the social, environmental and economic ills of our time (Sachs, 2004; Stiglitz, 2002; 2006). On the one hand the private sector has done no better. Motivated solely by productivity and profit levels, corporations have been accused of recklessly engaging in the most efficient use of resources regardless of the social and environmental implications (Bakan, 2004). On the other hand, there is growing evidence that some businesses are overcoming institutional pressures and are impressively filling the gap left by its public sector counterparts by developing unique and highly sustainable business models that create multiple sources of value simultaneously (Hart, 2005; Prahalad, 2005; Wheeler et al. 2005). While many intriguing sub-streams in the management literature have emerged in the last two decades such as corporate social responsibility (Carroll, 1979; Margolis and Walsh, 2003; Waddock and Graves, 1997, Wood, 1991), corporate citizenship (Matten and Crane, 2005), business sustainability (Holliday, Schmidheiny and Watts, 2002), and base of the pyramid strategies (Prahalad and Hart, 2002) that speak to the private sector’s role in a developing country context, we know very little about the growing and in fact consequential trend associated with business fulfilling various gaps left by government.

METHODOLGY AND ILLUSTRATIVE CASES
This study draws on three illustrative case studies from which information was gathered over a time span of two years (2004-2006). Data was collected qualitatively in the form of interviews, observations and the collection of archival data. The companies were visited on three separate occasions over the two year period. A total of 52 interviews were conducted with individuals within and outside the company. Interview data were transcribed verbatim and then analyzed to search for patterns in activity related to the fulfillment of gaps in the role of government. The three cases are presented below.

Kenya Mining, a subsidiary of a UK-based conglomerate, is based in a very rural Masai community 2 hours south of Nairobi, Kenya. Despite a population of over 40,000 Masai, there is no government presence. After a severe drought in the late 1990s, the company inherited a substantial political responsibility engaging in infrastructure development, clean water provision, health and education facilities, HIV/AIDS programs, small business development, and community capacity building. While initially Kenya Mining had assumed control of these social services, they soon realized the need to transfer ownership of these services to a municipal governing body established jointly by the company and senior chiefs of the surrounding communities. Consequently, their efforts shifted from the provision of social services to the recognition that long-term sustainability involves the development of community-level capacity required to take on these social services for the best interests of the community.

South Africa Ecotourism was established in 1998 and is today one of the most successful ecotourism outfits in sub-Saharan Africa. The company was quite aware of the importance of building capacity of local communities surrounding its lodges to not only develop sustainable livelihoods but to also gain their cooperation in preserving the environmental elements of the ecotourism operation. This latter achievement was especially important because of the blatant disregard communities had for the surrounding ecosystems and wildlife. Lack of education and community capacity resulted in poaching and clear cutting of trees for firewood, which had devastating effects on the surrounding environment. The company realized the importance of building collaborative relationships with lodge communities to not only gain support for the lodge operation but to educate the community about the relationship between environmental preservation and community sustainability. The clear and direct contribution to the social services of the community was a result of the implementation of the company’s business model.

Egyptian Organics. Egyptian Organics is a biodynamic agricultural company located 60 km outside of Cairo and is the first entity to develop biodynamic farming methods in Egypt. The company has grown exponentially in the last decade and is now a world-renowned enterprise and market leader of organic products, establishing solid links with European, Asian and U.S. retailers that serve the growing niche market of organic food consumers. Strong ties with local farmers, a cooperative approach to employee
relations and focused community investment are central to Egyptian Organic’s strategy for economic, environmental, and social success. The company has substantially improved the social welfare of hundreds of Egyptian farmers and has weakened the devastating effects of chemically concentrated agricultural processes that were so prevalent in Egypt. The company has also had an indirect effect on the international consumer expectations of fair trade and biodynamic cultivation to the point where any competitor to Egyptian Organics is now expected to meet these standards set out by the company. Thus while national governmental power is waning in light of globalization, Egyptian Organics has demonstrated the power of the private sector in establishing high standards internationally.

DEFINING FIRM POLITICAL RESPONSIBILITY
Because there is presently no definition of firm political responsibility in the management literature, the approach used in this manuscript to define the term is inductive in nature. In devising the definition of firm political responsibility, common threads across the three illustrative cases are identified (Eisenhardt and Graebner, 2007). First, it is quite clear that all three companies, intentionally or unintentionally, are filling in some kind of gap left by the public sector. Kenya Mining was faced with a rather pressing governmental neglect of community infrastructure and development, while South Africa Ecotourism was faced with a similar neglect of the surrounding environment as a result of poor community education, development, and infrastructure. The founder of Egyptian Organics was quite eager to combat the social and environmental degradation of his country that resulted from decades of governmental exploitation and inequity. Second, and possibly more obviously, there is a presumed linkage between the firm’s political responsibility and the achievement of social services typically adopted by government. In some cases, this relationship may be more direct while in others, there may be intermediary variables and processes between firm political activities and the social services achieved. For instance, the association aiming to improve the biodynamic cultivation of farmers of Egyptian Organics is succeeded by a number of additional process steps not necessarily administered by the company that play an instrumental role in achieving social service provision. This is radically different from Kenya Mining’s direct installation of additional piping to allow for water provision and purification for an isolated part of the surrounding community. Finally, it was also quite clear across cases that the activities responsible for addressing the neglect of government were deeply incorporated into the daily operations of the firm. In other words, these activities are not considered ad hoc philanthropic contributions but represent a significant part of the firm’s daily activities and source of differentiation and success. Drawing on these three illustrative cases, firm political responsibility is defined as follows:

Firm political responsibility involves the intentional or unintentional administration of activities and/or initiatives that directly or indirectly fulfill the absent role of the public sector in the provision of social services at the community, national, and/or international levels, through the daily and regular conduct of business operations.

TYPOLOGY OF POLITICAL RESPONSIVENESS
While the three cases examined in this study exemplified behavior that matched this definition, the nature of their political responsibility varied substantially. Table 1 presents a table of the three cases compared across important dimensions related to firm political responsibility. The 2x2 matrix in Figure 1 presents a typology of political responsiveness using the direct/indirect and deliberate/emergent dimensions described above. Each type of political responsiveness in turn.

15 Social services are defined as services generally provided by the government that help improve people’s standard of living: examples are public hospitals and clinics, good roads, clean water supply, garbage collection, electricity, and telecommunications. At the international level, social services refer to the fair and equitable treatment of citizens across national borders.
Table 1: Three Illustrative Cases Across Relevant Dimensions of Political Responsibility

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Kenya Mining</th>
<th>South Africa Ecotourism</th>
<th>Egyptian Organics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector</td>
<td>Manufacturing</td>
<td>Services</td>
<td>Agriculture</td>
</tr>
<tr>
<td>Nature of government gap</td>
<td>Community infrastructure, development, education, health care</td>
<td>Environmental degradation, community infrastructure, education, development</td>
<td>Rural sustainable livelihoods</td>
</tr>
<tr>
<td>Level of Analysis</td>
<td>Rural community level</td>
<td>Multiple rural community levels</td>
<td>National and international levels</td>
</tr>
<tr>
<td>Illumination of Gap</td>
<td>Massive drought in East Africa in 1990s</td>
<td>Shift in strategy and consumer value proposition</td>
<td>Founder affinity to Egypt and perception of social and environmental degradation</td>
</tr>
<tr>
<td>Association to Business Model</td>
<td>Pivotal for yet independent from mining operations</td>
<td>Pivotal for strategy yet independent from lodge operations</td>
<td>Pivotal role of political activities for achievement of business model</td>
</tr>
<tr>
<td>Direct/Indirect Contribution to social services</td>
<td>Direct contribution (i.e. infrastructure development, education and health facilities)</td>
<td>Direct contribution (i.e. community education and infrastructure development, environmental preservation)</td>
<td>Indirect contribution (i.e. farmer income increase subsequently leads to increase in standard of living)</td>
</tr>
<tr>
<td>Intentional (deliberate)/Unintentional (emergent)</td>
<td>Intentional (deliberate) effort to fill in governmental gap</td>
<td>Unintentional or emergent filling of governmental gap</td>
<td>Unintentional or emergent filling of governmental gap</td>
</tr>
</tbody>
</table>

**Corporate Citizen Model**

The first model of political responsiveness entails an intentional and deliberate effort on the part of the company to make up for the lack of governmental social services. There is also a clear and direct relationship between this effort and the fulfillment of these social services. As mentioned, Kenya Mining deliberately set out to provide the social services required to assist the surrounding Masai communities. Moreover, the activities undertaken had a direct impact on alleviating some of the social dilemmas presented to the communities. For instance, Kenya Mining built roads and other forms of infrastructure around the plant to help establish the core operations of the surrounding community. Many companies operating in isolated rural communities in an upstream manufacturing sector such as mining or extractive industries more than likely employ this kind of model when governmental social services are not provided. Niger Cement is a company that takes on a similar model in the provision of basic services in a very rural region of Nigeria. Similar to Kenya Mining, the need for basic community services for the successful operation of the plant coupled with community urgency were driving factors in illuminating the need for this approach.

**Business Alignment Model**

The second model of political responsiveness involves an emergent or unintentional effort on the part of the company to make up for the lack of governmental social services. Yet this effort results in a direct and clear improvement of these services. This model emanated from South Africa Ecotourism whose governmental role emerged as a result of the fulfillment of their business model and strategy, which had a direct impact on the education of the community and preservation of the environment. Unlike Kenya Mining’s response to a drought that threatened community survival and led to a deliberate and intentional political responsibility, South Africa Ecotourism’s direct contribution was much more unintentional and
Indeed was the result of a shift in business strategy that unexpectedly alleviated a number of social and environmental issues surrounding their ecotourism lodges. As explained in the case above, South Africa Ecotourism engaged in close partnerships with surrounding lodge communities for the simultaneous execution of the business model and achievement of community development. The business alignment model is typically seen when the objectives of business are fortuitously aligned with the gaps of the public sector, in this case community education/development and environmental preservation. When this alignment takes place, the company in question may directly fulfill the gaps left by government with little conscious intention of doing so.

**Figure 1: Typology of Political Responsiveness**

<table>
<thead>
<tr>
<th></th>
<th>Direct</th>
<th>Indirect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deliberate</td>
<td>Business Alignment Model</td>
<td>Capacity Building Model</td>
</tr>
<tr>
<td>Emergent</td>
<td>Corporate Citizen Model</td>
<td>Social Enterprise Model</td>
</tr>
</tbody>
</table>

**Social Enterprise Model**
The third model of political responsiveness involves an unintentional or emergent fulfillment of social services accompanied by an indirect contribution to social and/or environmental issues not addressed by governmental bodies. Through its business model, Egyptian Organics was very successful in transitioning rural Egyptian farmers to biodynamic crop producers. While the founder intentionally developed a business that would create social and environmental value, it was not intended to fill in the void left by government (e.g. poor social security, education and health care). Moreover, the business model did not have an immediate and direct impact in addressing those social services. Through the execution of the business model and the education of farmers, there was a drop in environmental devastation resulting from chemical use along with a substantial increase in farmer income and sustainable livelihoods. Unlike governmental policies or direct forms of social service provision demonstrated by the other two cases, Egyptian Organics achieved this result through a business model that had trickle down effects, some of which helped to fill the gap left by the Egyptian government. Furthermore, unlike the other two cases that took place at the community level of analysis, this type of political responsiveness has the potential to have national and even international reach in terms of its ability to step in where government has failed. As mentioned in the case description, rural farmers are scattered throughout the country and thus represent various pockets of social security improvement. Moreover, the increased expectations of the European market towards biodynamic produce have acted like a quasi-governmental body by forcing companies to adopt similar standards in their attempt to compete in this market.

**Capacity Building Model**
The final model of political responsiveness did not possess a dedicated case yet was demonstrated in Kenya Mining’s transition to an alternative political response. The Capacity Building Model represents an intentional or deliberate fulfillment of social services but results in an indirect contribution to the social
services in question. Kenya Mining demonstrated a transition from the Corporate Citizen Model to the Capacity Building Model not long after the drought had plagued the Masai community. Recall that while the company initially had a direct impact on the provision of social services typically provided by governmental bodies (i.e. water, infrastructure, health care and education facilities), they transitioned to a more indirect approach where ownership and responsibility of these activities slowly transferred to a newly created municipal body. Consequently, while the company continues to demonstrate a deliberate and intentional effort to ensure the provision of social services, it is doing so in such a way that introduces intermediary steps in the form of community governance structures (which the company helped facilitate), which represents an indirect contribution to social services. This approach is rarely seen in the mining/extractive sectors, as companies tend to remedy given situations through their own volition by committing financial resources to a community gap without developing a municipal governing body to take on this role independently.

IMPLICATIONS AND CONCLUSIONS

It is clear through the three illustrative cases that businesses may in fact assume some sort of political role in light of governmental incapability. Whereas in some cases these achievements are a result of a deliberate commitment by business, they can also be emergent where firms, through unique business models, unexpectedly demonstrate significant strides in filling governmental gaps. Furthermore, the extent to which these activities are directly linked to the achievement of these social services varies substantially. Whereas some companies may directly contribute to these goals by taking on the responsibility of implementing these services, others engage in activities in a more facilitative fashion or through unique business models that lead to trickle down effects through a number of intermediary steps. It is this latter, indirect approach that requires the collaborative efforts of the public sector to fill in the intermediary steps between the private sector’s initiatives and the achievement or non-achievement of social services.

This divergence in directness of particular firm activities raises the normative question of whether or not the private sector should take on a political role exclusively. Although it may appear beneficial on the surface that the private sector is building schools, education facilities, and laying water pipes, there may be boundaries of the private sector that should not be crossed. Should the private sector take on this responsibility? Should they be making decisions on behalf of the community when they face pressures of profitability and growth? The Corporate Citizen Model of political responsiveness is a very common model in business because it represents a quick and easy solution to the difficulties of operating in a very rural community. The Capacity Building Model demonstrates an indirect yet perhaps more sustainable approach to the achievement of governmental social services. In this model, the responsibility and accountability of the provision of these services remain in the control of small municipal governing bodies or a third objective party with the expertise to do so, yet the role of the private sector is still essential in facilitating the development of these bodies. The same can be said for the Social Enterprise Model. Similar to the Capacity Building Model, the role of the public sector remains pivotal. While there may be trickle down effects that result from the business models of Egyptian Organics, the improvement of sustainable livelihoods can only be partly satisfied by the private sector. There must also be governmental initiatives in place to allow these farmers to make use of their income in a way that sustains their livelihoods. The same can be said at the international level. Although the private sector can play a pivotal role in raising standards of social and environmental commitments, the complementary role of international governments in enforcing those standards is pivotal. This lack of governmental infrastructure has acted as a major stumbling block in the achievement of equitable global practices (Stiglitz, 2002; 2006).

This manuscript presents a number of very important research and practitioner implications. First, researchers should begin to segregate and probe various aspects of CSR like political responsibility before attempting a universal definition. This degree of focus may assist in achieving a level of parsimony for
the CSR term or it may help in identifying the core components of CSR. Second, future research should examine how companies successfully or unsuccessfully implement one of these four models. In other words, how do companies come to learn of these political activities? What kinds of structures are put in place to implement these activities? From a practitioner standpoint, the manuscript showed that the nature of political responsiveness will most likely vary by context and sector. Moreover, managers should be aware of the importance of government in the achievement of these social services. While it may be enticing to take on this role in isolation by throwing financial resources to these initiatives, managers should be aware of their limitations and boundaries and of the critical role of government. Policy makers should also be aware of the importance of complementing the private sector with governmental infrastructure that helps to support those businesses that are taking an indirect approach to political responsibility. In these situations, public policy needs to step in to ensure that the intermediary steps between business and the achievement of social services are solidified and in place. Otherwise, the success of the business model and the potential it possesses for social service provision may be compromised.

The notions of firm political responsibility and firm political responsiveness are brand new to the management literature. This manuscript attempted to spark a conversation around the role of the private sector in contributing to the achievement of activities meant to be accomplished by government alone. While there have been enumerable examples of companies impeding the role of government, there is an increasing number of private sector organizations that are stepping in where municipal, national, and international governance structures have failed. It is our role as management scholars to examine these instances and understand how the private sector plays such a role in an equitable and global world.

REFERENCES
The Role of Corporate Social Responsibility in Tackling Violent Conflicts in the Niger Delta

Rhuks Temitope Ako, University of Kent at Canterbury, UK

Lawrence Ogechukwu Obokoh, University of Wales, UK

Patrick Dumme Okonmah, University of Wales, UK

The Niger Delta region that hosts Nigeria’s oil upstream sector is enmeshed in violent conflicts. This paper examines the roles of corporate social responsibility (CSR) in the crisis. It argues based on a review of extant literature that the low rate of CSR is a significant contributory factor responsible for the high incidences of violent conflicts. The paper recommends that oil-companies operating in the oil-rich Niger Delta region must re-assess their CSR strategies to improve its impacts on the intended beneficiaries to end the current persistent violence.

INTRODUCTION
Corporate social responsibility (CSR) in the modern business world is now regarded as a necessary business cost and failure to perform 'responsibly' now has dire consequences. Erring companies face consequences from their stakeholders including shareholders, the general public and host-communities. While shareholders vent their displeasure in their General Meetings and the general publics rely on the power of boycott, the host-communities apply more direct (anti)social actions. Such actions as evidenced in Nigeria’s oil-industry include communal protest, hijacking oil company equipment and vandalism of oil installation as well as abduction of oil workers. This paper posits that if the oil-companies operate ‘responsibly’, agitation against the effects of their operation will decline. It assesses the level of ‘responsibility’ that can achieve this purpose by examining two core concepts of responsibility; that is, CSR and corporate accountability (CA). This analysis is essentially based on a review of extant literature to deduce arguments and to reveal the causal link between the low level of CSR and high rate of conflicts. The paper is divided into five sections including the introduction. The next section is a brief overview of the Nigerian oil industry. The third section discusses the concept CSR while the fourth examines its contemporary notion of CA. The fifth section concludes the paper by making recommendations.

NIGERIA’S OIL INDUSTRY
Cumulative acts of exclusion, deprivation and ecocide sponsored by the Nigerian state and petro business profoundly undermined lives and livelihoods and set the stage for a decade of crisis in the Niger Delta (IDEA, 2000: 246). Since the commercial exploitation of oil began in Nigeria in 1957 oil has grown to become the mainstay of the economy (Gray and Karl, 2003). The upstream sector of the industry is operated mainly by joint-ventures of oil-multinationals and the Federal Government that holds majority equity stakes. Most of the activities take place in the nine states that comprise the economic delineation of the Niger Delta region (Ako, 2005). From the inception of oil operations in the region, there has been growing signs of restiveness that has culminated in crisis that is difficult to decipher (Nannen, 2004). Gary and Karl (2003) argue that oil and other mineral exporters demonstrate the perverse linkages between skewed economic performance, poverty, injustice, and conflict. According to them oil induces militarization and repression, impedes democracy and disputes over oil revenues become the reason for initiating or exacerbating pre-existing conflicts. Such has been the case with Nigeria that has a history of oil exploitation tainted with violent conflicts which have revolved mainly around the core issues of underdevelopment, resource control, environmental protection and political marginalization (Nannen,
Mokhibor and Falloon (1998) noted that corporations are indictable in the violent conflicts as their operations pose devastating effects on civil society and the environment they operate. Pegg (1999) in his assessment of Shell in Nigeria argued that multinational corporations have a catalytic effect in bringing local population into conflict with state security forces as well as being directly involved as their staff are sometimes physically present when threats of retaliation are made should the communities disrupt oil production. Human Rights Watch (2002) revealed the role of oil-companies in stoking the ambers of violence in its host-communities to sometimes cause confusion and conflicts among the communities thereby diverting attention from them and their operations. The response of the communities to the adverse effects of the industry has escalated to the current level of disturbing violence (Naanen, 1995). Eteng (1996) catalogued these negative effects on host-communities which include the oil-companies’ collusion with the State to appropriate ancestral lands and to privatize violence; the destruction of the traditional economic and social lifeline of the oil region; their primary concern with unhindered oil production despite the deleterious effects on the environment; and that multinational oil companies were yet to establish deep, genuine and meaningful cordial relationships with their hosts. Oyerinde (1998) included the challenge of ‘the exploitative tendencies of multinational (and local) oil companies’ as an intrinsic characteristic of the on-going violence in the Niger Delta. In simple terms, the oil companies operating in Nigeria’s Delta region are complicit in the conflicts and consequent violent manifestations that have engulfed the region. The consummate planning and the offensive nature of current attacks against the industry negate earlier opinion that the resentment in the region against the oil industry could not ‘threaten the stability of the country nor affect its continued economic development’ (Isumonah, 1997).

CORPORATE SOCIAL RESPONSIBILITY

Our community development approach seeks to promote an enabling environment... [The Shell Petroleum Development Company of Nigeria] continues to support education... Through focusing on water and sanitation and on health, we continue to promote healthy living standards (SPDC, 2005). Moon (2002) defines CSR as the voluntary contribution of finance, goods or services to community or governmental causes. It excludes activities directly related to firms’ production and commerce. It also excludes activity required under legislation or government direction. According to Utting (2005), it refers to voluntary initiatives that aim to improve a corporation’s social, environmental, and human rights record. McWilliams and Siegel (2001) define it as ‘... actions that appear to further some social good, beyond the interests of the firm and that which is required by law’. In essence, CSR includes extra-legal initiatives undertaken by companies towards pacifying members of the community their operations affect. In other words, CSR involves first, complying with the rules and regulations that order society and an interesting starting point is the Universal Declaration of Human Rights (UDHR) and other international human rights standards from which national legislation usually draw inspiration from. It is important to note that the UDHR also places specific obligations on corporate entities as ‘organs of society’ to ‘promote respect for these rights and freedoms, and by progressive measures, national and international, to secure their universal and effective recognition and observance’. Indeed, under the era of globalization, multinational corporations wield enormous influence both in the societies they operate in and globally.

The second important aspect in the definition of CSR is the emphasis on voluntarism (Christian Aid, 2004). The corporate-led initiative is evidenced by the rejection of the UN Centre on Transnational Corporations’ recommendations on regulation of Multinational Corporations (MNCs) at the Rio Earth Summit of 1992 in favor of a manifesto for voluntarism drafted by a coalition of Western companies under the auspices of the World Business Council for Sustainable Development (WBCSD). A major consequence of this is that the priorities, philosophies and values of CSR have been Anglo-American inspired (Fig, 2005; Hayes and Walker, 2005). Amaeshi et. al (2006: 19) however point out that CSR in practice should reflect local realities. They argue that:

*CSR in Nigeria would be aimed towards addressing the peculiarity of the socio-economic development challenges of the country (e.g. poverty alleviation, health care provision,
infrastructure development, education, etc) and would be informed by socio-cultural influences (e.g. communalism and charity). They might not necessarily reflect the popular western standard/expectations of CSR (e.g. consumer protection, fair trade, green marketing, climate change concerns, social responsible investments, etc).

In essence, the prevalent socio-economic circumstances in a country influence its citizens’ expectations of CSR. Therefore, the context of CSR in Europe is completely different from its understanding and expectations in Africa generally and Nigeria in particular. In reality, it makes little or no impact to an indigene of the Delta region for instance that Shell spends millions of dollars on issues revolving around fair trade or climate control while they lack access to basic necessities of life such as portable water, functional hospitals and schools. Though fair trade and climate control matters occupy the front burner of political and public discourse in Western countries with the average citizen in these countries understanding and being able to relate to them, this is not so in developing countries. In other words, for corporations operating in such developing countries recognition of their ‘responsibility’ lies primarily in the provision of the essential needs of the local population. It is perhaps therefore not coincidental that the oil-multinationals operating in the country have concentrated their ‘philanthropic’ gestures in the provision of the ‘basics’ including scholarships, hospitals, roads, pipe-borne water and schools. However, as Owualah and Obokoh (2007) noted, this initiatives should form the minimum basis of CSR and should also include capacity building programs in entrepreneurship and the provision of start-up capital for the take-off of entrepreneurial activities using specialized private financial institutions. The current trend in CSR is changing towards holding corporations accountable for their activities particularly as they affect their stakeholders. This forms the basis of the next section.

CORPORATE ACCOUNTABILITY

...companies do not exist to carry out community development, and so should be judged not on these grounds but rather on the impact of how they conduct their core business (Hayes and Walker, 2005: 405). In defining the level of CSR expected especially of businesses in the extractive industry, it is trite to note that contemporary thinking and growing advocacy of corporate accountability (CA) is germane. CA is a notion associated with international NGO alliances and community-based organizations that demand stricter regulation of corporate behaviour by national governments and the enactment of an international corporate accountability convention to prevent corporate misconduct (Lund-Thomson, 2005). Briefly, the goal of CA proponents – which is catching on globally - is to hold corporations accountable for ‘the ways in which their actions impinge upon livelihood issues such as land rights, occupational and family health and the environment, across a range of sectors including mining, forestry, oil extraction and waste dumping (Garvey and Newell, 2004). It therefore goes beyond the popular but narrower framing of CSR as responsible management of environmental outputs and respect for basic labor standards at the workplace. CA can thus be described as the balance between the 'free' operating license MNCs have and the 'duty' to be 'accountable' to those that may be adversely affected by their operations. In other words, the primary motive of a business - profit to earn money for its shareholders - ought not to be a goal to be achieved at the expense of the community and the environment (Garvey and Newell, 2004). As Schedler (1999) describes accountability; it is ‘how to keep power under control . . . how to prevent its abuse, how to subject it to certain procedures and rules of conduct’. According to him, this involves the concepts of ‘answerability’, an obligation to provide an account of one’s actions and inactions; and ‘enforceability’, namely mechanisms for realizing that obligation and sanctioning its non-fulfillment when necessary. Utting (2005) catalogues some of the increasing number of concrete proposals and campaigns associated with corporate accountability, legalistic approaches, and international oversight which among other reasons have influenced corporations to change their business perspectives to incorporate CA notions. Companies in the extractive sector who bear the brunt of most of pro-CA activities for instance are now opting for increased goal-oriented community development activities to meet their ‘social license to operate’ (WAC Global Services, 2003).
In Nigeria’s oil-industry, ‘stakeholders’ meetings’ are held with representatives of oil-companies, host-communities, representatives of relevant government departments, representatives of NGOs and member of the general public including the press in attendance to discuss the impacts of the oil industry on host-communities. Also, the companies are negotiating consensual agreements referred to as ‘Memoranda of Understanding’ (MoU) with host-communities on development programs; increasing community-development budgets and re-organizing their community development departments to be more effective; and are collaborating with non-governmental organizations to deliver community development projects. For instance, ExxonMobil which had a hard-line position on corporate social responsibility has now begun to make statements aligning it with the international trend for large corporations in the extractive industry to commit to making a positive contribution to the places where they work beyond those that flow from their business operations (Human Rights Watch, 2002). Shell on its part states its commitment to conduct business as responsible corporate members of society, to observe the laws of the countries in which they operate, to express support for fundamental human rights in line with the legitimate role of business and to give proper regard to health, safety and the environment consistent with their commitment to contribute to sustainable development (Royal Dutch/Shell Group, 1997). But after this persuasive statement, reports indicate that not much has been done by Shell to improve the health and safety of the people because it still fails to promptly clean up oil spills and run ineffective community development projects which sometimes put communities living around oilfields against each other (Christian Aid, 2004). Recently, some schemes have been initiated by Shell in conjunction with NGOs especially the micro-credit schemes for women have been hailed as successful from a micro-level developmental perspective (Frynas, 2005). The Akassa project funded by Statoil (now ChevronTexaco) and implemented by a development NGO called ProNatura International (PNI) remains a classic example of CSR in practice in the Delta region. The project adopted a participatory approach with stakeholders and employed a methodology that is both interactive with the community and proactive in attempting to tackle problems which represented a remarkable shift from previous ‘monetization’ of benefits to community representatives.

These commitments and action notwithstanding, the companies are still accused of low CSR/CA standards. For instance, Christian Aid (2004: 23) claims that Shell’s community development program is ‘too closely associated with the company’s commercial activities and is targeted at communities in which Shell already works or hopes to expand its operations’. It alleged further that that the Niger Delta is now a ‘veritable graveyard of projects, including water systems that do not work, health-centers that have never opened and schools where no lesson has ever been taught’ (Christian Aid, 2004: 23). The state of environmental damage and human rights abuses do not seem to have improved perceptibly and oil-company induced conflicts are still on the rise (Human Rights Watch, 2002; Ashby, 2006). Even the ‘new’ initiatives such as the MoUs have suffered setbacks so early on as these ‘consensual agreements’ have become the basis of fresh conflicts. Idemudia and Ite (2006) observe that despite the significant efforts of the oil-companies, their corporate community relations (CCR) in the Niger Delta are still riddled by conflict and the oil companies still remain the popular culprits due to poor design, low community participation and the failure of companies to improve core business practice. Indeed many of these MoUs are reached at the violent behest host-communities who also have to stage protests or, disrupt oil operations to get attention for requests to give effect to, or, review them (Guardian Newspaper, 2004). This gives credence to the observation by the Corporate Engagement Project following a June-July 2004 field visit to the operations of the Nigerian subsidiary of Total, that ‘only those groups that obstruct operations (or threaten to) are “compensated”’ (International Crisis Group, 2006). The association of violence with these ‘community development’ practices tend to have negative effects on the industry and as WAC Global Services (2003) opined; if current conflict trends continue uninterrupted, it would be surprising if Shell in Nigeria is able to continue onshore resource extraction in the Niger Delta beyond 2008, whilst complying with Shell business principles. While the report specifically referred to Shell, the warning is indeed instructive to the entire industry.
CONCLUSION

For the villager living near Shell’s facilities in the Niger Delta, little if anything has changed: too often, oil spills still destroy farming land or fishing grounds and remediation is poor; state security forces deployed to Shell’s facilities continue to harass people indiscriminately; and the benefits of the oil industry are still channeled to a small elite (Human Rights Watch, 2002: 31).

There is no doubt that the primary aim of any business concern is to earn profit for its shareholders. However, as the discussion has revealed, gone are the times when the shareholders were the unparalleled priority of the business. A major consideration to the success story of a company now rests in its performance of its social responsibility. As the paper posits, the responsibilities of companies operating in developing societies bear the responsibility to contribute to the overall development of their hosts. It is acknowledged that the main responsibility of the government is to create and enhance the development of its citizens. Thus it is not posited that the companies operating in the region should take over the government’s responsibility. Rather, the argument is that the companies (as well as other legal entities such as NGOs and community-based organizations - CBOs) should partner with the government in achieving development goals. With regards to the companies especially, this also means that their operations should not be counter-developmental especially with regards to the effects of such operations on the environment which communities in developing countries relying on for subsistence as well as their human rights. These considerations should be prioritized to promote peace in the region which is a basic necessity for other development initiatives to build upon. In the event that the mounting global pressure towards reforming CSR into legally enforceable responsibilities succeeds, companies will then be held accountable to their stakeholders through some element of punishment, or, sanction (Broad and Cavanagh, 1999). Though multinationals have used the threat of relocating their operations as a bargaining resource against communities opting for prescriptive legal provisions as leverage, this is not a viable option in the Niger Delta as in other oil-producing communities (Gaventa, 1990; Karliner, 1997). Oil is a finite natural resource bound by geographic location and as such, unlike manufacturing plants, companies exploiting the resource can not simply ‘move elsewhere’. In other words, oil multinationals are going to be in the region for as long as the resource exists and to avoid having legal norms dictate their level of CSR/CA, it is in the best interest of the companies to avoid rhetoric, take serious cognizance of the contemporary trends in CSR/CA and embrace them to promote a viable operating environment for their business activities.

REFERENCES


Corporate Social Responsibility Schemes and Sustainable Development of Developing Economies: The Case of Ghana

COCOBOD

Samuel Yaw Akomea, KNUST School of Business, Ghana

Marian Perry Asiedua Ofosu, Ghana Cocoa Board, Ghana

This paper discusses the various Corporate Social Responsibility (CSR) Schemes engaged by the Ghana Cocoa Board and how they impact on sustainable development of employees, communities and Ghana in general. The writers coined a model that could be used to categorize CSR schemes and target beneficiaries in CSR schemes.

INTRODUCTION

Structural adjustment programs (SAP), touted throughout the last two decades as the antidote for poverty and market inefficiencies that had persisted in developing countries, led to the dissolution of government-run cocoa marketing boards and stabilization programs in several cocoa producing countries, Gilbert, (1997). A consequence of this was the loss of public goods (research, extension, etc.) and protection for the cocoa farmers through territorial pricing strategies Bloomfield and Lass, (1992); Varangis and Schreiber, (2001). Additional effect was that, the sustainable livelihood provided as social responsibility for the cocoa producing communities were placed in the hands of private cocoa buyers. In Ivory Coast, the government conceded to the Washington Consensus and eliminated public institutions managing cocoa commerce, but did not relinquish their ability to apply export taxes, de Lattre-Gasquet, et. al (1998). In such countries, SAP has denied the cocoa primary producers (pheasant farmers) real benefits they enjoyed from public sector Cocoa purchasing and Marketing Boards.

However, in Ghana, the Ghana Cocoa Board (COCOBOD) remains intact and reaps the benefits bestowed by the ability to tax exports and collect margins in exporting cocoa. Thus, COCOBOD is able to coordinate and implement the appropriate corporate social responsibility schemes for its stakeholders.

CSR is not simply about philanthropy, it is how the company operates, how it does business, the way it treats its employees and the environmental efforts it strives to achieve Elkington, (2001). The appropriate CSR priority must be tied to the business, its supply chain, especially the needs of the community where the raw materials are derived from or where the ultimate products or service is sold. Ghana COCOBOD over the years has been mindful of the sustainable livelihoods of these supply chain communities where cocoa is obtained at large and not necessarily cocoa farmers alone.

Objective of the study

Even though CSR is a fairly new concept, its academic literature is replete with activities of multinational enterprises especially in developed countries. Few writers have researched on the impact of CSRs in

In response to consumer demand and as part of greater movement to address the divide between the developed and developing world, Corporate Social Responsibility (CSR) is increasingly incorporated into companies operations.

This paper discusses the various Corporate Social Responsibility (CSR) Schemes engaged by the Ghana Cocoa Board and how they impact on sustainable development of employees, communities and Ghana in general. The writers coined a model that could be used to categorize CSR schemes and target beneficiaries in CSR schemes.
Mining Communities in developing countries, but not much work has been done in public sector organizations especially in the African context. Most importantly, CSR has been seen as benefiting the communities and little has been mentioned about employees. This paper sets out to outline the various corporate social responsibility schemes of Ghana Cocoa Board and how they impact on the general public, cocoa communities and employees. The researchers have proposed a model of CSR for organizations which depends on primary producers. This model can be replicated in most production-oriented organizations whose activities impact on local communities. The paper among other things seeks insight into the following:

- Identify the Corporate Social Responsibility Schemes of Ghana Cocoa Board over the years and the rationale behind them.
- Identify the targets and beneficiaries of such schemes.
- Identify challenges faced by COCOBOD in their CSR activities.
- Categorize these activities in terms of target beneficiaries and rationale.

**Methodology**
The research employed the use of personal interviews as means of data collection. The sampling approach was purposive for top management of Ghana COCOBOD since they have the relevant information on CSR schemes. A comprehensive interview guide was administered on Top Management of Ghana Cocoa Board. Interviewees included the Chief Executive, Director of Director of Finance, and the Managing Director of Cocoa Marketing Company (CMC). The findings were analyzed using the model proposed.

**LITERATURE REVIEW**
Corporate Social Responsibility (CSR) is a concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations, Starkey & Welford, (2001). When considering options for strengthening CSR implementation in supply chains, it is essential to remember that individual initiatives are more likely to be successful if undertaken with full regard with beneficiaries than if they are handed top-down. Lantos (2001) emphasizes responsiveness to the society’s long-term needs. Under the best circumstances, a coherent framework would blend a broad range of public and private efforts; those taken by business alone, those involving partnership between sectors, and those that look at social and environmental issues.

According to Elkington (2001), the basic drivers of CSR is either one or combination of these:

- Values: a value shift has taken place within businesses where they not only feel responsible for wealth creation but also for social and environmental goods.
- Strategy: being socially and environmentally responsible is important for the strategic development of a company.
- Public pressure: pressure groups; consumers, media, the state and other public bodies are pressing companies to become more socially responsible.

Elkington (2001) postulate that companies are always driven by one or combination of the above but see a shift into other spheres over time. For example, for companies subject to high profile campaigns such as Shell, the main driver for change has become public pressure Raynard & Forstater (2002). Over time, CSR has gathered strength and strategic importance within the companies as it is seen as a way of creating sustainable value.

**A CSR MODEL**
This research proposes that it is not enough for CSR schemes to be bundled together since there are various approaches and different levels of commitments as well as target-focus. The writers categorize CSR schemes into four. Each axis of this taxonomy matches CSR at two levels; direct benefit to the
organization or its staff against direct benefit to community at large. The researchers explain the four approaches to CSRs as follows;

**Figure 1: Model for Categorizing CSRs**

<table>
<thead>
<tr>
<th>DIRECT BENEFITS TO ORGANIZATION OR EMPLOYEES</th>
<th>DIRECT BENEFITS TO IMMEDIATE COMMUNITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>(Approach 1)</td>
<td>(Approach 3)</td>
</tr>
<tr>
<td>(Approach 2)</td>
<td>(Approach 4)</td>
</tr>
</tbody>
</table>

**Approach 1:** These are schemes that are directed at the general public and serves as public goods but not necessarily situated within the community where the organization operates. Such examples include hospitals, stadia, roads, schools etc. Such schemes have low very little impact on the organization itself or its staff except for corporate image. It also has low impact on the community since in some cases no member of the community benefits from the scheme directly because of location.

**Approach 2** is the type of CSR engaged in by the organization as a morale booster or support for the target stakeholders, their dependants or their community at large. Approach 2 is placed high on the community side and low on the organizational side in the model.

**Approach 3** is the responsibility the firm engages in that enhances the firm’s core business in the short term but benefits the community in the long-term. In this kind of responsibility, the organization goes the extra mile to provide certain amenities, usually public good that will facilitate its smooth operations in the area and will in turn benefit the community permanently. This includes the construction of access roads, bridges, electrification projects, bore holes, projects etc.

**Approach 4** is the kind of CSR that is established with the primary objective of improving the lots of the organization’s staff in the community, but with modified extensions to the entire community as a whole. These include the construction of bore holes, provision of water tankers, electric generators, school buses, and schools. In most cases, when the organization leaves the communities, these services are curtailed but physical immovable infrastructure remain and must be taken over by the community itself.

**FINDINGS**

In this section, the various major corporate social responsibility schemes of Ghana COCOBOD are outlined and (with) the rationale behind them are established using the proposed model in Fig. 1. This was the outcome of the interview with top management of Ghana Cocoa Board. Even though there are many more such schemes, the study limits itself to the significant and visible ones.

**Approach ICSRs**

These are the schemes sponsored by Ghana COCOBOD and placed at the disposal of the general public through a government interface. Even though Cocoa is grown in the forests areas of Ghana, people from non-cocoa growing areas also benefit from such facilities. Examples are;

**Akufo Hall, University of Ghana.** The Akufo Hall was built by the Cocoa Marketing Board in the 1950s. The aim of the project was to build a residential facility not for farmers’ children alone but to augment the University’s residential capacity. That was a gift to Ghana in general.
Donations to Cardio Unit –Korle-Bu Teaching Hospital. Donation to the cardio unit at Korle-Bu Teaching Hospital has very little impact on COCOBOD or its staff as well as the cocoa farming community as a whole. In such a situation, COCOBOD gets an image booster for the philanthropic gesture.

Tetteh Quarshie Memorial Hospital, Mampong-Akuapem. This health facility was established in the year 1960 at Mampong-Akuapem as a monument in memory of Tetteh Quarshie, the man who introduced cocoa farming in Ghana in 1876. The facility Tetteh Quarshie’s hometown, serves the general public without any discrimination. It was funded by Ghana COCOBOD and handed over to the Government as a public District Hospital.

Sponsorship of Medical Students on External Programmes. The curriculum of Ghanaian Medical Schools enjoins students to have an exposure with a foreign university during the fifth year. The Ghana COCOBOD sponsors few of such students who have difficulty in raising sponsorship for training in foreign universities. Under this scheme, one does not necessarily have to be a farmer’s ward, meaning it is a facility for the general public.

Approach 2 CSRs
These CSR schemes (usually seen as “true CSRs”) are sponsored by Ghana COCOBOD specifically for the farmers, their dependants or their immediate community. In some cases, one must be a registered farmer with COCOBOD before one can access the benefits. A few of Approach 2 CSRs by COCOBOD as listed below.

Tepa Government Hospital, Tepa, Ashanti. This is another hospital which was funded by the COCOBOD and handed over to the government as a public hospital. Tepa is one of the major cocoa growing areas in the Ashanti Region. The facility serves the general public and not necessarily farmers and their dependants. Clearly, the location of the facility suggests that COCOBOD had the farming community in mind.

Senior High School Scholarship Trust. Since the 1952, Ghana COCOBOD has run a Scholarship Trust for Cocoa Farmers’ wards who gain admission to Senior High Schools (SHS) in the country. Currently, cocoa farmers who have registered with COCOBOD stand at 720,000 but COCOBOD offers 2,500 scholarships a year totaling GH¢150,000. There are clear and transparent criteria for awards of scholarship. For instance, the application form must be supported by a farmer’s cocoa “pass-book” and must be endorsed by the District Cocoa Farmer. The scheme gives priority to the applicant’s Junior High School academic performance. Scholarship schemes are primarily instituted for wards of farmers but a windfall for wards of COCOBOD staff.

Clinic at “Thousand Acres“, near Sankore. COCOBOD is in the process of completing a clinic that was started some years ago for the community called “Thousand Acres”( Acreage of Cocoa farm owned by COCOBOD). This clinic will be handed over to the District Assembly. Sankore and its environs produce quite a high percentage of cocoa. The clinic is to help improve the health of the primary producers and their dependants.

Sefwi Debiso Clinic. The Ghana COCOBOD has initiated the construction of a community clinic at Sefwi Debiso in the Western Region of Ghana. Land has been made available by the chiefs and people of Debiso. This health facility was a promise to the community as a result of the quantum of cocoa produced in that part of the region over the years. This is one of the direct benefits to a farming community.

Mosquito nets to farmers. As part of activities marking the 60th Anniversary (2007) of the establishment of Ghana COCOBOD, the organization is in the process of donating one treated mosquito
net to each of the 720,000 registered cocoa farmers. This is a booster to help reduce the incidence of malaria in farmers or their dependants.

**Best Cocoa Farmer Awards.** The Ghana COCOBOD organizes and sponsors farmers’ award schemes during Farmers’ Day each year. The National Best Cocoa Farmer and the National Chief Cocoa enjoy some benefits during their tenure of office. For instance in the year 2007, as part of its 60th anniversary celebrations, COCOBOD organized a ten-day trip for four of the best cocoa farmers (national and regional best) to London. The trip formed part of the prizes of being the best farmers. In addition to such treats, the farmers get tangibles such as pick-ups, tractors, saloon cars, among a host of cocoa husbandry products.

**Farmers Housing Scheme.** The Ghana COCOBOD is starting an affordable housing scheme in the Western Region of Ghana for farmers. About 60% of Ghana’s cocoa is produced in the Western Region and that explains why there are many CSR projects there. The idea is to give the hardworking farmer a decent accommodation and surroundings. COCOBOD has indicated that designs so far indicate that a housing unit could be sold at a little over US$10,000 but payment will be by installments which will be spread over 10 years.

**Approach 3 CSRs**
These are CSR programmes that were established primarily to enhance or boost the activities of COCOBOD as well as to facilitate the activities of the farmers. A few examples are listed as follows:

**Feeder Roads and bridges.** In order to facilitate movement of cocoa stocks from the hinterland to the ports, Ghana COCOBOD has entered into agreement with Department of Feeder Roads of the Ghana Highways to fund the construction of selected feeder roads in the cocoa cultivation parts of the country. Even though these roads are meant to facilitate the mobility of cocoa, they open up the place for other economic activities.

**Cocoa Villages.** The Ghana Cocoa Board has also constructed housing units not only for their core staff but affiliates employees such as teachers in the various regions. It was basically to make sure that staff posted to the remote areas and regional capitals do not face accommodation problems.

**Approach 4 CSRs**
Type 4 CSR schemes are the type that are sponsored by COCOBOD for the benefit of its staff in mind and the immediate community in which they operate and not necessarily the farmers in mind. Such establishments are found in various part of the country. Examples include:

**Cocoa Clinics, Accra and Kumasi.** Cocoa Clinics have been built in Accra and Kumasi to serve the general community in addition to COCOBOD staff.

**CRIG Basic Schools.** The Cocoa Research Institute of Ghana (CRIG) is headquartered at New Tafo in the Eastern Region of Ghana. The Institute has established two schools for its staff and the community. These facilities are of great benefits to the community who otherwise would not have had the opportunity of such high class education.
Figure 2: Placing COCOBOD CSR Schemes in the CSR Model

<table>
<thead>
<tr>
<th>DIRECT BENEFITS TO COCOBOD</th>
<th>DIRECT BENEFITS TO FARMING COMMUNITY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Low</strong> (General Public)</td>
<td><strong>High</strong> (COCOBOD)</td>
</tr>
<tr>
<td>• Akuafo Hall, Legon</td>
<td>• Feeder Roads</td>
</tr>
<tr>
<td>• Tetteh Quarshie Memorial Hospital</td>
<td>• Bridges</td>
</tr>
<tr>
<td>• Donation to Cardio Unit, Korle-Bu</td>
<td>• Cocoa villages</td>
</tr>
<tr>
<td>• Sponsorship of Medical Students</td>
<td>• Storage facilities</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Low</strong></th>
<th><strong>High</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Feeder Roads</td>
<td>Cocoa Clinics, Accra, Kumasi and Tema.</td>
</tr>
<tr>
<td>Bridges</td>
<td>Basic Schools</td>
</tr>
</tbody>
</table>

Akomea & Ofosu (2007)

Challenges Faced by COCOBOD
The basic shortcoming facing COCOBOD in its CSR bid is that even though farmers have been encouraged to register with Ghana Cocoa Board for statistical purposes, most farmers have still not registered. Another challenge facing the Ghana COCOBOD in the smooth delivery of CSR programmes has been the definition of who a cocoa farmer is. The true motive underlining COCOBOD CSR programmes is to improve cocoa production. The difficulty, however, is that, the farm hands are not necessarily the beneficiaries of certain schemes especially where the pass-book is the requisite document for application. This is because; the farm owners (absentee farmers) who usually reside in the cities are the ones who possess the pass-books. In such a situation, the mosquito net or scholarship scheme can only be access by the absentee farmer.

Another major challenging situation is the fact the 720,000 farmer statistics COCOBOD has is usually per farm and not per farmer. It pre-supposes that, if one has four farms in different geographical locations, the person is counted four times and enjoys four-fold of whatever benefit available to farmers. This means that certain individuals may enjoy multiple benefits.

Finally, one other challenge is publicly communicating the importance of CSR and the commitment to it in a way that is as authentic as the business itself. COCOBOD prides itself of doing the “right thing”, such as providing employees and farmers with health care services and paying premium prices to the farmers who grow cocoa but their CSR story has always been told in fragments.

CONCLUSION AND IMPLICATIONS
As part of the objectives of this research were the reasons for establishing the various schemes as well as identifying the target beneficiaries of each scheme, these have been identified. The challenges faced by COCOBOD have also been identified in the study and future research may proffer recommendations to
such bottlenecks. Finally, the various schemes have been categorized into four broad areas by the model proposed taking into account the employees as part of the definition.

In a nutshell, the benefits of being a CSR-driven company include long-term relationships with the suppliers, the retention and satisfaction of COCOBODs own internal partners (employees), and the goodwill of the communities in which they live and operate. There is conscious effort on the part of the organization to ensure that CSR is effectively integrated within all facets of the cocoa supply chain. This should be seen as the highest priority regardless of market fluctuations and other factors.

Today, corporate social responsibility (CSR) by organizations goes far beyond the one-off charity donations of the past and is instead an all year round responsibility that companies accept for the environment around them, for the best working practices, for their engagement in local communities and for their recognition that brand names depend not only on the marketing mix but on how, cumulatively, they interact with companies’ workforce, community and environment (societal marketing). In addition, a company should listen to its stakeholders (internal and external) and factor these important views into business strategy. COCOBOD has really paid its dues as far as sustainable livelihoods for its stakeholders in particular and socio-economic development of Ghana in general are concerned.

REFERENCES
Opportunities and Challenges of WTO in developing countries: implication for the Nigerian legal profession

Sola Adesola, Oxford Brookes University, UK

With increasing globalization, trade liberalization and export development, the so-called ‘open-door policy’ of borders for new trade and investment opportunities especially by emerging markets has become widespread in creating a need for agreements that ensure fair and efficient trade based on considerations of equity and fair access to markets. The paper provides a legal framework of the WTO, explores the challenges and opportunities facing developing countries in the international trade order. In particular, the paper seeks to understand the implications of the WTO rules on developing countries, and finally examines the WTO proposal of liberalization of professional services within the Nigerian legal profession.

INTRODUCTION
The increasing trade interdependences between national economies provide significant opportunities for the economic growth of developing countries. However, in the short run the significantly lower level of economic and legal advancements imply various problems with adherence to legal regulations provided by World Trade Organisation (WTO). This paper explores in the context of international trade law and investment, the challenges and opportunities facing developing countries within the construct of WTO. The methodology adopted for this research is purely exploratory using secondary data. The paper starts with an overview of the legal framework of the WTO, followed by examining the challenges and opportunities for the developing states, and Nigerian legal profession as an example. The paper draws some implications for developing countries and finally makes conclusion.

OVERVIEW OF THE LEGAL FRAMEWORK OF THE WTO
International trade law includes the appropriate rules and customs for handling trade between countries or between private companies across borders. WTO law is part of International Trade (or Global) Law, which in turn is part of international economic law. Over the last decades the WTO has taken meaningful steps to internationalise and harmonise trade laws (Das, 2007). The raison d’etre of WTO is not only to create multilateral system of trade laws and progressively liberalise trade between well-developed states but also ‘reduce discrimination in global trade and therefore enabling developing countries to gain increased access to markets’ (Fasan, 2003)

The WTO finds it origins in the General Agreement on Tariffs and Trade (GATT) which was signed in 1947, and replaced in 1995 under the Uruguay talks on multilateral trade negotiations covering GATTS, GATS and TRIPS (WTO, 2003). The WTO works on a single undertaking principle, once a country signs to become a member; it becomes a party to all the agreements including those reached before it became a member. In other words, unlike GATT a nation cannot pick and choose which agreements to be party to. The core principles of the WTO are:

- Enthronement of the dominance of market forces
- Privatization
- Multilateralism
- Deregulation, including foreign exchange markets
- International legislation diminishing state sovereignty
- Liberalization of trade and investment regimes – capitalism without borders.
The main legal principles of the WTO are that international trade should be conducted without discrimination, this is achieved by the Most Favoured Nation rule (MFN) and the National Treatment rule. Under the MFN, each member applies its tariff rules equally to all other members. Similarly, locally produced goods and services as well as local and foreign trademarks and copyrights should be treated equally under the National Treatment rule (WTO 2003).

OPPORTUNITIES FOR DEVELOPING COUNTRIES

WTO negotiations aim to reduce trade barriers and discrimination where all the involved parties would benefit to gain increased market access in foreign markets, meaning the achievement for developing countries depends on the course of WTO negotiations. The basis of one voting per country provides a good setting for developing countries to be effective, however lack of participation in discussions by these countries means they are often left out (Das, 1999). A rule-based legal system according to Fasan (2003) is to the advantage of developing states in protecting the weak against the malpractice of the powerful nations. Through GATT, developing states can make the developed countries cut trade distortion subsidies to the farming sector, and create an access for agricultural goods of developing states on the markets, and benefiting from foreign exchange and the economic benefits.

Under the Doha Development Round, law have been made more precise, effective and operational in order to change from ‘mere protection of developing states’ towards real encouragement and pro-active development’ (Manero-Salvado, 2007). The recent sign of these significant changes in approach is the creation in 2001 of the Advisory Centre for WTO Law, intended to help developing states on the legal advice on WTO law (Shaffer, 2006).

The crucial outcome of international law that constitutes an opportunity for developing states is the emergence of the international arbitration procedure – the WTO Dispute Settlement Body. Compliance of the developing states with its legal regulation increases the standards for resolving trade disputes and consequently, may help developing countries to successfully clamour for their rights. With this, it can increase the investors’ confidence and indirectly the inflow of direct investment into the country and the opening of new possibilities for export.

CHALLENGES AND ISSUES FOR DEVELOPING COUNTRIES

Even though in many areas developing countries are being treated with favourable manner, they are still faced with numerous legal challenges despite their membership in the WTO. African countries feel highly disadvantaged by WTO rules. Some of the challenges faced are related to:

- Compliance with TRIPS stipulates establishing a legal system to protect intellectual property rights against infringements. The challenge for the developing countries and Africa in particular is to establish compliance and the implementation cost estimated at circa US $2m (Fasan, 2003). Reasons for violation by African countries are due to the fact that these countries are racing to expand fast enough in order not to stay behind, and the TRIPS make access to public health cheap medicines more difficult because patent protection inevitably raises prices and reduce access.
- Anti-dumping, subsidies and countervailing duties and unjust protection of sectors by limitation of international competition prevalent in the agricultural and textile sectors.
- Concessions given by the developing countries were more valuable than those received (Finger, 2002).
- Pressure from the World Bank and the IMF to accept the law of the WTO where the degree of voting rights is based on the power of the national economy (Taylor and von Arnim, 2007). Africa remains marginalised by these international financial institutions and developed countries use this as a medium to apply pressure.
- Since Uruguay Round, there has been tension between developed and developing states (the North/South divide) as shown in Table1.
Tension between developed and developing states since the Uruguay Round

| (generally poor) developing (e.g. African) countries wanted access to: | (generally wealthy) Developed countries wanted binding rules in the sectors of: |
| Textiles, clothing & agriculture markets in the developed countries | Services, intellectual property and investment measures |

Table 1: Uruguay Round Tension between developed and developing states

The WTO is criticized for reducing protections for small farmers, while allowing rich countries to continue to pay farmers high subsidies beyond affordability of most developing countries.

IMPLICATIONS FOR DEVELOPING COUNTRIES

The principles very clearly suggest that the WTO is driven by those countries who dominate world trade. Consequently developing countries like Africa are effectively excluded from participating in making decisions that are of immediate concern to them. These countries have not been able to gain from improved market access and that the implementation of WTO rules is technically complex and expensive. Poor infrastructure, disease, poverty and general underdevelopment in these countries ensure that they remain receptacles for the industrialized nations. The attempts by the poorer nations to industrialize are often unsuccessful since their industries cannot compete with cheaper and sometimes subsidized goods from the industrialized nations. Factors contributing to being marginalized within negotiations are lack of expertise and insufficient fund (Machipisa, 1999).

From a practical point of view, it is important to reflect on how organizations or institutions in Africa have been affected by the WTO rules. The objective of the DOHA round of negotiations is to lower trade barriers around the world, permitting free trade between countries of varying prosperity. In 2007, talks have stalled over a divide between the developed nations led by the European Union, the United States and Japan and the major developing countries (represented by the G20 developing nations), led and represented mainly by India, Brazil, China and South Africa. Major Doha round issues is agriculture (rich countries’ farm subsidies) but there are others as shown in Table 2.

| (generally poor) developing (e.g. African) countries wanted to include negotiations on: | (generally wealthy) Developed countries wanted binding rules in the sectors of: |
| Agricultural subsidies, tariff peaks, food aid, grants and technical assistance from industrial countries | Investment, competition policy, transparency in government procurement, trade facilitation (Singapore issues) |

Table 2: Doha Round tension between developed and developing states
WHAT WTO MEANS FOR NIGERIA – PROPOSAL FOR LIBERALISATION OF PROFESSIONAL SERVICES

Nigeria became a member of the WTO in 1995, for the country to take full advantage of the membership of the WTO, Nigeria need to overcome amongst others the challenges of poor infrastructure and poor human capital in highly technical fields.

Article 19 of GATS imposes obligations on members to move progressively towards attaining higher levels of liberalization. In 2001, the Doha round of negotiations commenced on the liberalization of professional services. More than 45 countries (Nigeria not included) have listed legal services as one of the services they would like opened up. Nigeria is under increasing pressure to list legal services as one of the areas it should open up. On the debate of liberalization, the Nigerian Bar Association (NBA) Section on Business Law held a workshop in 2007 to take a critical look at the merits and demerits of allowing foreign law firms to establish in Nigeria or for foreign legal practitioners to practice in the country. The International Bar Association (IBA) (the global voice for the legal profession) has also set up a working group to study the WTO proposal and to fashion out modalities for implementation. Notwithstanding the collapse of the Doha round, the IBA is pressing to achieve liberalization among its members. This is a clear sign that globalization is perhaps inevitable. In a series of draft resolutions, the IBA is attempting to set the rules under which cross border practice can thrive.

The Nigeria legal profession is keeping abreast of the unfolding events in preparation for the appropriate response to the initiative. According to the NBA the legal profession in Nigeria has become weak over the years due to a number of factors.

- Poor admissions policy has led to a large annual turnover of law graduates very often requiring retraining.
- Poor remuneration and minimal continuing legal education affect the competence and therefore output of lawyers
- Existing law firms are too weak and generally poorly organized to meet with the challenges of changing times globally. Solo man practices or family practices are a deterrent to continuity that ensures absolute loyalty from associates
- Inability of the NBA to properly direct the profession especially in the area of manpower development.

The consequences of the above are that there is a steady infiltration of the legal services market by foreign lawyers. Foreign law firms are currently soliciting work directly from Government departments with or without collaboration with Nigerian lawyers. The argument is therefore made that allowing market access to foreign firms can strengthen local firms and generally improve on the quality of Nigerian lawyers.

The counter arguments by the NBA are equally compelling.

- Local firms will be wiped out.
- Nigerian lawyers who currently practice abroad are reduced to handling immigration matters, family law counseling and other similar areas of law. Access will never be given to high caliber stuff for which there are qualified, capable and extremely competent Nigerians. Even when we work jointly on sensitive transactions, our role is limited to advising on Nigerian law!
- A lot of the countries calling for liberalizing this sector still impose barriers to trade. Visa restrictions are one of the most potent weapons used in this regard.
The debate on legal services liberalization has led to the following conclusions.

1. Globalization is inevitable but not imminent and that Nigeria should not include legal services in its schedule of commitments for a period of time.
2. In the National interest, lawyers should be part of future delegations at WTO negotiations.
3. Access of foreign lawyers to our market must be controlled by the regulatory bodies such as the Nigerian Bar Association and such access should be fully reciprocated in real and measurable terms.
4. The NBA should set up a working group on the WTO to liaise with the IBA working group, the Ministry of Commerce and other stakeholders.
5. There should be a planned and holistic reform of the legal services sector including the administration of justice system to prepare local practitioners for globalization.

CONCLUSION
This paper has taken a broader view at the current trade rules to developing countries with particular reference to WTO proposal on legal service liberalization in Nigeria. Issues and challenges have highlighted the importance for developing countries to have a clear identification of interests and objectives. Instead of being either defensive or passive, African countries need to participate more actively in strategic negotiations. The WTO rules should contain sufficient incentives, especially financial and technical assistance, to enable developing countries to adjust their institutional requirements. Finally, poor or developing countries, especially from Africa, are disadvantaged by the WTO rules and especially by the manner in which they are negotiated and their implementation costs. The rules themselves largely reflect the preferences, interests, and values of the powerful states in the WTO. In the context of WTO rules on professional services liberalization, the view from the Nigerian legal profession is to take time to familiarize with the WTO and IBA proposals on liberalizing legal services before committing to implementation.

REFERENCES
Taylor, L. & Von Arnim, R. (2007), Projected Doha Roha benefits hinge on misleading trade models’
Dr Sola Adesola is a Senior Lecturer in International Management and International Business Law at The Business School, Oxford Brookes University. She is also a Fellow of the Higher Education Academy. Her research is on investment and outsourcing to Africa and legal issues of global trade. E-mail: sadesola@brookes.ac.uk
Western Legal Systems Co-Existing with African Customary Laws: A Case Study of Cameroon

Edwin Mujih, London Metropolitan University Business School, UK

The legal system of Cameroon like most African countries is a consequence of its colonial heritage and its indigenous cultures. This amalgamation of legal systems from two very different parts of the world raises a number of questions among which are the following; how much of the country’s legal system is western and how much of it is truly indigenous? Does western-styled laws dilute indigenous laws or is it the other way round? Should the country’s legal system be wholly indigenous in order to be relevant to local realities or should it be wholly western in order to be relevant to the international community? Or is the country’s unique colonial heritage an asset that can be harnessed to create a truly unique unified legal system that consists of Common law, the civil law and African customary laws, unlike the somewhat disjointed structure that currently exists under which the Civil law dominates in areas where attempts have been made to unify the system?

INTRODUCTION
Cameroon, like most African countries inherited the legal system of its colonial rulers. However, unlike most African countries, the legal system of Cameroon consists of two main Western legal systems, that is, the British common law and the French civil law which sit alongside Cameroon customary laws. This is due to the country’s dual colonial heritage. Following the defeat of Germany, the colonial power during the First World War, Cameroon was divided between France which took 80% and Britain which took 20%. Both territories were later administered separately as trust territories until 1961 when British Cameroon (which Britain had administered jointly with Nigeria) reunited with the newly independent French Cameroon to form the Federal Republic of Cameroon. Britain divided its portion into Northern British Cameroon and Southern British Cameroon and only Southern British Cameroon reunited with French Cameroon while Northern British Cameroon remained in the union with Nigeria. After independence, the English speaking part of Cameroon (which consists of two provinces today) continued to use the common law inherited from Britain while French speaking Cameroon (which consists of eight provinces) continued to use the civil law inherited from France. Added to this dual colonial legal heritage is the country’s indigenous diversity. Cameroon comprises more than 250 tribes that speak about 280 local languages [Fombad, 2007] with an obvious cultural diversity.

The common law and civil law are fundamentally different in many respects. These differences, which will be explored later, mean that difficulties will arise when a country uses both legal systems. These difficulties are compounded when the two systems are supplemented by customary law as is the case with Cameroon. The aim of this article is to examine the complexities of Western Legal systems operating alongside African customary using Cameroon as a case study. Cameroon is an instructive example as its dual western legal system operating alongside customary laws raises even greater complexities.

THE EVOLUTION OF CUSTOMARY LAW IN COLONIAL AFRICA
What is customary law and how did it develop? It is not proposed to give a definition of the term ‘customary law’ here beyond observing that the term customary law derives from the word custom. And, custom is a long-established usage or practice of a people. The usage may have emanated from the pronouncements of local chiefs or it may have evolved from the practice of the local community. It may
be so entrenched among the people that it gains the force of law, hence the term customary law. The requirement that the custom must be long-established for it to be recognised as such was emphasised in the case of *Welbeck v Brown* [1882] where the court stated that

> The native custom to which the Supreme Court Ordinance of 1876 requires us to give effect in the administration of the law of this colony, must be such as ... have existed in this colony from time immemorial ... It cannot, therefore, be contended that an observance or course of conduct which may have sprung within the last fifty or sixty years, and which native chiefs choose to designate a custom, should have the effect of law in this colony. [Hooker, 1975, p. 136]

Furthermore, custom must be recognised by the local people to be valid. In *Eshugbayi v Nigerian Government* [1931] the Privy Council held that

> It is the assent of the native community that gives a custom its validity ... and it must be shown to be recognised by the native community whose conduct it is supposed to regulate. [Hooker, 1975, 113-4]

Customary law is largely unwritten but no less effective as a system of law that regulates the society. It has been observed with reference to Yoruba law which remains unwritten that local law was “latent in the breasts of the community’s ruling elite or of the court of remembrance, and was given expression only when called ... called for”. [Asiwaju, in Mann and Roberts, p. 227]. Hooker has observed that this unwritten system is often referred to as ‘tribal’, ‘native’, ‘indigenous’, or ‘customary law’ and sometimes not even regarded as law since they do not accord with the western notion of law which must have written texts and share other characteristics [Hooker, 1975, p. 119].

Before Africa was invaded customary law was unadulterated and was adapted to local needs. But over the past few centuries African customary law has been re-shaped over time by major events defining a particular period. For example, during the colonial period customary law was re-shaped by colonialism, just as it is being re-shaped today by contemporary events. It is therefore in a state of constant mutation and its shape and form is constantly determined by an interaction between internal forces and the external forces of the day. It has even been claimed that customary law, though regarded as indigenous, was in fact invented by Africans and Europeans pursuing their own interests and beliefs under colonialism. Mann and Roberts observe as follows “customary law which is regarded by some Europeans as immutable tradition, evolved out of the interplay between African societies and European colonialism.” [Mann and Roberts, 1991, p. 4 and 9].

It is clear that African customary law was significantly affected by colonialism. Indeed, it has been observed that colonialism changed African law – its rules, institutions, procedures and meanings [Mann and Roberts 1991, p. 5]. The colonial administrators and judiciary played a significant role in re-shaping customary law as they applied the colonial policies of the metropolitan powers. Although Britain and France who were the main colonial powers in Africa adopted different colonial policies; indirect rule and assimilation respectively, both countries abolished customary laws which were not compatible with their substantive laws.

In the case of colonial Britain, customary law was permitted to exist alongside English law, usually by an enabling legislation, as long as it was not considered to be repugnant to natural justice equity or good conscience - the repugnancy test. The repugnancy test was applied in *Oke Lanipekun v Amao Ojetunde* [1944] where the Privy Council stated in strong terms that

> The policy of the British Government ... is to use for the purposes of the administration of the country the native laws and customs ... in so far as they have not been varied or suspended by statutes or ordinances ... The courts which have been established by the British Government have
the duty of enforcing these native laws and customs, so far as they are not barbarous, as part of
the law of the land [Hooker, 129-30].

In *Pappoe v Kweku* [1924] the court applied customary law which was judged to have passed the
repugnancy test. The case related to the institution of family property in Ghana customary law,
specifically to the powers and duties of the family head as trustee of such property. The court in Ghana
upheld customary law which refused to allow an action against a family head to account for property he
had inherited [Hooker, p. 132].

The recognition of customary law was important as it could be used as a precedent in future cases,
particularly as the doctrine of precedent is an important feature of the common law. In *Angu v Attah*
[1916] the Privy Council held that a customary rule will be recognised if it had prior judicial admission,
particularly in a series of cases. This rule was given legislative recognition by the Botswana Customary
Law Act 1969 [Hooker, p. 137].

It is worth asking how much of ‘customary law’ was truly indigenous or customary law. Mann and
Roberts have argued that in their administration of justice, the British colonial authorities who were
unfamiliar with indigenous laws misunderstood these laws and upheld in the name of custom practices
that were not customary at all. Judgments based on such misunderstanding were recorded, some of which
were subsequently published and stood as precedent [Mann and Roberts, p. 14].

The French equivalent of the British repugnancy test was the 1903 Legal Code which guaranteed the
maintenance of local custom provided that it was not contrary to French “principles of humanity and
civilisation” [Mann and Roberts, p. 137].

THE EVOLUTION OF THE CAMEROON THE LEGAL SYSTEM
The way that the Cameroonian legal system has evolved can be classified into three periods; the pre-
colonial era, the colonial era and the post colonial era. [Fombad, 2007].

The Pre-colonial Period
It was seen above that Cameroon is a heterogynous country consisting about 250 tribes. In the pre-
colonial Cameroonian society, there existed diverse unwritten indigenous laws and usages which applied
in varying degrees to the different ethnic groups [Fombad, 2007, p. 2]. Fombad has observed that the only
exception was in the north where the Foulbe tribes, who originally invaded the territory from North
Africa in the early nineteenth century, had introduced Islamic laws. He notes that despite the differences
in the structures, content and institutions there are many similarities between indigenous laws and Islamic
laws [Fombad, p.2]. There is evidence that the traditional system of justice was administered by a series
of *ad hoc* bodies ranging from the family head, quarter head, chief and the chief’s council. A rather
controversial example of this system of justice was trial by ordeal under which the accused would be
required to drink poisonous concoctions or hold a red-hot iron bar and if he came to no harm, then his
innocence was considered as proven [Fombad].

However, as in most African customary law systems, the system of justice was largely non-retributive and
conciliatory in nature. The concepts of law and punishment regimes were significantly different from
western concepts and practices. Unlike in western legal systems where law, particularly in the public
domain, is essentially punitive and in the private domain has a winner-takes-all outcome, law in most pre-
colonial societies in Cameroon served as a means of arriving at social equilibrium. The remedy or
punishment depended on the type of offence. In what would today be considered private law areas, trials
particularly between relatives or neighbours, usually produced a reconciliatory result. Where the accused
was found guilty, in appropriate cases, he would be ordered to pay compensation, usually in kind, to the
victim. In what would be classified under public law areas in modern times, an accused who was found
guilty of a very serious offence might even be exiled from the village. Offences that were punishable with exile were regarded as abominations and include murder, rape, incest, offences that violated cardinal customary law such as non-observance of religious festivals or going to the farm or market on ‘holy’ days. Perpetrators of some such offences would also be cleansed through a traditional rite to exorcise any evil spirits in them that were thought to have caused them to commit such hideous acts.

The colonial period
During the German colonial period from 1884 to 1916, a rudimentary system of administration was established. Two parallel systems of courts were set up; one exclusively for Europeans where German laws were applied, and the other exclusively for Cameroonians, where traditional law under the control and supervision of the Germans was applied. When Cameroon was partitioned between Britain and France in 1916, the two colonial powers administered their respective territories in accordance with their laws. This was by virtue of Article 9 of the League of Nations’ agreement which conferred on them full powers of administration and legislation [Fombad]. The British, in line with their policy of indirect rule, maintained traditional institutions and laws that were not repugnant to natural justice. This was given statutory expression in section 27 of the Southern Cameroons High Court Law 1955 which provides as follows:

The High Court shall observe and enforce the observance of every native law and custom which is not repugnant to natural justice, equity and good conscience nor incompatible with any law for the time being in force, and nothing in this law shall deprive any person of the benefit of any such native law or custom.

This is the main legislative instrument through which customary law applies in the English speaking part (common law jurisdiction) of Cameroon. The British operated two parallel systems of courts; one structure for the traditional sector of the population, mainly Cameroonians and the other for the modern sector, Europeans or those Cameroonians who opted for it. The French, under the policy of assimilation also operated two systems of justice; one for citizens who were defined as French nationals or assimilated Cameroonians (and there were hardly any), and the ordinary Cameroonians who were derogatorily referred to as “sujet” (indigenous people). The former were subject to French law and the latter were subject to customary law. French administrators presided over the traditional courts [Fombad].

The Post-colonial period
Post-colonial Cameroon has a dual western legal system that is complemented by customary laws. The continuous application of British common law and French civil law in the country has been sanctioned by successive constitutions since the reunification of the British and French Cameroon. An example is article 38 of the 1972 constitution which provided for the continuous application of the laws that were in force before reunification provided that these were not inconsistent with any new laws [Fombad, p. 3]. The 1996 constitution which substantially amended the 1972 constitution similarly provides in Article 68 as follows;

The legislation applicable in the Federal State of Cameroon and in the Federated States on the date of entry into force of this constitution shall remain in force insofar as it is not repugnant to this constitution, and as long as it is not amended by subsequent laws and regulations.

Thus, the constitution is the basis for the co-existence of western law and customary law. This is the case because although the constitution does not expressly refer to customary law, it can be said to implicitly recognise it by allowing for the continuous application of laws such as s. 27(1) of the 1955 Act which recognised customary law. Furthermore, the second proviso to the preamble of the 1996 Constitution which provides that “the state shall ensure the protection of all minorities and shall preserve the rights of
indigenous populations in accordance with the law” could be interpreted as an indirect recognition of customary law.

In practice, both western and customary laws are heavily used by different segments of the population at different strata of society depending on whether the litigants are in rural areas, urban areas or in the English or French speaking part of the country. But significantly, the choice of law in many instances is also determined by the nature of the dispute. Inhabitants of rural areas naturally resort to customary law for dispute resolution as this is the legal system that they understand best and have easy access to. Such cases are heard in customary law courts which are found in almost every administrative unit in the common law jurisdiction of Cameroon. Across the country, the cases may also be heard at the palace of the local chief or the house of quarter heads. They are usually presided over by local notables with in-depth knowledge of local customs. Thus, across the country different rural communities settle disputes in accordance with their own customary laws.

However, customary law does not apply in wholesale even to people living in rural areas. Customary law courts have a limited jurisdiction and cases falling outside their jurisdiction, especially serious criminal offences, can only be heard by western-styled courts such as magistrates’ courts and high courts, which are located mainly in urban areas. Perhaps for this reason or as a matter of preference, people in rural areas commonly travel to urban areas to resolve disputes in courts located there. Furthermore, litigants may appeal the decisions of the customary courts to the high courts. Matters that are commonly adjudicated by common law courts include matrimonial cases, inheritance, land disputes, etc.

In urban areas, cases are decided formally at first instance in either magistrates’ courts (tribunal de premiere instance in the civil law jurisdictions) or in the high courts (tribunal de grand instance in the civil law jurisdiction). Courts in the common law jurisdiction of the country decide cases in accordance with common law principles while courts in the civil law jurisdiction decide cases in accordance with civil law principles even if the case involves a litigant from the other jurisdiction. This is provided that the court has the jurisdiction to hear the case.

For administrative purposes, the country is divided into provinces, divisions, sub-divisions and districts. The administrative structure of the country mirrors its court structure and jurisdiction, as different types of court operate at different administrative levels and cover different administrative units, with the result that the higher the court on the judicial echelon the bigger its territorial jurisdiction or area of operation. For instance; customary law courts operate at village, magistrates courts operate at district and sub-divisional level, high courts operate at division level, Appeal Courts operate at provincial level while the supreme court has jurisdiction over the whole national territory. In addition to these courts with ordinary jurisdiction, there are courts with special jurisdiction such as the Constitutional Court and the Military Court located in Yaoundé. [Fombad].

These courts apply either the common law or the civil law depending, largely, on whether they are located in the English or French speaking part of the country. Since they are located mainly in the towns and cities, cases involving litigants from these places would almost invariably be decided in accordance with the inherited western concepts of law. However, in appropriate cases, the courts with ordinary jurisdiction may apply customary law by virtue of section 27(1) of the 1955 Law in the case of the English speaking part of the country. As seen earlier, the 1955 Law is recognised by the Cameroon constitution. Customary law may also be applied in the French speaking part of the country by virtue of article 68 of the 1996 constitution which allows for the continuous observance of colonial laws. A notable French colonial law was the 1903 Legal Code which guaranteed the observance of customary law provided that it was not contrary to the principles of French civilisation. Thus such customary laws would be recognised under the current legal dispensation.
Examples of the operation of s. 27(1) include a case where a Bakweri custom was upheld ‘on the grounds of natural justice, equity and good conscience’. Under the said custom divorce proceedings cannot be instituted against a breastfeeding mother, since in the interest of the child, both mother and child need protection. Such proceedings were deemed traumatic to both mother and child. [Joko, citing Ngwafor]. Another example with a different outcome is the unreported case of David Tchakom v Koeu Madeleine which involves a dispute the woman litigant was placed in the context of property under a customary law. The Supreme Court of Cameroon had no difficulties striking down such a custom as being repugnant to natural justice [Joko, citing Ngwafor].

In the English speaking part of the country where the common law applies, the operation of the doctrine of precedent which is an essential feature of the common law is subject to the complexities of the judicial organization of the courts in the country. As observed by Fombad “judicial precedent as a binding source of law in the [two] English speaking provinces plays a rather limited role because of the ‘provincialized’ system.” As each province has its own Court of Appeal, decisions from this court are binding on the lower courts in that province only. Decisions from the country’s Supreme Court are of persuasive authority only, as the court does not decide cases itself, on the rare instances that it acts in its appellate jurisdiction, but merely examines the interpretation of the law and sends the case back to a different lower court [Fombad].

CONCLUSION
It is clear that the legal system of Cameroon like most African countries is a consequence of its colonial heritage and its indigenous cultures. This amalgamation of legal systems from two very different parts of the world raises a number of questions among which are the following; how much of the country’s legal system is western and how much of it is truly indigenous? Does western-styled laws dilute indigenous laws or is it the other way round? Should the country’s legal system be wholly indigenous in order to be relevant to local realities or should it be wholly western in order to be relevant to the international community? Or is the country’s unique colonial heritage an asset that can be harnessed to create a truly unique unified legal system that consists of Common law, the civil law and African customary laws, unlike the somewhat disjointed structure that currently exists under which the Civil law dominates in areas where attempts have been made to unify the system?

It is not proposed to attempt answers to these questions. It is however, submitted that contemporary legal systems across the world all influenced by one another. The preceding discussion certainly illustrates this. From the main legal systems to the smallest systems in remote places across the world, laws and customs have evolved with time as people interact with each other. In the case of Cameroon today, the interaction between western law and customary law is indeed a constant struggle between the two types of law. In this struggle, people sometimes resort to customary law and at times the resort to western law for justice depending on whether they live in rural or urban areas and also on the nature of the dispute. As between the two western legal systems themselves a struggle exists.

REFERENCES
The Law on Property Grabbing 2: Inheritance Rights of HIV/AIDS Orphans
– the Law of Uganda and the Standards of International Law

Peter W. Schroth, President, IRCG LLC, and Vice Chair, Lawyers Without Borders, USA

Uganda is a party to the key global and African international treaties relating to the property and inheritance rights of women and children and generally recognizes those rights in its Constitution. They are recognized in considerable part in the statutes, but often not in customary law. Several “tentatives de recommendations” for improvement are offered.

INTRODUCTION


Victor Hugo, Les Misérables, 3.3.IV (1862)

This paper is one of a projected series examining the law of individual African countries in light of requirements of international treaties ratified by and binding on them. All of the papers build on, and assume knowledge of, Schroth (2007), which is a survey of international law protecting the inheritance and property rights of widows and orphans, with particular attention to African instruments, such as the Banjul Charter and the African Charter on the Rights and Welfare of the Child. Readers are requested not to misinterpret this paper as singling out Uganda for criticism: other papers in this series are or will be directed to the details of the law of other countries and adopt a similar tone. The primary topic is the rights of orphans whose parents owned property, including how the parents may provide for their children’s future and how orphans may enforce their rights, for in many cases the parents’ property does not in fact pass to their orphans. A related topic is the rights of widows (and possibly of widowers, see, e.g., Mwenda et al., 2005, pp. 964-966) to their lost spouses’ property and to provide for their children’s future, for in many cases a man’s property does not in fact pass to his widow. As a result of length limitations, this paper takes a great deal of knowledge for granted, such as the prevalence of HIV/AIDS and of orphans of AIDS in the relevant countries (see especially UNAIDS-WHO, 2006a, 2006b) and the general principles of common law and Shari’a. (Islamic law is neglected in this paper, but intended to be discussed in a later paper.)

INTERNATIONAL LAW

Uganda has ratified several global and regional treaties relating to property and inheritance rights for women and children, including the International Covenant on Civil and Political Rights (“ICCPR”), the International Covenant on Economic, Social and Cultural Rights (“ICESCR”), the Convention on the Elimination of All Forms of Discrimination Against Women (“CEDAW”), the Convention on the Rights of the Child (“CRC”), and the African Charter on Human and Peoples’ Rights (“Banjul Charter”). These treaties – of whose contents the reader is assumed to be aware from reading Schroth (2007) – require Uganda to submit periodic reports to international bodies, detailing its efforts to implement its international treaty obligations (ICCPR, Art. 40; ICESCR, Arts. 16 & 17; CEDAW, Art. 18; CRC, Art. 44; Banjul Charter, Art. 62). Uganda has generally met its reporting obligations and many of these reports concede the problems that remain in the protection of property and inheritance rights.
Uganda has made great strides towards compliance with international and regional treaties. Its Constitution contains extensive protections for women and children and it has recently adopted number of statutes to protect the rights of women and children. However, while in theory the law now protects property and inheritance rights in considerable part, it does not always protect these rights in practice, mainly as a result of the application of customary law and traditions (CEDAW, 2000). This tension between traditional customary law and modern international human rights obligations is in some respects exacerbated by the current government, which, for example, openly opposes recognition of spousal co-ownership of land (Tripp, 2004). Uganda must continue to strengthen its laws in both theory and practice, to combat structural inequalities and to reverse cycles of poverty and discrimination (FAO, 2005).

CONSTITUTIONAL LAW

Many aspects of constitutional law may be relevant to this topic. For the most part, this section is limited to (i) the rights of women and children and (ii) rights in land. Uganda’s current Constitution, adopted in 1995, was most recently amended in 2005 (Constitution (Amendment) Act, 2005, and Constitution (Amendment) (No. 2) Act, 2005. These amendments still are not yet widely available, but I have provided them for on-line posting at http://confinder.richmond.edu.

The Constitution is generally gender-progressive, clearly prohibiting laws (Art. 2a(2)), customs, practices, usages and traditions that discriminate against women on the basis of sex or otherwise detract from an individual’s constitutional rights. The Constitution requires the government to ensure gender balance and fair representation of women and other marginalized groups. It seeks to redress historical inequities through affirmative action and to provide women with equal rights in marriage and at the dissolution of marriage, equal protection regarding property inheritance for widows, and equal treatment for men and women (Arts. 31(1), 31(2), 32(1), 33). However, despite these constitutional guaranties of equality and Uganda’s ratification of many international treaties that prohibit discrimination against women (Schroth, 2007), it has failed to enact national legislation that would provide effective remedies and deterrence for sex discrimination (Ssenyonjo, 2007). Uganda’s marriage and divorce laws continue to discriminate against women, violating constitutional provisions requiring nondiscrimination, equal protection of the law and equal rights during marriage and at its dissolution. Several other articles have focused on “wife inheritance,” “widow cleansing” and other sexual abuse of widows (e.g., Loftspring, 2007), but this paper’s focus is property and inheritance rights.

The Constitution defines children as persons under sixteen and guarantees the right of children to be cared for by their parents or others entitled to do so by law (Arts. 34(5) & 34(1)). It guarantees children’s right to education, medical treatment and other social or economic benefits and protects them from social or economic exploitation that would interfere with their health or development (Arts 34(3), (4). The Constitution also states that “the law shall accord special protection to orphans and other vulnerable children,” giving these groups special status under Ugandan law (Art. 34(7)).

The Constitution recognizes four land tenure systems: freehold, leasehold, mailo and customary (Art. 237). The first three were introduced by the British from 1894 to 1963. Freehold, mailo and customary land tenure have the similarity that ownership is held in perpetuity (Mugambwa, 2002, p. 23). Of the four, customary land tenure is the most widespread. Under the freehold system, land is registered and the holder has full ownership rights (Tripp, 2004, p. 2). The freehold tenure system was introduced by the British in the Kingdoms of Toro and Ankole in Western Uganda. The British also granted freehold estates on Crown Land to a small number of churches, religious institutions and individuals to pursue industrial and agricultural development. The leasehold system also was introduced by the British, with lease terms commonly 99 years. Under the mailo (“allocation of land” in Luganda) system, registered land is held in perpetuity, subject to clan and lineage head approval (Tripp, 2004, p. 5). The mailo owner is free to lease, mortgage, pledge, sell or sub-divide the land and also to dispose of it by will. Mailo land tenure is common in the regions of Buganda, Ankole and Toro. The Land Law of 1908 added to the Buganda
Agreement by giving freehold titles for large tracts of land to the king, his family and clan chiefs. Others gained access to this land by purchasing it from the original recipients. Women were excluded from ownership; it remains the case that very few women hold land under mailo tenure (Tripp, 2004, p. 2). Customary land tenure is the main system of land rights in Uganda. Most land outside of Buganda and urban areas is held in this way. The Land Act (as amended by the Land (Amendment) Act, 2004, which changed the section numbering), in Sections 2 through 9, recognizes customary land tenure. See also Section 32B, Land (Amendment) Act, 2007. It is regulated by customary principles and practices administered by clan, village, or family leaders. Land can be held individually or communally, though generally it is not titled or registered. Prior to colonial rule, several customary land tenure patterns and practices existed among Uganda’s ethnic groups (Mugambwa, 2002, p. 1), but these practices were not formally acknowledged during colonial rule. The 1995 Constitution and the Land Act, 1998, changed this by acknowledging customary land tenure and treating it on par with the colonial land tenure regimes of freehold, leasehold and mailo. Land Act Section 27 provides that decisions regarding customary land tenure are to be made in accordance with the customary law of the community concerned, but prohibits application of customary law or practices that violate Articles 33 (rights of women), 34 (rights of children) and 35 (rights of persons with disabilities) of the Constitution. Similarly, the Judicature Statute, No. 13 of 1996, Section 17(1) provides that “the application of any customary rule is subject to the rule not being repugnant to natural justice, equity, and good conscience, or being incompatible either directly or indirectly with any written law.” See further Mugambwa, 2002, p. 23.

NATIONAL LAW ON MARRIAGE AND CHILDREN

The population of Uganda is approximately one-third Roman Catholic, one-third Protestant and 16% Muslim. The remaining 18% follows indigenous beliefs. Five types of marriages are recognized, with different laws applying to marriages between persons of certain religions: civil (Marriage Act, cap. 211); Christian (African Marriage Act, cap. 212); Muslim (Marriage and Divorce of Mohammedans Act, cap. 213); Hindu (Hindu Marriage and Divorce Act, cap. 214); and customary (Customary Marriages Registration Decree, No. 16 of 1973). Only the Customary Marriages Decree and the Mohammedans Act allow polygamous marriages. In practice, customary marriages are the most common. Customary marriages are based on payment of dowry or “bride price”; when a woman in a customary marriage wants a divorce, it is ordinarily impossible for her to retain any matrimonial property and she is required to pay back the dowry (UN-HABITAT, 2002, p. 79). In contrast, when a wife under civil law wants a divorce or separation, she may apply for a protection order for her property under the Divorce Act. A Domestic Relations Bill, under consideration in Parliament since the early 1990s, would provide one uniform law for all types of marriages in Uganda, but is highly controversial (see UN-HABITAT, 2002, pp. 79-81). For example, thousands of Muslims protested the first iteration of the Bill and succeeded in changing its restriction on polygamy from two to four wives (von Struensee, 2004), to match the rule of the Qur’an (Sura 4:3). In most respects, if adopted, this bill would meet the requirement of Article 31(1) of the Constitution, which guarantees women’s equal rights upon, during and after marriage.

The Children Act, 1996 established family and children courts and draws extensively from the CRC (see Schroth, 2007). Sections 5 and 7 of the Act declare it the duty of a parent, guardian or any persons having custody of a child to provide the child’s right to shelter and to protect the child from discrimination and that it is unlawful to subject a child to social or customary practices harmful to the child’s health. The First Schedule (“Guiding Principles in the Implementation of the Act”) makes clear that whenever the State, a court, a local authority or any person determines any question with respect to the administration of a child’s property or the application of any income arising from it, the child’s welfare shall be the paramount consideration. The Children Act also “provides for the maintenance of a child where one or both parents neglects to provide for maintenance irrespective of whether the parents are married, staying together, separated or divorced” (CRC, 2004, ¶123), which should include maintenance of orphans. “Maintenance includes feeding, clothing, education and general welfare of the child” (ibid., ¶124). The Children Act allows persons who have custody of a child to apply for maintenance; children may also
apply for maintenance, “through a friend” (*ibid.*, ¶123). The Children Act further requires that the court or any other person determining these questions must have regard to the child’s physical, emotional and educational needs; the likely effects of any changes in the child’s circumstances; the child’s age, sex, background and any other circumstances relevant in the matter; any harm that the child has suffered or is at the risk of suffering; where relevant, the capacity of the child’s parents, guardians or others involved in the care of the child in meeting his or her needs.

**CUSTOMARY LAW**

Customary law is a particularly important source of authority in Uganda regarding the use, ownership, and transfer of land. Although in theory statutory law trumps customary law, in practice customary law is often followed even where it contradicts statutory law or judicial case law (*ibid.*). While customary law is embedded in traditional attitudes and practices, it is also dynamic and is capable of evolving over time in response to social, cultural and demographic changes (Strickland, 2004, p. 29). Customary law is generally not codified and is based on unwritten social rules derived from shared community values and traditions. It is primarily relied upon to determine matters that are, in Western traditions, usually considered “family law,” such as marriage and marital rights, divorce, adoption and guardianship. It governs inheritance and succession law for the majority of people, because community courts in rural areas generally follow the rules of customary law in their decisions. Customary law largely defines the rights of individuals and societies in relation to land, both because of its import in relation to inheritance and in terms of rights of transfer or access to land, which are often derived from family or group status. Concepts such as “ownership” and “family” under customary law differ conceptually from Western notions. For example, customary law typically views land as held by the commons, or by a group, rather than privately; thus a decision to sell property cannot be taken by an individual, but only by the collective. Customary law usually views rights to land as usufructory, rather than as absolute, so individuals may use the land and what it produces, but do not have an absolute right to the land.

These conceptual differences lead to conflicts between legal systems within countries recognizing customary law alongside colonially derived laws or religious laws. Customary law commonly regards land as a communal resource; it is not private or personal property, so it cannot be individually divested. “Most customary inheritance laws try to ensure that family and clan lands remain within the control of the lineage. Thus, they commonly seek to prohibit or prevent alienation of land to third parties” (Hilhorst, 2000.) All members of a group, such as a family, clan or tribe, share the right to access land. Membership in such a group is the key determinant of whether land is accessible; determination of membership is also a question of customary law (Walker, 2002). Individuals’ rights to land may be “secured through their membership in [a] lineage, with their age and marital status important determinants of status in relation to land” (*ibid.*). This “operation of layers of overlapping rights (sometimes described as ‘nested rights’) and multiple uses of land by members of the household, lineage or community with regard to the land allocated to or identified with it” sets customary land tenure systems apart from other legal systems (*ibid.*).

Customary law also offers “a wide array of arrangements by which people can gain access to land and other resources, even though they are not land-owners themselves … [including] sharecropping, borrowing or land, tenancy, pledges, and access for a particular purpose, such as grazing of crop residues” (Toulmin and Quan, 2000). Such methods of accessing land are of particular importance in rural communities, because they provide great flexibility in access, enabling responsiveness to individuals’ abilities, relationships, or needs. Customary laws can provide for land to be made available to the poor with few resources, or to those with excess resources (such as surplus labor), so that both the poor and those with excess may have the opportunity to cultivate.

That there are so many means of accessing and recognized uses for land is both helpful and harmful to women’s and children’s rights to land. Customary law often discriminates against women in practice.
The most common inheritance systems in Africa are patrilineal, whereby succession and inheritance of property are determined through the male line, and normally only sons or other males inherit land from the family estate.” Hilhorst, 2000. “In many parts of Africa, for example, men control household land (and the house on that land) because community authorities (who are predominantly male) allocate land to male household heads and these lands and the houses on them are then passed down to male heirs” (COHRE, 2000). One author says that “these rights only attach to women through a system of vicarious ownership, through men as husbands, fathers, uncles, brothers and sometimes sons” (Beyani, 1998), although it has been noted that “[c]ustomary law seems to have few provisions for divorced women and even fewer for single women” (COHRE, 2000). In this way, under many systems of customary law, women, whether single, married, divorced or widowed, cannot own or inherit land in their own names. In other patriarchal customary systems, called virilocal, a woman may access land or property, but only at the behest of her husband. For example, a husband might be required to provide arable land to his wife to cultivate; however, he could determine which land would be hers and how long she might have access to it (COHRE, 2000). In several African countries, customary land and housing registration systems require proof of a husband’s authorization for a woman to acquire title independently of her husband (ibid.). This system of acquiring land rights has been described as secondary or vicarious, as opposed to primary or autonomous land ownership. In the event of a divorce or other dissolution of marriage, it is often the husband who retains the right to land or property under customary law.

Nondiscrimination and Equal Rights for Women

Although the 1995 Constitution largely reflects Uganda’s treaty obligations regarding non-discrimination and equal rights for men and women (ICCPR, 2003, ¶74(f); see also CEDAW, 1992, ¶341), significant obstacles remain. Uganda’s Third Report to the CEDAW Committee conceded, “Women’s access to land, property and credit is still extremely low” (CEDAW, 2000, p. 17). Furthermore, “[a]lthough the Constitution guarantees equal rights to both men and women, religious, cultural and traditional practices still hinder women’s equality” (ibid., p. 61). In a 2006 report, the United Nations High Commissioner for Human Rights stated that Uganda’s constitutional provisions and legislative guarantees were not, in practice, preventing discrimination against women (ECOSOC, 2006, ¶38).

Women’s Property Rights

The Ugandan Constitution “guarantees for everyone, a right to property,” and also “guarantees the right to inheritance by the man and woman, children and dependants” (CEDAW, 2000, p. 70). Similarly, the Land Act has strengthened women’s rights to the land, particularly for rural women, and the government has stated that this Act has provided not only “access to land but also control and ownership” for women (ibid., p. 57). However, traditional and customary practices often supersede constitutional and statutory guarantees of equality. The government has acknowledged that “cultural practices may continue to bar women from ownership, management and control of land” (ibid.). Customary tenure, which is the most common form of land ownership in Uganda, is clearly “male dominated” and promotes “succession along male lines” (CEDAW, 1994, ¶3.14.4). Relatively few women acquire real property in their own right, “partly because of the discriminatory customary land systems and practices which did not encourage women to own land and also due to the fact that the majority of women are poor and generally do not have the money to buy their own property” (CEDAW, 2000, p. 63). These issues extend to Uganda’s judiciary, which despite efforts to be impartial and objective, can be “affected by societal-based prejudices and stereotypes with regard to property ownership” (ibid., p. 62). In the context of the HIV/AIDS epidemic, the U.N. High Commissioner for Human Rights noted, “Financial dependence on men means that women [in Uganda] often do not have equal access to prevention and care, and risk losing their property upon a husband’s death” (ECOSOC, 2006, ¶39). The report went on to identify “land and property rights” as one of the areas that “have emerged as key challenges to the protection of human rights in Northern Uganda” (ibid., ¶50).
Women’s Inheritance Rights

“One of the most controversial gender issues in Uganda is inheritance” (CEDAW, 2000, p. 69). A 2002 UN-HABITAT report on land, housing, and property rights in East Africa noted, “With regard to inheritance rights, customary laws and traditions that are still widely applied usually exclude widows from inheritance and only rarely allow daughters to inherit” (Benschop, 2002, p. 181). Although in theory the Succession Act allowed widows and daughters to inherit, this rarely happened in practice; even when it did happen, it might not be respected by the community (CEDAW, 1992, ¶384). Uganda’s reports under CEDAW recognized numerous instances of women not being treated equally in the inheritance context (ibid., ¶¶350, 384, 387; CEDAW, 2000, pp. 69-70).

However, the situation regarding women’s inheritance rights improved dramatically in 2007, with the Constitutional Court’s decision in Law & Advocacy for Women in Uganda v Attorney General. In that case, applying article 137 of the Constitution, the Court struck down, as contrary to articles 20, 21, 31 and 33 of the Constitution, section 154 of the Penal Code Act (providing different penalties for adultery by men and women), sections 2(n)(i) and (ii), 14, 15, 26, 27, 29, 43, 44 of the Succession Act and Rules 1, 7, 8, and 9 of the Second Schedule of the Succession Act (providing different rights for men and women upon remarriage, intestacy, guardianship of children, etc.).

CHILDREN’S RIGHTS

Uganda has given effect to its obligations under the CRC through the enactment of the Children Statute, 1996. “Implementation of the Statute is currently under way” (CRC, 2004, ¶11). This statute aims to protect abandoned children or children deprived of their family environment through fostering, adoption and maintenance (CRC, 1996, ¶¶120, 122, 125). Under the Children Statute, a child also has the right to exercise all the rights set out in the CRC and the ACRWA, with appropriate modifications to suit the circumstances in Uganda, which are not specifically mentioned in that Act. However, “[t]here are practically no social security benefits for … child-headed families” (ibid.). Further, “the capacity of extended families and the community to cater for the orphans has been greatly diminished” (CRC, 2004, ¶198). The government is assisting by paying primary school fees for all orphans, though “[t]he problem of orphans is too big for Government to handle alone” (CRC, 2004, ¶198). Further, sometimes statutory inheritance laws are ignored in cases involving children or customary law (favoring the father’s relatives over children) is applied (CEDAW, 1992, ¶387).

EXISTING PROGRAMS TO PROTECT PROPERTY AND INHERITANCE RIGHTS OF WOMEN AND CHILDREN

Some programs to enhance property and inheritance rights for women and children are already underway in Uganda. For example, the government-initiated Programme for Alleviation of Poverty and Social Costs of Adjustment is intended “to address the problem of poverty and to mitigate the adverse impacts of the macro-economic measures on certain vulnerable sections of the community,” including “assistance to widows and orphans” (CRC, 1996, ¶87). Further, in light of the increasing numbers of female heads of families, “especially in war ravaged areas like the Luwero Triangle, the North and North East where there is a large number of widows” (CEDAW, 1992, ¶324), the government has initiated “specific housing projects for women” (ibid., ¶325). The government has also formulated a “National Shelter Strategy,” aiming to improve “the accessibility of all people to land, finance, building materials, equipment and manpower required for shelter development” (ibid., ¶326).

The Ministry of Gender, Labour and Social Development (the “Ministry”) “has instituted gender sensitisation training for members of the Judiciary, state attorneys and the police, to equip them with the knowledge and sensitivity to appreciate the perspectives of women and the consequences of discrimination” (CEDAW, 2000, p. 63). The Ministry also aims to establish an Equal Opportunities Commission that would “address issues of discrimination affecting marginalised groups on the basis of gender, age, disability or any other reason created by history, tradition or custom” (ibid.). The government
has also sponsored a Pilot Systematic Demarcation Project to encourage registration of title of property and facilitating first-time registration of customary land at the parish level, with the parish or sub-county chief acting as registrar (Ellis, Manuel and Blackden, 2006, p. 23).

The Uganda Land Alliance Land Information Centre, a consortium of NGOs advocating for fair land laws and policies that address land rights of poor people and marginalized groups currently attempts to help women navigate the land disputes tribunal system. The Alliance handles land grabbing disputes, especially those involving clan members grabbing widows and orphans land, and thus it is a good source for people who are concerned about their property and inheritance rights. Some NGOs have distributed brochures and posters publicizing the inheritance rights of women and children. The government has set up the National Council for Children, the “lead agency for coordinating and monitoring the implementation of child rights related programmes” (CRC, 2004, ¶69), which is “engaged in advocacy for the rights and needs of children” (CRC, 1996, ¶36). The government has also set goals for protecting and maintaining children’s health and wellbeing, including the “reduction of the socio-economic impact of HIV-infected parents on children through reducing suffering and prolonging the useful life of their parents and through assisting communities and care for orphans” (CRC, 2004, ¶93). Uganda’s efforts to improve the situation of children have been assisted by various NGOs, including World Vision, Uganda Community Based Association for Children Welfare, and Uganda Women Efforts to Save Orphans (CRC, 1996, ¶¶24, 199). NGOs provide assistance by providing school fees and training for orphans, as well as the “provision of basic needs such as shelter, food and clothing” (CRC, 2004, ¶198).

National Agricultural Advisory Services (“NAADS”) conducted a country study, which revealed that widows were being limited or denied access to land and property grabbed by relatives, especially farm tools and equipment. NAADS created a resource guide for agriculture and community extension workers that stresses will writing and the role of civic leaders in protecting property of households affected by HIV/AIDS. Additionally, NAADS worked with Uganda Media Women’s Association to implement an HIV/AIDS multi-media communication campaign in 2004, using community theatre and sensitizing local leaders on issues including property and land rights.

RECOMMENDATIONS

Although the Constitution of Uganda unequivocally condemns sex-based discrimination and provides for equal rights to property ownership and inheritance, traditional practices and prejudices – particularly prevalent in rural areas – have continued to impede the achievement of gender equality in property ownership and the protection of children’s inheritance and property ownership rights. As several of the U.N. treaty bodies have noted, and as the government has acknowledged, additional legislative reform is necessary to ensure Uganda’s compliance with its international and regional treaty obligations. Factors limiting women’s access to land rights include the formal legal system, custom and religion, women’s status within the domestic unit, and economy and education (Strickland, 2004, p. 15). Below are the tentative recommendations of the international lawyers who have participated in this project.

Statutory Amendments

Parliament should enact the Domestic Relations Bill, which will further promote equal rights of men and women at, within and upon dissolution of marriage, as well as property rights in marriage and at divorce, and in the context of inheritance (see CEDAW, 1994, ¶3.16.2; CEDAW, 2000, p. 69). This bill meets the requirements of Article 31(1) of the Constitution, which guarantees women’s equal rights upon, during and after marriage, as well as Uganda’s treaty obligations regarding women and equality. The lawyers who worked on this project originally recommended that Parliament should also enact the Succession (Amendment) Bill, which aimed to amend the Succession Act to conform to the Constitution’s provisions on equality of sexes in matters of succession. This bill would entitle the spouse to half of the matrimonial home and household chattels (with all wives sharing equally); the other half would be distributed equally among the children of the deceased (UN-HABITAT, 2002, p. 81, n. 308).
Since the Constitutional Court’s decision in *Law & Advocacy for Women in Uganda v Attorney General*, the need for this appears to be reduced or eliminated.

Section 40 of the Land Act should be revised to protect *de facto* spouses, meaning women whose marriages are not recognized under one of the Marriage Acts, and to take into account polygamous marriages. A co-ownership clause should be added, to give women an automatic interest in land they can then register and also to require registration of land in the name of both spouses. Parliament may wish to explore the concept of granting the widow a life interest in the matrimonial home, which would accord with customary law insofar as land would revert to her husband’s clan on her death, with her children taking precedence. Finally, the Land Act should be amended to require the names of all family members to be included in any documentation relating to any transaction involving customary land.

**Effective Remedies and Access to Justice**

The Uganda Law Reform Commission proposes making justice more accessible for all by establishing a District Administrator General in every district, although the time, cost and knowledge required to assert these rights make the system, in practice, inaccessible to most women. All official and unofficial court structures and remedies should be reviewed, to ensure that the justice system is accessible to all. For example, a legal aid fund should be set up to assist indigent court or LC court applicants. The judiciary should also be trained in relation to Uganda’s international and regional human rights obligations.

The current land-dispute settlement system can be strengthened by increasing the capacity of women who serve on land committees, allowing them to influence land decisions. This can be achieved by teaching women leadership and articulation skills and networking with women’s and children’s organizations. Women should also be supported and encouraged to volunteer for land boards and tribunals. In order to ensure the protection of children’s rights by land committees who may give consent in the name of a child or orphan with an interest in inheritance, these committees should be sensitized and educated about children’s rights. The land committee should also ensure that the child has a safety net in the form of a protective adult before sanctioning transfer of child’s property by father, guardian or male relative.

Another way of improving access to justice is to codify customary and statutory law in a handbook provided to the courts and to litigants and to establish a method for calling in expert witnesses, from related clans, in cases of customary law decisions.

**Education and Literacy Training**

Education is the key to protecting women’s rights to property; as in all other countries, we advocate educating men as well as women. First, a literacy program is necessary, because it will allow men and women to access, read and understand the legislation protecting their rights. Higher rates of literacy among women and men would also strengthen Section 40 of the Land Act, by allowing women to provide real written consent to transfers, thus reducing forgery, coercion and abuse. Second, the government and NGOs should promote a widespread legal literacy program to help the community in general access to and understanding of land and inheritance law legislation. Traditional leaders must be made part of the education process, through local workshops and the distribution of plain-language information on laws concerning property. Children’s rights to property are often decided by fathers, other male relatives and clan leaders, who accordingly must be sensitized to and educated regarding the equal rights of male and female children to land and inheritance.

As noted above, some NGOs are already involved in education campaigns to increase awareness of property and inheritance rights for women and children. These campaigns should be continued and extended, with the full support of the government. Literacy rates must also be improved across Uganda, for men and women. Law enforcement agencies, the judiciary, women, men, and the community should also be educated on the specific grounds for eviction and the rights of widows to continue to occupy family property without the interference of in-laws under the Registration of Titles Act. The community should also be educated about the caveat system, so that caveats can be lodged to protect interests.
Increased Registration of Land and Registration in the Family or Clan Name
Most land in Uganda is not registered under the Torrens system. The government should encourage more, ideally most, land to be titled and registered, pursuant to a systematic program of computerization, surveying and demarcation. A reporting mechanism for registration and transfers of land should be put in place, to raise community awareness of transactions involving family land. Registration of land in the name of a whole family or clan protects all members of those groups from disposal of property without their consent. Thus governmental entities and NGOs should promote the fact that Ugandan law permits the registration of land under family or community names (Land Act, Section 5(1)).

Encouraging Will writing
To protect the inheritance rights of women and children, will writing should be encouraged in the following ways: (1) local government and religious officials, clan leaders and elders should encourage the making and upholding of wills; (2) any will-writing program should be expanded to all adults, not just those who are part of a succession planning program (for example, HIV/AIDS victims), so that will writing does not become further associated with illness and death; (3) the entire community should be educated about legal issues, women and children’s rights, and wills; (4) the secure storage of wills with churches and mosques should be promoted; and (5) male participation in will writing should be increased (this is critical, because men are often the first parent to die and have far greater access to physical property than do women and therefore have more property to distribute) (Horizons, 2004, p. 28). For example, traveling scribes could assist people in writing wills. However, there must be allowance for a long process of adjusting to the idea of writing a will at the individual and community level. Many benefits will likely flow from a campaign to encourage will writing. Of those who did write wills as a result of one succession program in Uganda, the majority took other important steps, such as appointing an executor (82%), storing the will in a safe place (72%), discussing wills and property with children (68%), and discussing wills and property with the standby guardian (41%) (ibid.). Succession planning was associated with a significant increase in the proportion of parents who appointed a guardian.

Memory Books
Generally, Ugandan education programs have successfully increased awareness of inheritance rights among women and their communities and fostered some increases in will writing. However, there is community resistance to will writing as a result of illiteracy and strong taboos against will writing. One alternative to will writing is the use of “memory books,” as developed by the Memory Project, run by the National Community of Women Living With AIDS and Save the Children UK. The Memory Project has developed a training program that has reached over 20 districts in Uganda; since the project’s initiation several hundred books have been written (Witter, 2004).

Through the creation of memory books, parents or guardians document their memories of an individual child, the background of the parent or guardian, and details of the child’s parents and extended family. Memory books can also serve as a way of protecting property and act as a will substitute, because they clearly state the parents’ wishes for their property and the care of their children after their death. Memory books may also be contributing to a general cultural shift away from oral record keeping. One Local Council Chair points out, “The Memory Books help us to identify who will look after the children after death. They help us to protect properties when someone dies in the villages. They give clear plans for the LCs to follow. We don’t need to make difficult judgments” (ibid., p. 23).

About 75% of the memory books that were given out during the Memory Project were completed. Most of those who completed them also disclosed their HIV status, appointed guardians for their children, and drew up wills. Even though these books currently do not have any legal status or incorporate an explicit section on inheritance, the parents’ wishes within the books are usually followed by the community. For example, in Kasese, members reported that memory books were almost always respected. They are read
during the funeral, so that all of the community is aware of their content. As one project officer stated, “The will is read out during the funeral and is highly respected. Whereas, if there is no will, clan heads decide how to allocate properties, and they tend to allocate to adults, rather than children” (Witter, 2004, p. 19). The creation of one memory book costs approximately US$15.

Succession Planning Programs
Succession planning reaches AIDS-affected children and their families with services before parents die, in an effort to ensure a better future for the children (see generally Horizons, 2004, p. 27). It includes counseling and legal services aid and often has a will-writing component. Succession planning has been associated with a significant increase in the proportion of parents who appointed a guardian. Standby guardians appointed by parents are predominantly male, but it is a woman who ultimately assumes much of the responsibility for orphaned children. The importance of guardians is evidenced by the guardian’s ability to protect children from property grabbing and disinheritance. More research is needed to explore the long-term impact of succession planning and will writing on children once their parents have died.

There have been reports of written wills being overridden or causing family disputes, some of them violent. Some women reported that they used a spouse’s will to maintain control of their property, while others had wills but found them ineffective. Wills appear to be more effective when the survivors are adults or older children, but far less so when the survivors are young children. The local appropriateness of wills is debatable – whatever solutions are tried need to be socially legitimate (ibid.).

Birth Registration
Until recently, few children living in Uganda were registered at birth. This made them more susceptible to property grabbing later on in life, because there was no written proof of their existence and thus their succession rights. Birth registration is particularly important in protecting the rights of orphaned children. Without a birth certificate, a person does not legally exist or have legal access to privileges and protection of the state, including access to inheritance. The government is currently trying to increase birth and death registration, with some success.

Cultural Changes
Albeit with particular caution, the lawyers participating in this project also lean toward supporting change in traditional gender power relations, preferably with the cooperation of customary and religious institutions. Women are often stigmatized for defying their husbands, have little or no say regarding property transactions, and are afraid to stand up for their rights and “humiliate” their husbands in front of council or land tribunals and the clan. One way to equalize power relations and strengthen women’s bargaining position in the community and at home might be to promote more sustainable income-generating activities for women. To that end, NGOs and government entities should support skills building, training and employment programs for women. Economic autonomy might also help women contest evictions by husbands, in-laws or hostile relatives, because women could be more willing to go through costly land settlement if they had money to pay legal services and something to fall back on. Perhaps the mother’s bargaining position in the household could be strengthened, so that both parents would determine children’s access to family land.

Acknowledgment: This paper is based on research conducted (1) during 2006, under the supervision of Dr. Schroth and Christina M. Storm, by about forty lawyers—all of whom are therefore its co-authors—from the international law firms of Cleary Gottlieb Steen & Hamilton, Freshfields Bruckhaus Deringer, McDermott Will & Emery, Shearman & Sterling and White & Case, under the auspices of Africare and Lawyers Without Borders and (2) during 2006-2008 by Dr. Schroth. Much of the information and some of the text are taken from or based on unpublished reports from this project. This paper on Uganda draws especially on work by White & Case. Additional information and text and all errors are by Dr. Schroth and original to this paper.
REFERENCES


United Nations HABITAT (UN HABITAT, 2002). Rights and Reality: Are Women’s Equal Rights to Land, Housing and PropertyImplemented in East Africa? (April.)


Lean Supply Chain Implementation: Transforming Nigerian Military Supply Chain Value Stream into a Lean Sustainment Enterprise for the 21st Century

Chris I. Enyinda, North Dakota State University, USA
Charles Briggs, North Dakota State University, USA
Denver Tolliver, North Dakota State University, USA
Chris Mbah, Mount Olive College, USA

With the increasing mandate for Nigeria to participate and deploy significant number of Armed Forces for full fulcrum of conflict, conflict resolution, peacekeeping and humanitarian support operations more pressure has been placed on its weak military supply chain value stream (SCVS) support and capabilities. Transforming Nigeria’s military SCVS into a lean sustainment enterprise (LSE) that can enhance combat readiness and humanitarian mission supply chain logistics support operations for the 21st century requires the implementation of lean supply chain (LSC). LSC strategy focuses on creating and delivering value to customer just-in-time by eliminating waste resident in the SCVS. The adoption of LSC will enable seamless link with the Nigerian Armed Forces and relevant stakeholders (e.g., defense industry) in order to enable the delivery of world-class value by responding efficiently and effectively, nimbly, and predictably to customer needs. Arguably, it is only those military organizations poised to transform their SCVS into a lean sustainment enterprise will be successful in today’s global geo-political environment. Hence it is imperative that the Nigerian Ministry of Defense (NMOD) focus more attention on SCVS to meet war-fighters’ and peacetime customers’ value expectations. Thus, a successful implementation of LSC can lead to a lean sustainment enterprise (LSE) that is nimble, flexible, focused, and sense and respond-based through the elimination of waste including unreliable information, equipment defect and repair, waits and delays, inventory, unnecessary processing, unnecessary handling and transportation of materials, materials services that do not meet war-fighter’s and humanitarian needs

INTRODUCTION
Today’s global environment has become increasingly turbulent, characterized by global security, geo-political threats, need to sustain the combat readiness of deployed forces, maintain the operational and delivery of materiel readiness to the Armed Forces. These critical challenges directly affect the success of military SCVS. Indeed, the very nature of military operations makes SCVS a defining capability for warfighters and peacetime support operations. And to accomplish mission assured logistics (MAL), be it for military or humanitarian support operations the deployment of warfighters, equipment, among many others must be synchronized to arrive in the right quantities and quality at the right place at the right time. In both developed and developing nations military organizations more than ever are being required to respond to full spectrum of conflict, peace-keeping, humanitarian or disaster relief efforts, and nation-building endeavors. Military SCVS “…has never been so important than in these days of transformation and change in scope and nature of armed conflict, conflict resolution, peacekeeping… security, peace support operations and humanitarian intervention in the African battle space. The speed of conflict in Africa [indeed] places huge strains upon the supply chain. Visibility and tracking of assets is paramount to ensuring the right support in the right place at the right time. Dedicated logistic communications and comprehensive information systems are also a vital part of this enhanced logistic support capability” (International Quality and Productivity Center, 2007). Given the preceding, it means that military SCVS must constantly keep pace with ever-nimble operational execution. However, a number of military organizations like those in Africa are increasingly finding it difficult to meet these challenges with their
current SCVS support operations. Therefore, there is an urgent need to implement initiatives such as LSC to develop LSE. In response to this urgency, International Quality and Productivity Center (2007) conducted a workshop on defense logistics support and asset management Africa 2007 in Pretoria, South Africa to address such pressing issues and challenges as humanitarian logistics; civil military coordination; military asset visibility; logistics interoperability and operational efficiency; logistics capability; improving logistical equipment and facilities; transforming logistics to meet new and emerging military and geo-political challenges; partnerships and leveraging private sector’s capabilities; effective management of logistics asset inventory; integrated logistics support on modern day logistics and asset utilization; transforming capability to support military operations; operational readiness and coalition logistics; role of radio frequency identification (RFID) system; partnership and strategic outsourcing, and collaboration. Indeed, maintenance, repair, and overhaul (MRO) processes and practices of the cold war era must be streamlined to enhance the ability to equip and sustain warfighters with the requisite combat superior capabilities.

For Nigeria, several systemic constraints inhibit the transformation of the military SCVS into a LSE to meet combat and humanitarian readiness for the 21st century. For example, in Nigeria in the 1990s, economic and budgetary constraints dwarfed the modernization of the Armed Forces, handcuffed procurements of new logistics assets, impeded defense industrial growth, reduced war-fighters training, and magnified logistical and maintenance problems. Further, value chain and maintenance problems compounded because of the diversity of foreign military equipment that lacked standardization (mhtm1:file://F:\Nigeria Military Capabilities). A military SCVS that is LSE-based is fundamentally crucial to the Nigerian Armed Forces’ ability to sense and respond to the full spectrum of conflict and humanitarian supply chain logistics support operations at home and abroad. As a result, the military is under increasing pressure to transform. The number of wartime and peacetime challenges having been increasing over the past decade, despite a reduction in the size of the Armed Forces and other resources. However, as the new geo-political landscape continues to unfold the NMOD must transform its present military SCVS to build a lean sustainment military enterprise that is more lethal, responsive, and nimble. To do just that the Chief of Defense Staff (CODS), Andrew Azazi recently announced a blueprint that would transform and reposition the Nigerian Armed Forces in terms of equipment, human resources and technicalities, the national defense, joint logistic procurement management, peacetime keeping operations, civil-military relations, and real-time crisis management (Taiwo, 2008). One such approach to transform the Nigerian military SCVS into a LSE and to meet the Armed Forces Vision 2025 is the LSC. Indeed, failure to transform will have dire consequences on the ability of the Armed Forces to respond effectively to call to action. For example, the cost of operating major systems will catapult, there will be reduction in the availability of those systems, and the future combat readiness will erode and vital re-capitalization will be hampered. Hence the success of the proposed transformation of the Armed Forces will ensure the success of the Armed Forces Vision 2025 in terms of combat logistics power and humanitarian responsiveness, right-size logistics footprint (equipment and human resources) and achieving mission assured logistics (MAL) at a minimum cost. MAL entails the collaboration, coordination, integration, and alignment of the supply chain logistics processes, organization, data and systems, and performance metrics that can be measured against the mission objective (Glattly and Finley, 2006).

With SCVS gaining more prominence in today’s environment for both the commercial and military organizations, it must be improved as it can be a strategic competitive advantage and a force enabler. A streamlined supply chain logistics can enable the NMOD to achieve both focused logistics and SRSC. Focused logistics is “the fusion of information, logistics and transportation technologies to provide rapid crisis response, to track and shift assets even while en route, and to deliver tailored logistics packages and sustainment at the strategic, operational and tactical level of operations” (Department of Defense, 1999). For SRSC, “is a transformational network-centric... that enables joint-based operations and provides precise, agile support. It predicts, anticipates, and coordinates actions that provide competitive advantage
spanning the full range of military operations across the strategic, operational, and tactical levels of war” (http://www.afei.org/news/Operational_Sense.pdf). Like most military organizations around the world that have achieved and continue to achieve world-class military SCVS, the Nigerian Armed Forces must cultivate the same culture of well disciplined application of LSC to meet warfighters’ needs and humanitarian operation requirements. Arguably, the Nigerian military must take a hard look at its fragmented value chains across the Armed Forces and improve them to become more lean, agile, flexible, faster and responsive without compromising visibility, accuracy, and integrity. Because a leaned military SCVS can translate to combat and humanitarian supply chain logistics support readiness for the 21st century. This also means that the right logistics assets will be deployed and available in the right quantities in the right theater (place) at the right time to the right needs.

This paper discusses the imperatives of lean thinking principles and practices, military SCVS paradigm, and the nature of Nigeria’s military SCVS. Specifically, to achieve Nigerian Armed Forces Vision 2025, it proposes the application of LSC in Nigerian military SCVS to build an LSE. The Nigerian military must aggressively streamline its SCVS to achieve LSE given the ever increasing geo-political challenges. Further, Nigeria’s military LSE must be of type that posses the 3Rs of right stuff, right place, right time culture that are imperative in today’s world-class business enterprises, that is characterized by continuous improvement and enhanced superior performance through hunting for and eliminating non-adding activities. Finally, to be successful in this endeavor, transformation of military SCVS into an LSE must be based on an extended enterprise basis that must involve various stakeholders including the government, army civilians, and the disparate Armed Forces.

LEAN THINKING PRINCIPLES AND LEAN SUPPLY CHAIN

Lean thinking denotes a process used to hunt for and eliminate waste in the supply or value chain (Womack and Jones, 1996). It focuses on value adding processes as opposed to non-value adding processes. Lamming (1996) asserts that non-value adding practices must be defined anew in the quest for lean systems. As one of the pioneers of the Toyota Production system, Ohno (1988) suggested that all industrial thinking must start by differentiating value for the customer, from waste. Many organizations are implementing the lean philosophy not only on the production floor, but also within the enterprise system. Its principles, techniques and tools when properly implemented can contribute to prompt delivery of added value to the ultimate end user and sustained competitive advantage. A successful lean implementation requires a complete departure from traditional thinking. That departure from traditional thinking to lean principles (Womack and Jones 1996, Rother and Shook 1999) can eliminate non-value adding activities in the value chain when the following principles are applied 1) identify value from a customer perspective 2) identify the value stream for a product or service 3) remove non-added value waste from all activities 4) organize for product flow and customer pull, and 5) constantly search for perfection and process improvement. Those organizations that have not embraced lean strategy to meet customers’ requirements do so at their peril. However, planning and implementation of lean strategy throughout the enterprise requires long-term management support, a dynamic strategic business vision, adequate investment in financial and human resource supply chain. Essentially, the application of lean thinking in managing value chain mandates economic agents to collaborate in mapping out the value stream for each product from concepts to demand in order to optimize value for the customers and end-users/warfighters. Töwill (1997) describes lean philosophy as an important dimension of implementing supply chain value. Eliminating waits and delays associated with the time required for product design, development, production and distribution not only results in costs reduction, but also enhances productivity, flexibility, and risk reduction (Burgess, 1998).

The traditional lean manufacturing targets value delivery to the end-user through the mechanism of expunging waste from the organizations value stream with the intended end-user’s needs in mind. The LSC focuses on delivering value to the customer by banishing waste and optimizing the performance of the SCVS as a system. Srinivasan (2007) suggested that the seven processes for building LSC are to 1)
develop systems thinking, 2) understand value from customer’s point view, 3) map the value chain stream, 4) benchmark business best practices, 5) design to manage demand volatility, 6) create continuous flow, and 7) evaluate performance metrics. To dominate over rivals, NMOD must either perform these activities that add value at a reduced cost or perform them in a way that contributes to differentiation and more value (Porter, 1980). Porter (1985) described the value chain as value-adding activities of an organization consisting of the primary and support activities. Porter’s value chain model describes how these activities within the organization can add value to the products and services it produces in order to meet and exceed the end-users’ value expectations. For forward thinking organizations, creation of value for customers demands focusing attention to the various components of the value chain. In addition, for products and services to be beneficial, value added must exceed the cost of performing the value activities (Lamming, 1996, Porter, 1980). Value can only exist for the customers if and only if the processes used are unencumbered by non-value adding activities or muda (waste). Types of waste traditionally reported in manufacturing organizations according to Shingo (1995) and Imai (1997) are presented in Table 1. In order to meet customer value proposition, the identified waste must be hunted and eliminated from the value chain.

<table>
<thead>
<tr>
<th>Overproduction</th>
<th>Ordering or producing in large batches, materials held due to unbalanced production line or demand, poor predictability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unnecessary Stockpile</td>
<td>Raw materials, parts, intermediate or finished products held that do not add any value.</td>
</tr>
<tr>
<td>Overprocessing</td>
<td>Parts that must be disassembled before installation. The use of inadequate technology or poor design that can result in inefficient processing activities.</td>
</tr>
<tr>
<td>Transportation</td>
<td>Multiple movements and staging</td>
</tr>
<tr>
<td>Unnecessary Motion</td>
<td>Any motion that is not related to adding value for customers is not productive.</td>
</tr>
<tr>
<td>Waiting</td>
<td>Internal customers are idle because they are waiting for parts, imbalances in schedules, machine downtime, etc.</td>
</tr>
<tr>
<td>Defects</td>
<td>High scrap levels, unclear orders, returns</td>
</tr>
</tbody>
</table>

Indeed, implementing lean philosophy can help organizations build capacity for growth (Sprovieri, 2001). As a mandate for building sustainable capabilities, improving the value chain must become the goal of the military because it can drastically diminish cycle time, curtail inventories, reduce costs, improve quality, and improve delivery performance.

THE NEW MILITARY SCVS PARADIGM

Efficient and effective SCVS is the life blood of any Armed Forces given its crucial role as an enabler of deployment, sustainment, and mission assurance. Arguably, indeed, “today [supply chain] logistics is, in many ways, the weapon” (Glattly and Finley, 2006) in the 21st century for the sustained spectrum of conflict and humanitarian mission. Military logistics according to Martin Van Creveld “is the art of moving armies and keeping them supplied.” For General William Pagonis, military logistics is “the integration of transportation, supply, warehousing, maintenance, procurement, contracting and automation into a single function that ensures no sub-optimization in any of those areas, to allow the over accomplishment or a particular strategy, objective or mission.” In addition, for example, military SCVS in the developed nations are being transformed from the cold war mass-based SCVS (MBSCVS) to just-in-time supply chain management (JITSCM) and to SRSC (Table 1).

MBSCVS calls for maintenance of excess inventories of logistics assets. Whereas JITSCM is based on pull strategy. Finally, SRSC is based on real-time information on the supply and demand needs of the warfighters at the right place and at the right time (National Research Council of the National Academies). Charles Darwin once said “it is not the strongest of the species that survive, or the most intelligent, but the one most responsive to change.” Thus, successful military organizations are those that
are responsive, agile, and can adaptable to geo-political environmental changes rapidly and at the same
time remaining steadfast in the face of full spectrum conflict and humanitarian needs.

Table 1: Mass-Based, Just-in-Time, & Sense and Respond Supply Chain

<table>
<thead>
<tr>
<th>MBSCVS: Days of Supply</th>
<th>JITSCM: Flow Time</th>
<th>SRSC: Knowledge &amp; Speed</th>
</tr>
</thead>
<tbody>
<tr>
<td>More is better</td>
<td>On-time is better</td>
<td>Adaptive is better</td>
</tr>
<tr>
<td>Excess inventories goods measured in days</td>
<td>Inventory is reduced to a minimum and in motion</td>
<td>Inventory is dynamically and strategically positioned</td>
</tr>
<tr>
<td>Excess inventory to hedge against supply and demand uncertainty</td>
<td>Requires precise demand prediction to remove uncertainty</td>
<td>Uses transportation flexibility and robust IT to deal with uncertainty</td>
</tr>
<tr>
<td>Push driven</td>
<td>Pull driven</td>
<td>Adaptive planning</td>
</tr>
</tbody>
</table>


Further, a military SCVS-enabled SRSC can result in what Lee (2004) called the Triple-A supply chain (i.e., agile, adaptable, and alignment). Hence transforming the Nigerian military SCVS into a LSE will become a matter of adapt or perish. Indeed, adaptability invokes the ability of organizations to sense early (anticipate) and quickly respond to sudden changes in the environmental conditions (Haeckel, 1999, Heinrich and Betts, 2004, Lee, 2004). Lee (2004) emphasized that for organizations to handle abrupt changes in environmental conditions, they must build ‘the triple A– supply chain’ encompassing 1) agility – the ability to handle sudden changes or external disruption smoothly through such means as promotion of information flow among stakeholders, developing collaborative and dependable relationships with stakeholders, developing contingency plans and crisis management teams, 2) adaptability- the ability to adjust a supply chain’s design to meet structural shifts in markets and modify supply networks to strategies, products, and technologies through monitoring world economies to identify new supply bases, develop new suppliers and logistics infrastructure, evaluate needs of customers and ultimate end users, and 3) alignment – the ability to develop incentives to enhance performance through exchanging information and knowledge freely with stakeholders without delays and laying down roles, tasks, and responsibilities for suppliers and customers. Therefore, in today’s global geo-political environment organizations that rapidly “…embrace this new operating model will be the winners well into the twenty-first century. They … will ultimately become more nimble, focused, and competitive. More agile [organizations] that can deliver products and services faster will pass [organizations] that are slow to respond… And the inability to respond to rapidly changing [geo-political] conditions will undermine their [dominance and competitive] viability” (Heinrich and Betts, 2004). For the Nigerian military, Enyinda and Szmerekovsky (2007) suggest that it is the ability of an organization to sense and respond swiftly to a changing geo-political environment that will be required for dominance over rivals for the 21st.

The old military SCVS paradigm is no longer adequate to match the raised logistics standards required (Glattly and Finley, 2006) for the 21st century battlespace. Today’s turbulent environment mandates a fundamentally different military SCVS infrastructure that is not MBSCVS but one that is based on capabilities-based planning. Indeed, MBSCVS “has been replaced by precision. Now, perfect mission reliability is anchored in the supporting infrastructure and [supply chain] logistics. Industry realizes that outcome metrics like perfect order fulfillment are the true measure of customer satisfaction. The warfighter is no different [and] needs the combination of a steadfast weapon system, definitive enemy intelligence, and a 100% reliable means to deliver the weapon system capability” (Glattly and Finley, 2006). Therefore, for the Nigerian military to boost its combat and peacetime support readiness, in terms of speed, agility, flexibility, SRSC, and sustainment, it must undergo transformation.

THE NIGERIAN MILITARY SCVS
Nigeria’s military SCVS is mass-based approach at best. To dominate rivals’ sustainment capabilities in today’s battlespace, the Nigerian military must learn that efficient and effective SCVS is imperative. In
essence, winning in a full spectrum of conflict is depends on how well a nation’s military SCVS competes against its rivals’ SCVS. Like in the commercial sector, for the military to win in today’s battlefield, it must streamline its SCVS to achieve LSE that is better than the adversaries. In other words, for the military to gain and sustain superior performance over adversaries, it must overhaul its SCVS reduce costs, increase asset visibility, manage capability, improve maintenance, and promote collaboration among the Armed Forces. Also, transforming the SCVS will enable the military build the so-called ‘Triple-A’ supply chain (Lee, 2004). Indeed, building a Triple-A SCVS is critical for the Armed Forces’ superior performance. All triple components are critically imperative to gaining long-term superior performance. And a lack of any one of them weakens the value chain. An agile value chain is vitally important in today’s dynamic war theater; requiring it to respond quickly and cost-efficiently. Finally, to be successful the military must be able to align the interests of other value chain actors (or foreign allies) with its own. For example, if the Nigerian military goals are out of alignment with those of its allies in the global combat value chain, ‘mission critical’ or success in the battlefield will not be attained.

For the military to sustain a full spectrum of conflict and peacetime support operations, it must streamline its value chain response time, logistics footprint and logistics infrastructure to redesign its logistics system in order to match the warfighting concepts of the 21st century (Kaminski, 1996). Even though today’s military landscape has changed, the NMOD still maintains unreliable and outdated logistics assets. For example, the NMOD still maintains outdated equipment, Armed Forces with limited logistics and supply chain skills, outdated supply chain logistics information systems and organic capabilities that do not reflect any real need for the 21st century military. Therefore, there is a crucial need for a fundamental rethinking of its combat logistics strategy and re-engineering of logistics assets and processes, capabilities and inventories to fit the mandate of the 21st century military and combat readiness. Further, the present NMOD’s SCVS is inefficient and can no longer provide the kind of real-time responses that the contemporary war fighters need. Thus, the NMOD has much to learn from the dynamic changes in business best practices and support systems that characterize the best of modern businesses that have gone through massive and impressive transformation in recent years. Therefore, in order to meet the value expectations of combatant commanders and warfighters for the 21st century, NMOD must adopt the LSC best practices. To eliminate the inefficiencies associated with the military sustainment value chain, Agripino et al. (2001) proposed the application of a lean sustainment model which calls for the consolidation and integration of disparate processes.

Building a military lean enterprise that is effective and efficient means that the Nigerian Armed Forces must collaborate and integrate their disparate processes. Thus, an effective and efficient value chain is crucial for the NMOD because 1) supply support to the warfighters and/or combatant commanders affects military readiness and operations and 2) considering the high demand for goods and services to support the Nigerian military operations, the investment of resources in the transformation of its ailing supply chain logistics is a task that must be done. Table 4 shows the difference between the military and the commercial demand-responsive supply chain. Agripino et al. (2002) developed a new lean framework for military systems sustainment to eliminate non-value added processes throughout the military supply chain. Also, as a result of the pressure to optimize the military value chain and in turn satisfy warfighters' needs; it prompted a slew of improvement initiatives by the U.S. Department of Defense (DOD) and its private sector partners. For example, the improvement initiatives included, the U.S. Army's Modernization through spares program (Kros, 1999), and an agile combat support (Eady, 1997).
Table 2: Military’s Mission Dictates a Demand-Responsive Supply Chain

<table>
<thead>
<tr>
<th>Military</th>
<th>Commercial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsiveness, adaptability</td>
<td>Physical efficiency</td>
</tr>
<tr>
<td>Surge capability</td>
<td>Lowest possible costs</td>
</tr>
<tr>
<td>Deployability</td>
<td>Minimize inventory investments</td>
</tr>
<tr>
<td>Uncertain demands</td>
<td>Maximize capacity utilization</td>
</tr>
<tr>
<td>Highly specialized, sole-source parts</td>
<td>Actively manage demands to smooth flow</td>
</tr>
<tr>
<td>Reverse logistics, “closed loop” for reparables</td>
<td>Mitigate surges, spikes, unpredictability</td>
</tr>
</tbody>
</table>


LEAN SUPPLY CHAIN IMPLEMENTATION IN NIGERIA MILITARY SCVS

Implementing LSC can provide a tremendous opportunity to eliminate burdensome waste within the SCVS support pipeline. One of the preconditions that can drive implementation of LSE is total dissatisfaction of combatant commanders due to lack of supply chain logistics responsiveness to meet warfighters’ needs. The critical success criteria for implementing LSE in the value chain include 1) leadership or CODS’s support and commitment to change, 2) knowledge of the extent of change necessary, 3) agreement on the LSE vision and the critical process, 4) the commitment of resources and human resources empowerment, and 5) understanding of lean value principles. Lean value principles include understanding value from the customer’s view point, identifying the value stream for a product or service, eliminating non-value adding value waste, product flow, customer pull, pursuit of perfection and continuous improvement (Womack and Jones, 1996, Rother and Shook, 1999). While the achievement of lean sustainment enterprise will provide the military with significant benefits, the effort to reach there can be a monumental task and journey.

Understand Value from warfighter’s Perspective: For any military organization to achieve sustainable superior dominance over rivals, the value focus must occur in all parts of the Armed Forces SCVS. And determining value from the customer’s view point must start by differentiating value for the customer, from all waste. It must not be viewed as a verification of the acceptability of the “as-is” but as a means of identifying more ways of providing value to the customer (Whitman, et. al., 2001). Specifically, military organizations must learn to define value exactly from the view point of the customer, in terms of delivering a specific product or service of the right design, in the right quality and quantity, at the right price, at the right place and at the right time.

Identify and Examine the Value Chain Streams: A value chain stream entails both value-added and non-value added activities necessary to transform a product or service from the original concept through the development and/or manufacturing processes (Tapping and Shuker, 2003). The value stream is “… an end-to-end collection of activities that creates a result for a ‘customer,’ who may be the ultimate customer or an internal ‘end-user’ of the value stream. The value stream has a clear goal: to satisfy or, better, to delight the customer” (Martin, 1995). In addition, the goal of the value stream is to bring a specific product or service through three critical phases (Womak and Jones, 1996): 1) product and service definition (from concept-to-launch), 2) information management, and 3) physical conversion (from raw material-to-finished product). By identifying the value stream, organizations can excavate large amounts of waste in the form of steps, backtracking, and scrap, among others, as the throughput moves within and across the extended supply chain.

Continuous Value Flow or Just-in-Time Delivery: Creating value for customers requires continuous value flow by removing all waste. This means providing only what is required, just when it is required, and in the exact quantity required. The knowledge of customer value and value stream enables an
organization to design competitive processes that effortlessly and without interruptions deliver products or services of world-class quality, in less time and resources than competitors. The repetitive traditional manner of producing in batches, which wait in line or inventories before the next phase (comprising of start, move, work, stop, store, retrieve, and move) are contrary to the continuous value flow philosophy. This repetitive behavior encourages waste such as bloated inventory (Shingo, 1995) during the handoffs (Whitman et al., 2001) within and across the value chain. It is at these relay points that the greatest opportunities to streamline and optimize SCVS performance and create value for the end-user exist. Some of the benefits associated with continuous value flow are drastic reduction in lead time and work-in-process inventory, queue times reduction, ability to identify problems and fix them quickly, reduction in the number of people involved in value-creating activities, and enhanced responsiveness in meeting changes in customer requirements.

**Warfighter Pull:** Historically, the military is known for its push strategy as opposed to a pull strategy required in waste elimination endeavors. Pull strategy is a method of only producing and delivering product or service by the upstream supplier when the downstream customer initiates a need. The objective is not only delivering products and services efficiently but allowing the downstream customer to pull products and services needed just-in-time, no more and no less. Thus allowing the downstream customer to pull what is needed from the value stream will help to eliminate waste.

**Pursue Perfection and Continuous Process Improvement:** Lean-driven military organizations focus their attention on perfection. The pursuit of perfection is a continuous process with no end to reducing unnecessary effort, time, space, cost, and errors and equally providing products and services that conform to the ultimate customer’s view point. In accordance with Kaizen philosophy, the idea is to consistently and continuously search for and mitigate the root causes of poor quality that inhibit conformance to customers’ value requirements.

**THE LEAN SUSTAINMENT ENTERPRISE**
Nightingale (1999) defined lean enterprise as “an integrated entity that efficiently creates value for its multiple stakeholders by employing lean principles and practices.” Lean principles and practices focus on eliminating waste and non-value-added activities across value chain with the view to optimize quality, speed, costs, on-time delivery, and value creation for the warfighters. Porter (1985) in his book “Competitive Advantage: Creating and Sustaining Superior Performance” popularized the term value chain. Value chain represents value-adding activities of an organization that is composed of the primary and support activities. The primary activities encompass inbound logistics, production/operations, outbound supply chain logistics, sales and marketing, and service (maintenance). Whereas the support activities consist of administrative infrastructure management, human resources supply chain management, R&D, and procurement. The costs and value drivers are identified for each value activity. Thus, the value chain ultimate goal is to optimize value for customers while reducing costs and elimination of waste through LSC implementation. The delivery of value to customers requires the amalgamation of different supply chains urgently needed in the Nigerian Armed Forces.

For the military, streamlining combat SCVS can enhance its readiness and ability to be nimble, flexible, responsive, and robust organic depot MRO capabilities (Mathaisel et al, 2005). Inability to transform the military SCVS into a lean sustainment enterprise can lead to inefficiencies in terms of cannibalized equipment, poor distribution, poor inventory visibility, excess inventory over the operating requirements, lack of critical supply chain services, lack of integrated logistics and supply chain management information systems, and the inability to apply lessons learned.

In order to improve the military value chain, Thompson (1998) noted that the defense acquisition workforce can create value for its warfighter customers by adopting proven process value analysis, including 1) map the entire flow of activities needed to design, create, and deliver a product and/or
service, 2) for each activity and step within the activity, determine its associated cost and the cause of that cost, or cost driver, 3) determine how the step adds value for the ultimate end user or, if it is non-value adding, identify ways to eliminate it and its associated cost, 4) determine the cycle time of each activity and its efficiency (value-added time vs. total time), and 5) use proven and/or best practices to improve cycle efficiency and reduce attendant costs due to delays, excesses, and unevenness in activities. Warfighters’ success and/or competitive advantage hinges on the ability to synchronize the primary activities and the corresponding secondary activities. These activities must be amalgamated to create value that can lead to gaining sustainable competitive advantage. Porter’s value chain model as shown in figure 2 demonstrates pictorially how integrating value adding activities can yield a significant advantage for the Nigerian military.

The continued mandate by Nigerians for its military to transform its sustainable capabilities is necessary to meet the 2025 Vision. Transformation entails ambitious measures taken by an organization to increase the competitiveness of the enterprise and in turn enhance its value (Crum and Goldberg, 1998). McTaggart, et al. (1994) contended that value creation is the ability to manage the performance of an individual organization with respect to the rates of return earned over time. Rappaport (1986) asserts that a better way for an organization to create value is through value based management (VBM). Copeland, et al. (1990) agreed with Rappaport that an organization can transform an entire enterprise into a value maximizing venture by using VBM. Essentially, an organization can optimize its value by focusing on the drivers of value or those activities that can generate the greatest value for the ultimate end-users or warfighters. For Copeland, et al. (1990), both internal and external restructuring efforts are imperative for customer value creation. For example, building value for the ultimate end-user mandates an organization to undertake internal overhauling or improvements such as eliminating processes or activities that serve as inhibitors to gaining long term sustainability (Enyinda and Szmerekovsky, 2008).

IMPLICATIONS AND CONCLUSIONS
To gain dominance, Nigeria’s military must seek new and innovative ways to streamline and improve SCVS that in the long run will have a sustained impact on combat support operations, humanitarian mission, and new spectrum of demands. Indeed, this requirement poses a number of challenges, none greater or more crucial than the need to transform military SCVS to optimize combat and humanitarian mission sustainment. However, because most weapon systems and logistics knowledge are of cold war era, the military is facing increasing expenditure and pressure to upgrade combat readiness and to retool the Armed Forces with proven commercial best practices or modern supply chain logistics knowledge such as LSC, SRSC logistics model, adaptive logistics planning, swarm intelligence, focused logistics, and MAL. It is very crucial that the Federal government of Nigeria mandates NMOD to adopt these proven business best practices and strategies to undergo LSC implementation. For example, since last decade the U.S. government mandated its Department of Defense supply chain logistics-wide initiatives to adopt proven commercially best practices to undergo MRO transformation due to aging weapon systems and an aging army civilian workforce, and defense budgetary pressure. Therefore, the NMOD must integrate its Armed Forces’ MSCVS and aggressively pursue the implementation of LSC. Understanding the basic principles of lean philosophy can transform the Nigerian military SCVS into an LSE system by eliminating non-value adding activities. For NMOD to build expeditionary and integrated Armed Forces that can dominate over rivals in a rapidly changing global geo-political environment, it must be able to transform itself into a lean sustainment enterprise within a given resources with minimum waste. Transformation of the military SCVS into a lean sustainment enterprise as a response to sensed changes in the geo-political environment can be implemented through the application of LSC to attain a world class lean Armed Forces for the 21st century.

Further, to meet the Armed Forces Vision 2025 will require focused logistics-based LSC. Focused logistics represents the “ability to provide the joint force the right personnel, equipment, and supplies in the right place, at the right time, and in the right quantity, across the full range of military operations”
(Engels et al., 2004). However, sustainability will depend not only on the characteristics of the weapon system but also on an improved and efficient SCVS system. Indeed, there is an increasing urgency for the NMOD to transform to reduce lead times from order to delivering materiel to the warfighters. It means that the NMOD must integrate its fragmented Armed Forces SCVS.

LSC focuses on reducing lead times across the value chain by eliminating non-value-added waste. By implementing a disciplined LSC, the military organization can move from its reliance on inventories to reliance on commercial SCVS, management of relationships, and managing separate value chain processes to integrating supply chain processes (Baillie, 2002). By eliminating waste in the SCVS the military can maximize value for the warfighters. Elimination of waste and variation in the value chain can make military organizations more competitive, flexible, nimble, and responsive to the battlefield needs. Therefore, to achieve differentiation and sustainable competitive advantage, organizations must aggressively pursue and invest in LSC strategies. LSC benefits for the military organization include 1) speed and responsiveness to Warfighters, 2) improved Warfighters’ satisfaction, 3) reduced production lead time and inventory of parts, 4) improved Depot MRO and visibility, 5) improved spare/repair parts inventory and the Warfighter service, 6) reduction in excess inventory and inaccurate quantity of spare and/or repair parts received, 7) defective parts and products delivered, 8) reduced administrative lead time and costs, 9) efficiency in parts/product handling and smooth flow of goods, and 10) reduction in the sustainment value chain’s overhead costs.

REFERENCES


Total Cost of Ownership and Supplier Selection: A Case of Makerere University Business School Catering Unit

Eddy Kurobuza Tukamushaba, Makerere University Business School, Uganda

The study focused on Total cost of ownership a tool that looks beyond the price of a purchase. Across section survey design was used. MUBS catering unit was used as a case study and examination of use total cost of ownership concepts in purchasing was done using equipment that was bought in 2006. The total cost of ownership model based on dollar value was used. Total cost of ownership was found to be a powerful and reliable tool that would be used in supplier selection and pricing should not be a sole factor in supplier selection and evaluation.

INTRODUCTION
Purchasing determines an important part of the competitive position of most firms and accounts for 60% to 70% of total expenditures in manufacturing (Herberling, 1993). Although purchasing probably does not receive the attention it deserves in academic literature, it is a field where large cost reductions can be obtained, as is shown by the Japanese who have traditionally paid more attention to this field. The management accounting literature has recently picked up this inter-firm setting as an interesting area to study. Seal et al. (1997) present evidence on the role of accounting in developing a strategic supply partnership in an action research study. Ittner et al. (1999) looks at the effect supplier selection has on company performance and the intervening variables in this relationship.

Supplier selection decisions have a multiple objective character. These include amongst others; net price, quality, delivery, supplier performance history, capacity, communication systems, service, and geographical location. The problem is how to select suppliers that perform satisfactorily on the desired dimensions. Published supplier selection models formulate answers to this multiple objective problem. Some authors propose linear weighting models in which suppliers are rated on several criteria and in which these ratings are combined into a single score (e.g. Gregory, 1986; Nydick and Hill, 1992; Willis et al., 1993). These rating models are very subjective and often very sensitive to different rating scales, weights and/or ratings by different people.

Total cost of ownership (TCO) is a purchasing tool and philosophy which is aimed at understanding the true cost of buying a particular good or service from a particular supplier (Ellram, 1995, Gartner, 2003). Total Cost of Ownership takes into account all costs that the purchase and the subsequent use of a component entail in the entire value chain of the company (Shank and Govindarajan, 1992). The TCO approach goes beyond minimising purchase price and studies all costs that occur during the entire life cycle of the item in the organisation. These include amongst others costs related to service, quality, delivery, administration, inventory holding, communication, defects and disposal costs.

While there have been references to the TCO approach in the literature for some time (Harriman, 1928 and Ostrom, 1980, Ellram, 1996), many firms, particularly in Uganda, have been slow to adopt TCO.

Statement of the problem
In Makerere University Business School, 80% of the purchases made for the catering unit equipment are done basing on the price quoted, past relationship and ability to supply on credit by the suppliers ignoring the total cost of ownership of the equipment being procured. This in the end makes it expensive to operate the equipment over their entire life span. The servicing and power consumption costs ends up being higher than the original purchase price of the equipment up to 5 times.
Purpose of the study
It is expected that the procurement unit of Makerere University Business School will be able to use an in-depth analysis of suppliers not only basing on the lowest price quoted, past relationship and ability to supply on credit as a major determinants of a final supplier selected in order to improve on quality and cost of owning the equipments in the catering unit during the life time of the equipment.

Objectives of the study
1. To describe the approach to determine the Total Cost of Ownership and its analysis to optimize the purchase decision.
2. Describe the results of such a TCO analysis on acquisition of catering unit equipment (deep fliers, deep freezers, and cookers)
3. Explain how the results from TCO analysis can be used during supplier selection during negotiation process for final price.

LITERATURE REVIEW
Purchasing commands a significant position in most organizations since purchased parts, components, and supplies typically represent 40 to 60 percent of the sales (Ballow, 1999) of its end products. This means that relatively small cost reductions gained in the acquisition of materials can have a greater impact on profits than equal improvements in other cost-sales areas of the organization. Some authors have identified several criteria for supplier selection, such as the net price, quality, delivery, historical supplier performance, capacity, communication systems, service, and geographic location, among others (Dickson 1966; Dempsey 1978; Weber, Current, and Benton 1991). These criteria are a key issue in the supplier assessment process since it measures the performance of the suppliers.

Description of the approach used to determine the Total Cost of Ownership and its place in the purchasing process
Marlene J. Suárez Bello (2003) assert that the primary criteria used in the initial stages of supplier selection are cost/price, quality and delivery, which are generally the most obvious and most critical areas that affect the buyer. For many items, these three performance areas would be enough, however for critical items needing an in-depth analysis of the supplier’s capabilities, a more detailed supplier evaluation study is required and total cost of ownership is one the tools that would be used. The total cost of ownership method attempts to quantify all of the costs related to the purchase of a given quantity of products or services from a given supplier (Degraeve and Roodhooft, 1999). Optimum use of all discounts available can lead to substantial savings. In addition to the price component, other cost factors also play an important role, including the costs associated with quality shortcomings, a supplier’s unreliable delivery service, transport costs, ordering costs, reception costs, and inspection costs.

Building a Total Cost of Ownership model and how results of Total Cost of Ownership can be used in acquisition of Catering Unit equipment
According to Monczka (1988) total cost of ownership is made up of four broad items that Purchase Price, acquisition Costs, usage Costs and end-of-Life Costs. He further suggests a model that would be used in building a TCO as having six steps that is; Mapping the process and develop TCO categories and Constructing a process map all the way through the life cycle, determining cost elements for each category using the process map as a guide and identifying sub cost elements that make up each TCO category, determining how each element is measured (metrics to quantify cost elements), Gathering data & quantify costs, developing a cost time line by Constructing cost time line for the length of the life cycle and calculating totals for each time period, and lastly bringing costs to present value. He asserts that computing the present value allows decisions to be made based on present dollars and makes the estimates done a better measure for decision making.
Traditional approaches to supplier selection and ongoing evaluation include selecting and retaining a supplier based on price alone, or based primarily on price, or qualitatively evaluating the supplier’s performance using categorical or weighted point/matrix approaches (Fernandez, 1990 and NAPM, 1991). While the latter approaches are preferred to a “price only” focus, they tend to de-emphasize the costs associated with all aspects of a supplier’s performance, and generally disregard internal costs. Examination of such costs is strength of the TCO approach.

Total cost of ownership is a complex approach which requires that the buying firm determines which costs it considers most important or significant in the acquisition, possession, use and subsequent disposition of a good or service. In addition to the price paid for the item, TCO may include such elements as order placement, research and qualification of suppliers, transportation, receiving, inspection, rejection, replacement, downtime caused by failure, disposal costs and so on. TCO may be applied to any type of purchase. The cost factors considered may be unique by item or type of purchase (Ellram, 1993). A dollar-based system is one that relies on gathering or allocating actual cost data for each of the relevant TCO elements. Thus, if a dollar-based model indicated a TCO of, say, US$100 for a component, it would be possible to trace the costs of the items that make up that TCO on a cost element by cost element basis. While determining which cost elements to include and gathering the data to determine the TCO may be complicated, explaining the results of a dollar-based approach is relatively straightforward.

**Total Cost Of Ownership analysis as used during supplier selection in the negotiation for final price**

Total cost of ownership (TCO) represents an innovative philosophy aimed at developing an understanding of the "true cost" of doing business with a particular supplier for a particular good or service (Lisa Ellram and Sue, 1993). TCO looks beyond price to include other major cost issues which affect critical purchases. Total cost of ownership is an inherently proactive approach to purchasing. The benefits of using TCO include improved supplier performance measurement, improved purchasing decision making, improved internal and external communications, better insight and understanding into purchased goods/services and supplier performance, and support of the firm's continuous improvement efforts. These benefits are closely related to each other. For example, improving supplier performance measurement leads to improved decision making, can improve communication with suppliers by using actual performance data, and increases insight into supplier performance issues, which in turn highlights potential areas for continuous improvement efforts. Thus, the benefits have a synergistic effect.

**METHODOLOGY**

The study will took a cross-sectional study research design. The study analysed the elements of TCO and for the case of this study, the TCO was based on the purchase price, the Servicing costs and the time lost when the equipment is being serviced or break down and cost of power to run the equipment. These variables were chosen because they were readily available from the procurement and disposal unit and the bursar’s department. To arrive at possible total cost of ownership a period of five years was used. The study took into consideration the activities carried out by the procurement and disposal unit during supplier selection basing on the purchasing policy as the first step to guide the research process. Assumptions were made for variables whose costs could not be readily established from existing data.

For purposes of this study, Dolar based model was used because direct costs were easy to get from the procurement unit and it is an excellent model for repetitive decisions where costs for key factors can be determined. Net present value was used to establish the actual total cost of ownership. The results from the Total cost of ownership of the catering unit were used to show how it can be used in supplier selection process particularly at the negotiation stage.
FINDINGS
It was found that despite of the law being in place, some procedures were not being followed. For example forms and standard bidding documentation which are meant to serve in assisting the procuring and disposing entities and providers of services, supplies and works in carrying out procurement and disposal processes. The PPDA’s objectives as set out in Section 6 of the Act, namely, ensuring the application of fair, competitive, transparent, non-discriminatory and value for money, public procurement and disposal standards and practices; harmonizing the procurement and disposal policies, systems and practices of the Central Government, Local Governments and statutory bodies; setting standards for the public procurement and disposal systems in Uganda; monitoring compliance of procuring and disposing entities; and building procurement and disposal capacity in Uganda were even at the government level being ignored and hence reflecting on individual organisations.

The following equipment was purchased for the catering Unit in 2006 by directly writing to particular suppliers requesting for quotation basing only on user specifications.

<table>
<thead>
<tr>
<th>Item</th>
<th>Supplier</th>
<th>Price (UGX)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microwave</td>
<td>MTA Electronics</td>
<td>691,526</td>
</tr>
<tr>
<td>Industrial cooker</td>
<td>N&amp;S Home Centre</td>
<td>2,900,000</td>
</tr>
<tr>
<td>Deep fryer</td>
<td>Kampala Domestic Care</td>
<td>1,880,920</td>
</tr>
<tr>
<td>Industrial freezer</td>
<td>MTA Electronics</td>
<td>1,770,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>7,242,446</strong></td>
</tr>
</tbody>
</table>

Source: Minutes for evaluation committee April 24th 2006

The method used to evaluate best suppliers was only based on a supplier who only confirmed what was specified and the price. The cost of servicing each the equipment after every six month is shown in Table 2 below

<table>
<thead>
<tr>
<th>Item</th>
<th>Duration (6 months)</th>
<th>Amount spent as at 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microwave</td>
<td>500,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Industrial cooker</td>
<td>1,500,000</td>
<td>3,000,000</td>
</tr>
<tr>
<td>Deep fryer</td>
<td>500,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Industrial freezer</td>
<td>500,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>6,000,000</strong></td>
</tr>
</tbody>
</table>

Source: Catering Unit budget report 2007

From the tables above, the total cost of ownership for the selected equipment is shown in the table 3 below.
Table 3

<table>
<thead>
<tr>
<th>Item</th>
<th>Purchase cost</th>
<th>Servicing cost</th>
<th>Total cost of ownership (1 year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microwave</td>
<td>691,526</td>
<td>1,000,000</td>
<td>1,691,526</td>
</tr>
<tr>
<td>Industrial cooker</td>
<td>2,900,000</td>
<td>3,000,000</td>
<td>5,900,000</td>
</tr>
<tr>
<td>Industrial Chip Cutter/Deep fryer</td>
<td>1,880,920</td>
<td>1,000,000</td>
<td>2,880,920</td>
</tr>
<tr>
<td>Industrial freezer</td>
<td>1,770,000</td>
<td>1,000,000</td>
<td>2,770,000</td>
</tr>
</tbody>
</table>

The total cost of ownership figures in a period of one year is far much greater than the original purchase price. For the microwave the percentage increase in cost in a period of 1 year is 59.1%, Industrial cooker is 51%, Industrial Chip cutter and Deep fryer is 34.7% and Industrial freezer is 36.1%.

If the above percentage increase are extrapolated for the next five years basing on servicing the equipment alone would result into the following costs leaving other factors constant

Table 4: The NPV values for owning and operating the equipment for five years

<table>
<thead>
<tr>
<th>Year</th>
<th>Micro wave</th>
<th>Industrial cooker</th>
<th>Deep fryer</th>
<th>Industrial freezer</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>(691526)</td>
<td>(2,900,000)</td>
<td>(1,880,920)</td>
<td>(1,770,000)</td>
</tr>
<tr>
<td>1</td>
<td>1,691,526</td>
<td>5,900,000</td>
<td>2880920</td>
<td>2,770,000</td>
</tr>
<tr>
<td>2</td>
<td>2,691,526</td>
<td>8,900,000</td>
<td>3,880,920</td>
<td>3,770,000</td>
</tr>
<tr>
<td>3</td>
<td>3,691,526</td>
<td>9,900,000</td>
<td>4,880,920</td>
<td>4,770,000</td>
</tr>
<tr>
<td>4</td>
<td>4,691,526</td>
<td>10,900,000</td>
<td>5,880,920</td>
<td>5,770,000</td>
</tr>
<tr>
<td>5</td>
<td>5,691,526</td>
<td>11,900,000</td>
<td>6,880,920</td>
<td>6,770,000</td>
</tr>
<tr>
<td>NPV</td>
<td>11,438,627.20</td>
<td>29,173,486.55</td>
<td>14,456,213.60</td>
<td>14,174,800.81</td>
</tr>
</tbody>
</table>

Assuming that the discount rate of interest will be 10% per year the net present value for the equipment is all positive meaning that in an educational institution like Makerere University Business School where the equipment bought is only for teaching of students and not generating income, the total cost of ownership is too high to maintain. The school spends more money in maintaining the equipment than the original cost of the equipment. The total cost of ownership can only be reduced by purchasing cost effective equipments that would take less in servicing and negotiating with the suppliers to get a lower cost price to cover the additional costs of servicing the equipment. It should also be noted that the total cost of ownership also includes the disposal costs which makes it expensive to own such equipment where returns from using them is very low.

This should be a good guideline to the purchasers to take keen interest at the negotiation stage to make sure that such equipment is bought at a very low price and possibly negotiating for after sales services to reduce on the total cost of ownership. In the negotiation process, indirect costs that would include lost
business opportunities, business disruptions, business incompatibilities, and user downtime should also be taken care of.

CONCLUSION
Comparing equipment TCO calculations is not just for the purchasing department but also for the final users. It prompts awareness of cost elements and influences that are not usually considered and it makes a strong case for a careful analysis of consumables costs, as they are typically the bulk of the bill for ownership of the equipment. TCO provides an understanding of future costs that may not be apparent when an item is initially purchased. However, most organizations focus only on cost and those that rely entirely on TCO end up following a strategy that minimizes expenditures rather than maximizes the return for the organisation. The strength of TCO is in providing an understanding of future costs that may not be apparent when an item is initially purchased. The yearly TCO figure is an excellent indicator of the ongoing costs and is best used as a projection for budgeting purposes. An item with low acquisition costs and high maintenance is likely to be less attractive than one with higher acquisition and lower ongoing costs but may have a similar TCO over the period analyzed.

RECOMMENDATIONS
There is no standard approach for successful TCO use and implementation. Practices vary widely regarding the buy classes modeled, and whether the models used are standardized or unique. Thus, the purchasing function is required to have a good understanding of the nature of the items which they model with TCO. This understanding provides an important starting point for designing the TCO modeling system. Yet purchasing alone does not have the expertise to determine all of the cost factors to be considered. Therefore users of the purchased items and services, and others who have contact with purchase transactions, should be able to provide insight into very costly and time consuming bottlenecks that purchasing is not aware of. Thus, purchasing must not operate in isolation if it is to successfully implement TCO.

In most cases calculating total cost of ownership is a straightforward effort that can be applied to both technology and non-technology decisions. We recommend that calculating TCO should be done over at least a three-year period to get a full understanding of the ongoing costs associated with an application. Costs include initial acquisition costs of the equipment along with support and installation costs in the initial period. Costs in later years included maintenance and upgrades along with user training and ongoing support. When buying capital equipment, buying decision need to be based upon total-cost-of-ownership (TCO) rather than price only. The purchasing department needs to base their decision on TCO models where the initial purchase of the equipment is balanced against the life-of-type costs of the equipment.

Based on the results of this study, TCO represents an excellent means to improve supplier selection and evaluation. TCO analysis provides valuable data for improving supplier performance, focusing on and negotiating the cost and performance issues that are of most value to the firm, and monitoring supplier performance over time. As such, TCO represents a valuable tool and philosophy for firms to adopt in understanding supplier-related transaction costs. If competitors in an industry are using such an approach, the organizations not using TCO are at a disadvantage in terms of their supplier and purchased item/service knowledge.

REFERENCES


Monczka, Trent and Handfield, (2002) Purchasing and Supply Chain Management. 2nd Ed.

NAPM (1991), Supplier Performance Evaluation: Three Quantitative Approaches.


The need for Logistics Infrastructure Improvement in Nigerian Seaport: The case of Apapa Container Port

Francis I. Ojadi, Pan African University, Nigeria

The purpose of this study is to explore the impediments to speedy flow of containerized imports and exports through the Nigerian Seaport Apapa, with a view to proffering solutions. The study adopted the value chain analytical tools in addition to interviews of key stakeholders. The results of the analyses show that containerized imports and exports “dwell” time at the port is well over 16 days. Customs clearing activity was identified as one of the major bottlenecks. Streamlining the clearing activities and the strengthening of the rail and storage yard capabilities will impact on Liner trade at the Nigerian Seaport.

INTRODUCTION
The dependence of national development on international trade continues to dominate intellectual discuss in recent times. The last decade has seen considerable growth of the world economy driven largely by international trade. The growth in trade is indeed the result of technological development, inter-regional and bilateral trade agreements and also concerted effort to reduce trade barriers. Some developing countries have opened up their economies to take full advantage of the immense opportunities for economic development through trade, while others have not. Of the major trade barriers prevalent in the developing countries, the impact of poor physical infrastructure has continued to receive considerable attention. In the past, the Government of Nigeria has attempted different strategies aimed at ensuring rapid flow of goods across the borders. This is evidenced by the various task forces and committees in the past ten years set up to help facilitate the flow of goods through Nigerian ports. Preliminary investigation points toward poor physical infrastructure as a major impediment to international trade. However, the nature and manner of the impact of poor infrastructure to trade is still worrisome, and needs to be thoroughly investigated and clearly understood to enable optimum solutions to be proffered. To be able to gain an insight into the challenges and difficulties associated with international trade this study unpacked the supply chain activities at the Nigerian premier container seaport Apapa, using the value chain analytical tool. The study briefly examined the activities at each stage of the import/export processes with a view to identifying solutions to the impediments of free flow of goods across the borders.

OVERVIEW OF THE LITERATURE REVIEW ON TRADES
World Trade and GDP Growth
Globally, a company in one country generates income when it sells its products at a profit to another company in a different country. Part of the income could be re-invested in the company for more production and subsequent sales, or deployed to acquire other products or services else where. Consequently, economic growth occurs when trade is created while growth itself creates trade. International trade which is essentially trading across borders involves imports and exports. In other words, trade is international when it is across borders and encounters two or more different national trade policies, tariffs, rules and regulations. International trade is both one of the main generators of economic growth, and one of the main consequences of development. While the World GDP has shown a remarkable increase during the past 50 years, world trade resulting from international trade has grown at a much faster pace. United Nations (2005), reports that the relationship between World trade and GDP growth was for a long time near a ratio of 1.5, indicating that every time the World GDP grew by one percent, trade increased by 1.5 times. Such volume of trade across borders and between nations indicates the importance of international trade, the role of liner trade and the seaport support activities through which the bulk of the volume flows.
While the trade to GDP ratio has increased in all major economies in the past 20 years, recent studies indicate that the scale of increase has varied across regional blocks. Dean (2004), states that trade to GDP ratio has risen by 50 percent points in non-Japan Asia, around 15 percentage points in Euro area, Latin-America countries and the United Kingdom, but by less than 10 percentage points in Eastern European countries, US and Japan. Although, Dean did not specifically state the percentage point growth in Africa, it would appear that Africa could be said to belong to the region with less than 10 percent trade to GDP growth ratio. Thus, progress has been less rapid for many developing countries, particularly in Africa. The slow trade growth in the African region could be attributable to the cost of trade which is largely driven by infrastructural inadequacies.

Trade and Logistics

Typically, a trading opportunity emerges from having the right product, at the right place, at the right time and at a competitive price. To establish a trading opportunity, at least four major trade functions must be effectively performed. These are the provision of, or access to the goods; the storage of the goods; the transportation of the goods, and of course the marketing. Production either at the farms or the factory makes the goods while trading through transportation locates the goods at the convenient site or storage for customers. Transportation therefore, is a major component of the fulfillment cycle and plays a key role in every production and trading setup because goods are rarely produced and consumed in the same location.

Traditionally, price competitiveness depends essentially on two components:

a) The cost of producing the goods including the cost of supplying the input materials and the overhead cost of the conversion process. These cost components contain transport logistics costs associated with the supply of the input materials as well as the internal conversion process.

b) The costs of distributing the goods to the location where customers can easily exchange them for a fee.

In this regard, UNCTAD (1996) points out that the transport logistics costs include:

- price paid for the transport services for moving, or for the interface or transferring facility and storage.
- indirect cost that is associated with the quality of service provided, which may involve door-to-door transit time, time reliability, risks of loss or damage and their financial impact in the form of interest on inventory, costs at interface points, in warehouses, and in transit. The cost also include insurance premium, consequential costs for not having the goods as originally expected; and
- other indirect costs linked with the administration of the physical movement of goods, order processing, cargo tracking, as well as trade documentations, particularly in international trade.

It follows therefore, that efficient transport is a key component of traders’ logistics which is defined by the Council of Logistics Management (2004) as that part of supply chain management that plans, implements, and controls the efficient, effective forward and reverse flow and storage of goods, and services and related information between the point of origin and the point of consumption in order to meet customers’ requirements. In an attempt to offer competitive products across-borders, national and multinational organizations have continued to adopt various options to efficiently manage the logistics chains for cost competitiveness. Furthermore, globalization has significantly impacted the logistics concept as place and time utility have shifted far beyond the traditional boundaries. Coyle, et al, (2003), in examining this concept, agree that traditional boundaries have given way to global view of logistics cost management. Many manufacturing organizations now pursue strategies that aim to maximize profit at a reasonable level of logistics expenditure, taking due consideration of other factors including the trade-off costs between inventory and transportation. This kind of option is more advantageous in an environment of effective information systems, reliable and speedy transportation, and short transit times at transfer and interfacing facilities. In the particular case of the Sub-Sahara Africa, where there are inadequate provisions and limited availability of logistics support services, producers of goods build up
inventories as buffers rather than develop transport logistics strategies that minimize costs and speed up flow of goods.

**Trade Barriers**

Essentially, there are two major kinds of trade transactions, the domestic and international trade. The trade transactions between producers, sellers and buyers that take place within countries are known as domestic trade. Domestic trade involves the use of the local currency. The other kind of trade transaction takes place between countries, and it is known as the international trade. UNCTAD (1996) points out that international trade has very distinct and significant features which distinguish it from domestic trade. These include:

- The transaction involves at least two countries.
- The transaction occurs across international borders and therefore, it is subject to different laws, customs, cultures, languages and even religion;
- It also involves the use of acceptable standards of quality, value, and media of exchange for the trading parties.
- The laws and regulations could vary over time and often without adequate notices depending on the industrial economic policies the trading countries are pursuing at that point in time.

The full understanding and implication of international trade is that it is exposed to natural and non-natural barriers. The natural barrier is essentially all the non-policy related reasons that contribute to different prices of the same goods sold at different locations. Such non-policy reasons could be further classified into two broad categories namely transport-related costs and regulatory reasons. The transport related costs include all direct and indirect costs linked with the procurement, the manufacturing, and the distribution of the goods from the factory gate to the border posts, storage, documentation procedures including transfers to the mode of shipment, and the subsequent shipment to the destination border post of the buyer.

The non-natural or man-made barriers include all policies that create or add to price differences. Strengthening this position, Tamirisa (1999), holds that non-natural barriers includes exchange and capital controls. They range from import restrictions, incentives on export, to foreign exchange policies that impact adversely on the cost imposed by the natural barriers indicated earlier.

**Trade facilitation**

In a competitive environment, international trade will flow toward efficient, supportive, and facilitating locations. Conversely, it will rapidly fade away from locations perceived as bureaucratic and synonymous with high costs. As the pace of global integration continues to increase, developing countries competitiveness will depend on their capability to efficiently link up with the global and regional markets. An inefficient trade logistics chain could create obstacles and incur huge transaction costs that may impede the flow of goods across borders. While some of the emerging economies have strengthened the pace of development of their trade logistics chain, most developing countries have not. Derlin and Yee (2005) argue that the impact of poor trade logistics chain on the export of one ton of fresh tuna fish to European Union from Yemeni is grossly adverse, gulping fifty-four percent of the total product landed price. In Sub-Saharan Africa the poor trade logistics and other man-made barriers to international trade inhibit the free flow of goods and services across the nations. The World Bank (2006), in its “Doing Business 2007” indicates that countries in Sub-Saharan Africa occupy the bottom of the ranking of 175 countries, where trade facilitation is rather difficult.

**METHODOLOGY**

According to Porter (1985), the value chain tool disaggregates a firm into its strategically relevant activities in order to understand the behaviour of costs and the existing and potential sources of
differentiation. Furthermore, Porter stresses that a firm is a collection of activities that are performed to
design, produce, market, deliver and support its products. In this regard, a firm’s value chain and the way it per- forms individual activities are a reflection of its history, its strategy, its approach to implementing its strategy, and the underlying economies of the activities themselves. Identifying the value activities requires the isolation of activities that are technologically and strategically distinct. The value chain tool was applied to the Apapa container port analyses. Interviews with the key industry operatives in the government and private sector were conducted. Observations at sites and the process flow charting resulted in the unpacking of all the relevant import and export activities. In order of sequence, the Apapa port value activities are depicted in figure 1 and include the berthing, operational, storage yard, Custom clearing and gate-out activities.

Figure 1: Value Chain Activities at Apapa Port

CASE STUDY ANALYSES AND RESULTS
The Nigerian Seaport Value Chain Activities
Typically, a transportation system consists of nodes (towns, port, and terminals); links such as rail roads, highways, marine routes, and flows (vehicular movement on the routes with goods and passengers). The port is a critical node because it lies at the interface between the sea link and the land link. The port lies at a point where huge flows of goods are transferred from ships and broken down into smaller flows for distribution by rail and/or road vehicles. The port is therefore an important subsystem within the total transport system. Bathurst (1996), stresses that in economic terms, the objective of the total transport system is to minimize the real cost of moving goods. Also, he points out that it is important to identify where bottlenecks and highest costs are incurred in the total transport system, so as to address them adequately. The seaport could be described as a highly complex subsystem of many interacting activities handled and performed by different stakeholders. The performance of the activities could have direct impact on the speed and cost of trade across borders. While the port activities interact with each other with significant sub-optimizations at different and varying levels, the role of ports should be examined in
the real transport logistics concept, which is the speedy flow of goods and passengers through the ports without undermining security and safety.

The Nigerian Ports Authority, NPA (2000, 2004), states that the history of seaport development in Nigeria dates back to the middle of the 19th century, long after the on-set of sea-borne trade, which followed the adventures of the early exploration of the African coast line. The seaport at Port-Harcourt and Lagos were among the first to be developed and have undergone significant transformation over the years. The Nigerian import and export trade is largely dominated by Liner trade. The Apapa container port continues to be the busiest in the West African sub-region and handles over seventy percent of the total Liner trade in the Country. Of the 193,000 FFE imports in 2006, 144,750 FFE or seventy five percent were handled at the Apapa container port. This was followed by the Onne port in South Eastern Nigeria which handled 23,160 FFE representing twelve percent of the total imports. Table 1 depicts the container throughput at Apapa port. The Container port at Apapa has a compliment of six own terminals within the port; five sub-terminals run in joint venture with shipping companies, and eight private bonded container depots located within twenty to fifty kilometer radius. The private terminals put together have a total storage capacity of about 31,150 TEUs. Arising from the heavy congestion at the Apapa in 2001, the Federal Government of Nigeria, through the Nigerian Ports Authority invited members of the organized private sector to develop and operate inland container terminals. Nine of such terminals were approved in year 2002 and have been in operation to date.

The allocation of containers to the private terminals is triggered by the arrival of a container ship. At the berthing meeting involving the NPA, the Customs, the port terminal and private inland terminal Operators, containers are allocated to the private operators. The private operators arrange for transportation while the Nigerian Customs Services provide the security services needed to escort the trucks laden with containers to the in-land ports. The cost of the transportation and security is borne by the private operator. A typical private inland port receives and stores containers for Customs clearing activities. The private inland ports are equipped with the ICT based ASYCUDA++ system. However, export containers are not routed through the inland ports. However, they are transferred directly to the container storage yards in the port.

<table>
<thead>
<tr>
<th>Year</th>
<th>Laden</th>
<th>Empty</th>
<th>Stuffed</th>
<th>Empty</th>
<th>Throughput</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>56,841</td>
<td>1,283</td>
<td>14,104</td>
<td>36,625</td>
<td>108,853</td>
</tr>
<tr>
<td>1996</td>
<td>59,850</td>
<td>2,971</td>
<td>23,486</td>
<td>28,463</td>
<td>114,770</td>
</tr>
<tr>
<td>1997</td>
<td>79,497</td>
<td>591</td>
<td>24,865</td>
<td>47,176</td>
<td>152,129</td>
</tr>
<tr>
<td>1998</td>
<td>93,917</td>
<td>1,038</td>
<td>24,260</td>
<td>64,477</td>
<td>183,692</td>
</tr>
<tr>
<td>1999</td>
<td>108,197</td>
<td>1,252</td>
<td>27,758</td>
<td>75,603</td>
<td>212,810</td>
</tr>
<tr>
<td>2000</td>
<td>119,135</td>
<td>2,134</td>
<td>23,345</td>
<td>65,582</td>
<td>210,810</td>
</tr>
<tr>
<td>2001</td>
<td>171,608</td>
<td>1,473</td>
<td>20,386</td>
<td>102,079</td>
<td>295,546</td>
</tr>
<tr>
<td>2002</td>
<td>171,119</td>
<td>1,113</td>
<td>26,269</td>
<td>141,433</td>
<td>330,034</td>
</tr>
<tr>
<td>2003</td>
<td>183,969</td>
<td>261</td>
<td>26,346</td>
<td>125,732</td>
<td>336,308</td>
</tr>
</tbody>
</table>

Source: Nigerian Ports Authority container terminal port: 1984-2004

**Berthing Activities**

Berth productivity is better understood by examining the duration of ships at berth in relation to both the productive and unproductive periods. For instance, berth occupied but not workable period is totally different from berth occupied but not working period, such as a Sunday. Reduction of berth occupied but not workable period could be influenced by several factors including availability and the speed of ship unloading/loading gantry cranes, quality of, and timeliness of marine services, timely gate-ins of export boxes (both full and empties), and other extraneous factors. At full capacity, an extended berthing duration will impact on the berthing productivity and prolong the stay of other ships coming in to berth.
Operational Activities
The Apapa port has two sub processes through which containers are transported away from the quays. They include the direct loading to vehicles for transfer to the inland container ports, and the transfer to the open storage yard pending Customs clearing process. There are no transfers to rails and barges.

Storage Yard Activities
As at the end of 2005, block stacking of containers was prevalent in the storage yard. Over 80 percent of the yard was covered with grease stains from haulage trucks and container plants and no sign of any grid numbering systems for container stacking was in place. Container tracking and identification was manually conducted.

Customs Clearing & Gate-out Activities
Customs activity in any country in the world is a mandatory element in the movement of goods across borders and the procedures applied to these goods significantly influence the role of national industry in international trade and their contribution to national economy. Siles & Ciss (2006) posit that effective and efficient clearance of goods increases the participation of national industry in the global marketplace and significantly contributes to the economic competitiveness of nations. The goods clearing process is one of the key value activities performed at the port by the Customs and Excise department of any country. The Nigerian Customs Service is responsible for the collection of revenues from imports and exports and the processing of the associated documentations. According to Ofobrukweta (2001) the NCS also act as the “gate-keepers” for the Nigerian Government in the sense that they check and control the import or export of restricted and prohibited goods. It assists the Central bank of Nigeria, CBN, in the enforcement of exchange control regulations and the prevention of smuggling. NCS ensures that goods imported or exported are in accordance with the prescribed regulations and of the standard required by the Federal government of Nigeria.

One of such import regulation schemes is the Pre-shipment Inspection PSI, of imported and exported goods. The PSI simply implies the inspection of goods by the Federal government appointed agents at the country of origin before shipment. The Destination Inspection scheme DI, is also, an import regulation process. It entails the inspection of imports at the destination of the goods upon arrival. The Nigerian Customs Service has oscillated between the PSI and the DI and is presently operating the DI scheme. The Customs import clearing process begins at the Customs Processing Center, CPC. In response to the advancement and changes in information technology, facilities for processing import and export declarations have been computerized under a system known as the Automated System for Customs Data (ASYCUDA++). According to ERA (2004), the system is specially designed to cover all aspects of Customs data management requirement from the time the manifest is submitted to the Customs until the goods are Custom cleared. The ASYCUDA++ was introduced to accelerate the clearance of goods, and produce timely and reliable data for external trade statistics and management reports. Although the ASYCUDA++ has been in operation in Nigeria since 2001, congestion at the port has continued to resist all forms of measures aimed at eradicating it.

Documents In Support Of Customs Declarations.
The standard documents that support every single goods declaration, SGD, include the commercial invoice; attested invoice; packing list; certificate of origin; Form M; clean report of inspection; insurance certificate; bill of lading; payment schedule; certificate of entry. Other documents required for some specific imports also include the certificate of analysis for food and drug imports; certificate of manufacture and free sale; import permit for chemicals; phytosanitary certificate; and the plant import permit. Thus, in all, a minimum of ten documents were required.
The DI Scheme
According to the Honorable Minister of Finance/Chairman of the Nigeria Customs Service Board, the DI scheme was introduced in 2006 to support trade facilitation and position the NCS to play its vital role in revenue collection and trade facilitation. The DI scheme is driven by the development of risk assessment system upon which decisions as to whether to scan, conduct a full, partial, or no physical examination of the imported goods are arrived at by the risk assessment agents. For easy understanding of the procedural steps, the major stages of the DI process include; Face Verification; Data Input; Verification; Selected Lanes - Green Lane: (Immediate release); Yellow Lane: (Scan before release, may result in transfer to physical examination); Red Lane: (100% physical examination); Blue Lane: (immediate release & post audit) -; Final Release; Gate-Out.

Export Process
The export guidelines of the Nigerian Federal Ministry of Finance (2007), outlines the sequence of activities culminating in the export of goods from Nigeria. All goods exported from Nigeria are subject to inspection by the inspection agencies appointed for that purpose by the Federal Government. The exporter or his agent would complete the single goods declaration SGD, and submit to the Customs Processing Center at the port of export. The seven stages and sequence of activities would commence at the CPC after which, the container is cleared for export and transferred to the terminal operator for loading to the ship.

Results
Berthing Activities. Before 2006, the duration of ships at berth consistently averaged between 25 – 30 days annually. However, after the port concession in early 2006, significant improvement has been registered as depicted in Figure 3. This improvement is less than the best practices experienced in India and Singapore which ranged from less than a day to 4.82 days, regardless of the size and the number of containers on the vessel.

Figure 3: Shows the duration of container ships at berth for 2005/2006 at the Apapa port.
Operational and Storage Yard Activities. Figure 4 shows the average container moves per day to inland container ports and the storage yard. This shows some improvement compared with 2004 and 2005 where less than 200 moves per day were recorded. However, the moves per day are still far behind in terms of world best practices. Yard markings and electronic traffic flow coordinating and tracking would greatly improve flow of containers.

Figure 4: Average Container Moves per day to Private Inland Container depot, 2006

![Figure 4: Average Container Moves per day to Private Inland Container depot, 2006](image)

Source: Nigerian Customs Service Comptroller-General Conference 2006

Customs Clearing Activities. Container dwell time at the storage yard and the in-land ports is directly related to the speed of Customs clearing procedures. A long dwell time indicates significant bottle necks with clearing which impacts on the other value chain activities as well. Figure 5 shows the container dwell time in 2006, a significant improvement over the past years when average container dwell time was 40 days.

Figure 5: Container dwell time at Apapa port between June and October 2006

![Figure 5: Container dwell time at Apapa port between June and October 2006](image)

Source: Nigerian Customs Service Comptroller-General Conference 2006
The Nigerian Custom Service Container Time Release Study (2007) summarizes the mean times and standard deviations for the various stages of clearing in Table 2 below.

<table>
<thead>
<tr>
<th>Clearing Stages</th>
<th>Mean Time (hrs)</th>
<th>Standard Deviation (hrs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Face Vet</td>
<td>22.86</td>
<td>33.94</td>
</tr>
<tr>
<td>Data Input</td>
<td>21.00</td>
<td>46.98</td>
</tr>
<tr>
<td>Verification</td>
<td>11.17</td>
<td>39.88</td>
</tr>
<tr>
<td>Scan</td>
<td>48.84</td>
<td>90.17</td>
</tr>
<tr>
<td>Physical Examination</td>
<td>29.20</td>
<td>60.36</td>
</tr>
</tbody>
</table>

Source: Nigerian Customs Services- Time Release Study, Jan-March 2007

The Time release study also highlighted the average time taken from the submission of all documents at face vet to exit from the port gate as 275.68 hours with a standard deviation of 107.81 hours. Given that the NCS work only eight hour per day, the 275.68 hours would translate to about 11 working days (excluding weekends). This would imply that the average container dwell time for imports based on time taken to complete Customs clearance, as of 2007 first quarter is about sixteen or more days. This duration is very poor in comparison with best practices as recorded in Kenya and Tanzania.

CONCLUSIONS AND IMPLICATIONS

Having recognized the contribution of efficient port operations to Liner trade, the developed economies have continuously pursued strategies that ensured the sustainability of good port operations over time. A robust integrated port operation is a prerequisite and an enabler to speedy flow of goods in international trade. The lack thereof could make the prospects of efficient National logistics a poor bet. Very many measures have been adopted in the past decade including the recent drive to reduce cargo clearing time from average of sixteen days to two days, introduction of electronic processing machines, setting up of task forces and committees to examine how to quicken the clearing processes. These approaches do not seem to solve the problem because as recent as between the 10th and 12th of October 2007, another round of such committees, task forces and conferences were organized by the Federal government of Nigeria involving very high ranking officials in public and private sectors.

What is striking in all these efforts is that the search for the solutions seems to be targeted only at quickening the clearing time prompting the need to draw the following conclusions:

- Ordinarily, from the operations management view point, it would seem that the major bottleneck is the Customs clearing capacity and the associated procedures and policies, but it is also of significant interest to consider other factors such as vessel arrival rates, berthing, loading/unloading capacities, the storage yard and evacuation capacity, the goals and objectives of the Nigerian Customs Service. While the Government has embarked on a set of port reforms including concessioning to international and local experts and documentation automation, there is the need to explore in more detail the various components of the value chain activities with a view to understanding how they impact on the speed and cost of imports and exports. For instance, there may be the need to expand the berthing, storage yard, evacuation capacities through the establishment of rail lines, while at the same time re-structure the procedures and policies, and resolve the conflicts in the goals and objectives of the Nigerian Customs Services.
The implications include the following:

- As the Nigerian economy is geared towards sustained growth in the near future, the projected double digit growth of containerized imports from Liner trade may exert considerable pressure on the entire Nigerian Ports facilities.
- Delays and the subsequent high costs of imports and exports will result in significant shifts to the neighbouring countries’ seaports and a likely shy away of major Liners with loss of revenue to the government and subsequent increase in smuggling across Nigerian land borders.
- National and multinational companies would select logistics strategies that may lead to stock piling of inventory resulting in higher operating costs.

LIST OF REFERENCES


Marketing Financial Services to Old Age Consumers “(Baby Boomers)” in Ghana

Nana Owusu-Frimpong, London Metropolitan Business School, UK
Ogenyi E. Omar, Hertfordshire Business School, UK
Frederick Mmieh, Brunel Business School, UK

This study ascertains the financial needs and specific market characteristics of old age “BBs” in Ghana. The results reveal that BBs are conscious of where to live after retirement and perceive stock market operations as very risky. As a result of low income and over reliance on families in time of sickness, life insurance is not well subscribed. The respondents choose a bank that offer efficient customer services and low rates of interest on loans. This cohort listens to radio and TV advertisement and rely more on bank staff and newsletters to form a considered judgement on investments.

INTRODUCTION
Understanding the demographics of markets, both now and in the future, is essential to understanding the types of products people will need, where they are likely to buy them and the attributes most likely to delight them. Marketing planning, however, requires information about markets and the four main components of people with need, ability to buy, willingness to buy and authority to buy (Blackwell et al, 2007). Understanding the changing age distribution in an emerging African economy like Ghana and its effect on consumer behaviour, provides insight on the types of products and services that will be bought and consumed in the future, as well as on related behaviours, attitudes and opinions. In this study, “Baby Boomers (BBs)” in Ghana refers to the large cohort of people born after the second world war, that occurred between 1946 and 1965 that have affected markets and all other aspects of society for decades (Blackwell et al, 2006). In Ghana, life expectancy has increased dramatically, affected greatly by decline in infant mortality. A decade ago, the average Ghanaian died at the age of 47. Today, females have life expectancy of 59 while males have 57 years, which are higher than the average life expectancy in Sub-Saharan Africa (www.Ghanaweb.com/economic).

Many marketers traditionally have ignored seniors because of the stereotype that they are too inactive and spend too little. This stereotype is no longer accurate. Researchers (Greco, 1986) have long realised that grouping all older consumers into one age based category may result in marketers overlooking crucial segments of this important market. Moschis (1996) asserts that no other consumer market justifies segmentation more than older consumers, because as people age they become more dissimilar with respect to lifestyles, needs, and consumption habits. There is therefore an urgent need for a comprehensive, empirically based segmentation model of the older consumer market in Ghana that use a range of criteria which incorporates a wide variety of consumer behaviour variables. The objective of this study is to ascertain the financial needs and distinguish the specific market characteristics that appeal to Baby Boomers. Knowledge of additional consumer behaviours, demographic information, and psychographic details of this segment, however, would have obvious benefits to marketers.

BACKGROUND INFORMATION
Ghana has sustained economic stability and an average annual growth in GDP of around 5 percent and the per capital income is currently $350.00. Presently, there are 22 banks (14 domestic and 8 foreign) with 425 branches in the country. In addition, there are 120 rural banks and agencies with 500 branches to
serve rural folks, 10 insurance companies and investment clubs. The Ghana Stock Exchange (GSE), one of the premier stock exchanges in Africa, commenced operations in 1990 (www.ghanaweb.com/economic). Owing to increased competition resulting from a decade of deregulation in the Ghanaian banking industry, the banks find themselves faced with the task of differentiating their products as a method of attracting new customers (Owusu-Frimpong, 1999). In the financial services industry, the issue of service quality has gained considerable currency due to expansion, intensification and increasing customer sensitivity. Ghana has a population estimated to be 22.1 million people, of which about 41 percent are under the age of 15, over 54 percent are aged 15-64 years, while over 5 percent is above 65 years of age (Ghana Statistical Service, 2003; www.worldbank.org/ghana). The retirement age of all employees is set at 60 years, and from 60-65 years of age, specialist professionals such as judges, doctors and university lecturers are often allowed to work on contracts. Economic inequality is starkly revealed by inequitable distribution of income within the Ghanaian population as 46.6 percent of the nation's income/expenditure is enjoyed by the richest 20 percent of the population, whereas the poorest 20 percent have access to only 5.6 percent of national income/expenditure.

Three sectors that account for most of Ghana's economy are agriculture, industry and services. The agriculture sector dominates the economy, contributing nearly 40 percent of GDP and 50 percent of all employment. However, overall, poverty has declined from 52 percent in 1992 to 28 percent in 2006, and Ghana is on course to exceed the 2015 millennium development goal (web.worldbank.org/external/Ghana). Ghana performs better in measures of human development than most Sub-Saharan countries. This is partly due to higher average per capita income for the nation as a whole, but also longer life expectancy. Life chances are not equal for men and women in Ghana. Although women have slightly longer life expectancy than men, men have much greater access to education and to higher average incomes than women. However, in recent years, men have become less able to act as sole providers due to the increase in college educated women. Access to education is increasing in Ghana. The youth literacy rate is significantly higher than the rate for the adult population as a whole; 71 percent of young people aged 15 to 24 are literate. Ghana has 8 state and at least 11 private universities (GSSA, 2003).

LITERATURE REVIEW
Consumers are becoming increasingly discerning and have become more involved in their financial decision. For this reason, consumers are demanding a broader range of products and services at more competitive prices through more efficient and convenient channels. Financial services organisations with a sharp focus on the elderly fall into four main categories: insurers and pensions, retail banking, building societies and equity share holdings. There is very little recent academic research examining the consumption patterns and consumer behaviour of “Baby Boomers” in emerging markets, and what does exist generally focuses on the consumption of tangible consumer goods, and not intangible financial services products. Baby Boomer age segment consists of people whose parents established families following the end of World War II between 1946 and 1965 (Solomon, 2004). Analysis of world population statistics by the United Nations reveals that increases in older adults and accompanying declines in the number of younger people are unprecedented in human history, and will result in the old out numbering the young by 2050. The number of older persons has already tripled over the last 50 years, and is forecast to more than triple again over the next 50 years (United Nations, 2005). In developed countries, older adults are getting healthier and wealthier). People are living longer and thus, when considering the lifetime value of consumers, adults spend longest at the later adulthood stage than in any other traditional marketing life stage. In addition, older consumers are willing to spend (Van Auken, Barry and Bagozzi, 2006; Nielson and Curry, 1997).

Leventhal (1991) proposed segmenting older consumers on the basis of chronological age, and took the consideration of factors such as buying power, marital status and health. Further, two studies also offer ways of segmenting the travel and tourism market for older consumers (Sellick, 2004). Sudbery et al, (2007) conclude that product policy should differ between segments based on differences in cognitive
age, marital status, health and fitness and income. Ostroff (1989), notes that the best and most useful profiles of older consumer segments integrate a wide variety of variables, including demographic data.

In an era in which individuals are expected to be self-reliant in terms of financial planning, BBs have become more knowledgeable with regard to financial services than their predecessors in the Swing and World War II generations. BBs respond positively to advertisements that provide abundance of information and unlike other age groups, are not amused, or persuaded by imagery-oriented advertising (Solomon, 2004). BBs have a greater tendency for information-seeking before deciding on acquiring a financial product or service compared to under-45s or over 65s (www.worldbank.org/ghana). In Ghana, the retirement age is 60 years and indications are, that will reverse the trend toward early retirement. Instead, many are delaying early retirement due to longer life expectancies and better health conditions, while some Boomers find work to be rewarding and so opt to stay in the workforce in some capacity, for example, as a politician. Not only are BBs reversing the trend toward early retirement, they are also likely to reverse the trend of migration to their locations in retirement. Instead, many Boomers are considering “aging in place” and staying in the same area that they lived prior to retirement.

Wolfe (1994) identified a set of key values that are relevant to old consumers namely- (a) autonomy- mature consumers want to lead active lives and to be self-sufficient; (b) connectedness- mature consumers value the bonds they have with friends and family and (c) altruism- mature consumers want to give something back to the world. Cognitive age is the age one perceives one’s self to be. It is measured in terms of how people feel and act, express interests and perceive their looks (Blackwell et al, 2006). It can be used in addition to chronological age where marketers segment the elderly along such dimensions as the particular years a person came of age, current marital status (widowed versus married) and a person’s health and outlook on life (Solomon, 2004). Cole et al (1996) assert that Social aging theories explain that some people become depressed, withdrawn, and apathetic as they age; some are angry and resist the thought of aging; and others accept the new challenges and opportunities this period of life has to offer.

Old age consumers, despite enjoying a higher than average income and a tendency to have capital, is not necessarily financially sophisticated (Marsh, 1992). The lack of appreciation of financial facilities is aggravated by the wide variety and complexity of financial services aimed at this cohort. The principal needs of this cohort are borrowing facilities at competitive rates, including home loans, full range of savings and how to build up capital and investment, how to make existing capital grow and pension related services. Given this group’s tremendous purchasing potential, it is curious that marketers target so few products and advertising to this group. The reasons are that most marketers are under 40 years and do not understand how to appeal to the older consumers. Older consumers do not like to be reminded of their age and thirdly, marketers prefer to target younger demographic because if they can gain the loyalty of generation X or Y, these consumers may make a lifetime commitment to their brands (Assael, 2004). Owusu-Frimpong (1999) asserts that Ghanaians prefer short term investment due to market uncertainty and high risk associated with wealth accumulation. In addition, several Ghanaians do not understand the stock market and lack a tradition of investing. In a recent study (Omar and Owusu-Frimpong, 2007) assert that Nigerians do not subscribe life insurance policy due to over reliance on family members or relatives and inability to afford premium payment. Research evidence shows that most consumers divide their regular bank transactions into a main financial deposit and/or withdrawal, and a further secondary bank visit for minor bank transaction. (Trubik and Smith, 2000).

RESEARCH METHODOLOGY
A questionnaire that probed in areas of financial products including savings and investment, pension funds, stock exchange and property ownership, was designed and pre-tested to correct errors. A random and convenience sampling methods were employed. A self completion questionnaire employed a Likert scale rating of 5 for strongly agree/important to 1 for strongly disagree/unimportant. In all, over 360 respondents were approached in Accra, the capital of Ghana where all categories of businesses and
employees are found. Of this, 31 respondents refused to co-operate, 19 questionnaires were incomplete and not usable, and 310 were completed and found usable, obtaining an excellent completion rate of 86 percent. The initial portion of the questionnaire dealt with how respondents receive information on financial services and how they choose banks. The second portion of dealt with retirement planning and subscription of investment products, while the last section covered the socio-economic characteristics of the respondents: age, marital status, family size, employment status, level of education and home ownership. This method was considered the most appropriate due to time constraint. The data was analysed using descriptive statistics.

DATA ANALYSIS
Of the 310 respondents, 60 percent were males, while 40 percent were females. The age range was skewed towards the younger group of the cohort: 38 percent were aged 40-49, 28 percent were in the 50-59 age group, the category aged 60-69 years accounted for 23 percent and the last 11 percent for over 70s. On size of family, 45 percent had family size of 3-4, while 29 percent had 5 or more. Over 68 percent were in full time employment, while 11 percent had retired and 18 percent in part time employment. Only 20 percent had education level up to high school or less, while 55 percent had completed university education. Over 59 percent owned their homes while 41 percent lived in rented accommodation. The proportion of household owning residential property accelerates dramatically between 40-49 years old category. Over 28 percent had household income under $10,000, 20 percent had household income under $30,000, while 10 percent earned $40,000 and above.

Evidence in Table 1 reveals that BBs have a greater tendency for information seeking before deciding on acquiring a financial product or service compared to under-40s. The respondents of all age groups and both gender, rely on word of mouth information from friends and relatives as well as bank staff to form a considered judgement on financial products.

| Table 1: Which medium best informs you of Financial services Products |
|----------------|-------------|--------------|-----------|-----------|----------|----------|
| Medium            | Male    | Female | 40-49 | 50-59 | 60-69 | Over 70 |
| Television advertisement | 3.70    | 3.60  | 4.24 | 4.00 | 2.45 | 2.50 |
| Radio             | 4.12    | 3.85  | 4.00 | 3.75 | 3.59 | 3.51 |
| Newspapers       | 3.65    | 3.30  | 3.88 | 3.20 | 2.50 | 2.00 |
| Magazines        | 1.98    | 1.90  | 3.00 | 2.13 | 2.00 | 1.00 |
| Word of mouth    | 3.78    | 4.00  | 4.25 | 4.35 | 4.45 | 4.25 |
| Bank newsletter  | 3.68    | 3.40  | 3.78 | 3.95 | 3.78 | 3.75 |
| Bank staff       | 3.45    | 3.70  | 3.75 | 3.25 | 3.85 | 3.00 |
| Billboards       | 2.50    | 2.00  | 2.89 | 1.25 | 1.25 | 1.95 |
| Internet         | 2.34    | 1.20  | 2.75 | 1.13 | 0.50 | 0.00 |
| Sponsorship      | 2.25    | 1.29  | 2.00 | 2.19 | 2.45 | 2.00 |

Whereas respondents aged 60 years and above share minimum interest in internet and billboards, those aged 40-59 years are the heaviest users of TV and Radio advertisement, and Print has a continuing role in financial services marketing. Few of the over-60s log on to the Internet and, therefore, online advertising is not yet an effective means of persuading this age group. Sponsorship is now an essential way to develop empathy among customers, by selecting causes, events and programmes that strike a chord with target consumers.

The evidence in Table 2 suggests that BBs are conscious of efficient customer service and institutions that offer best rates on savings and lower rates on borrowing. The respondents shy away from ATM usage and do not rely much on recommendations from friends or relatives as a result of their experiences in various services.
The main product types under review are savings, investments, loans, mortgages, and insurance. These are becoming less distinct, as companies start to cater for customers throughout their life stages with flexible products which can be a loan, mortgage and savings account rolled into one. The result shows that the respondents do not subscribe telephone banking due to perceived risk and lack of confidence in the electronic system, and also appear weary of deposit and long time finance.

<table>
<thead>
<tr>
<th>Reason</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>They are located near my work or office</td>
<td>3.55</td>
<td>3.75</td>
</tr>
<tr>
<td>They offer the best rates or lowest fees</td>
<td>4.26</td>
<td>3.89</td>
</tr>
<tr>
<td>They have the best customer service</td>
<td>4.58</td>
<td>4.05</td>
</tr>
<tr>
<td>A friend or family member recommended</td>
<td>2.75</td>
<td>3.25</td>
</tr>
<tr>
<td>They offer ATM services</td>
<td>1.75</td>
<td>1.00</td>
</tr>
<tr>
<td>They have representatives that speak my first language other than English</td>
<td>1.57</td>
<td>1.25</td>
</tr>
</tbody>
</table>

Where investment funds are deployed, BBs tend to hold such funds in the form of short term demand and savings account balances in greater proportion than equity securities. Investment in emerging stock market are subject to exchange risk because foreign stocks are denominated in foreign currencies that could depreciate over the involvement period and reduce the returns of the investors holding stock. When respondents were asked about “What discourages you from trading on GSE”, the result revealed that people appear to feel some guilt about their neglect of the future, and a small proportion of respondents trust in the regulation of financial-services companies and many find financial services confusing. The over-60s are expected to cope financially and to obtain sufficient income to live on, while maintaining ownership of their assets. The respondents strongly believe that high risk and lack of accurate information are the major factors that discourage them from trading on GSE. Also, low liquidity arising from low income growth discourages the elderly from participating in GSE activities. BBs regard security as particularly important and therefore financial services equity release providers should revitalised its marketing.

Women, even those on above-average incomes, are still unlikely to save enough for their retirement, or to ensure income protection if they are ill and unable to work. The result in Table 4 reveals that a substantial proportion of BBs tend to be concerned about where to live after retiring from employment and therefore more conscious of their lump sum payment and monthly pension entitlement. Findings such as these are
of great concern since lack of planning for retirement is associated with lower levels of accumulation of retirement savings.

Table 4: What type of retirement Financial Planning have you done?

<table>
<thead>
<tr>
<th>Any retirement planning</th>
<th>Males</th>
<th>Females</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calculating how much money I need and setting goals</td>
<td>4.00</td>
<td>3.95</td>
</tr>
<tr>
<td>Planning my investment to reach my retirement goals</td>
<td>2.75</td>
<td>2.89</td>
</tr>
<tr>
<td>Determining where to live when retired</td>
<td>4.12</td>
<td>3.14</td>
</tr>
<tr>
<td>Researching the benefit of insurance such as long term care and life insurance</td>
<td>2.75</td>
<td>2.76</td>
</tr>
<tr>
<td>Estate planning</td>
<td>2.76</td>
<td>2.16</td>
</tr>
</tbody>
</table>

In looking at life insurance as part of a household financial portfolio, it is assumed that as income increases, BBs would demonstrate an increasing preference for life insurance. In Table 5, over half of the respondents in the 40-59 year old category have purchased life insurance and have the intentions to buy a policy. The attitude towards low subscription of life insurance policy may be attributed to the Ghanaian culture where there is over reliance on help from family or other relatives and also not earning enough to afford. Though comprehensive car insurance is fairly subscribed by the respondents, subscription of a third party insurance policy has gained momentum by this cohort. The building and contents insurance have not caught up well with Ghanaian BBs who favour short and medium term investment. Over 60 percent of the respondents do not use telephone/internet banking or ATM. Affluent customers want to choose trusted brands, communicate with knowledgeable and polite staff, and have access to copious accurate information. Companies are not yet targeting women sufficiently in their financial services marketing. At the same time, there is intense competition in marketing to affluent men, and powerful brands are crucial.

Table 5: Subscription of Life Insurance Policy

<table>
<thead>
<tr>
<th>Type of insurance</th>
<th>40-49</th>
<th>50-59</th>
<th>60-69</th>
<th>Over 70</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>I have life insurance policy</td>
<td>2.65</td>
<td>1.75</td>
<td>1.25</td>
<td>0.02</td>
<td>3.17</td>
<td>2.05</td>
</tr>
<tr>
<td>I intend to buy life insurance policy</td>
<td>3.01</td>
<td>1.25</td>
<td>0.05</td>
<td>0.00</td>
<td>3.59</td>
<td>2.15</td>
</tr>
<tr>
<td>I have contents insurance policy</td>
<td>2.25</td>
<td>2.75</td>
<td>1.10</td>
<td>0.25</td>
<td>3.15</td>
<td>2.24</td>
</tr>
<tr>
<td>I have building insurance policy</td>
<td>2.25</td>
<td>3.25</td>
<td>2.25</td>
<td>1.55</td>
<td>3.10</td>
<td>1.24</td>
</tr>
<tr>
<td>I have a comprehensive car insurance policy.</td>
<td>3.10</td>
<td>3.10</td>
<td>2.20</td>
<td>1.00</td>
<td>3.45</td>
<td>1.45</td>
</tr>
<tr>
<td>I have a third party insurance policy.</td>
<td>3.25</td>
<td>2.90</td>
<td>3.35</td>
<td>2.37</td>
<td>3.70</td>
<td>2.25</td>
</tr>
<tr>
<td>I have private health insurance from my company</td>
<td>1.75</td>
<td>1.58</td>
<td>0.05</td>
<td>0.00</td>
<td>2.10</td>
<td>1.23</td>
</tr>
<tr>
<td>I have the national health insurance policy</td>
<td>4.50</td>
<td>4.70</td>
<td>4.95</td>
<td>4.58</td>
<td>4.87</td>
<td>4.79</td>
</tr>
</tbody>
</table>

CONCLUSION

This paper ascertained the financial needs and market characteristics of old age consumers in a sub-Saharan African Economy. The result shows that BBs choose banks that offer the best rates or lowest fees and have the best customer service. A substantial proportion of BBs tend to be concerned about where to live after retiring from employment and are more conscious of their lump sum payment and monthly pension entitlement. The subscription of life insurance has not caught up well with Ghanaian BBs who favour short and medium term investment. Over 60 percent of the respondents do not use telephone/internet banking or ATM. Affluent customers want to choose trusted brands, communicate with knowledgeable and polite staff, and have access to copious accurate information. Companies are not yet targeting women sufficiently in their financial services marketing. At the same time, there is intense competition in marketing to affluent men, and powerful brands are crucial.
Apart from the profitable but fair expansion of equity release, the challenge for financial-services providers to BBs in the coming decade is to develop and market successful integrated multi-purpose accounts that save customers money and make managing their money a simpler task. The main clearing banks, while including the over-60s as customers, should develop a well-defined emphasis on this sector as the insurers do. For example, special niche focus on long term care, life, medical and funeral insurance. Equity release will expand significantly in the medium term, the alternative being a basic state pension equivalent that might be achieved eventually through pensioner power. Communication with older consumers require alterations of traditional materials and messages as many of this cohort have difficulty processing information because of declining sensory abilities. Therefore, financial services providers should keep language simple and use clear, bright pictures. Use action to attract attention, speak clearly and keep the word count down. Customers show more loyalty if they have an emotional rapport with the company, for example, ethical investment. Interactive television is an exciting new way to reach female customers. Future research should look into sector expenditure of baby boomers in an emerging African economy.

REFERENCES
www.worldbank.org/ghana
www.ghanaweb.com/economic
An Assessment of Market Orientation Practice among Small and Medium Scale (SMEs) Firms: A Comparison of Selected SMEs Firms in Nigeria and UK

Christopher Ayodele Oniku, University of Eastern London, Uk
Sonny Nwankwo, University of Eastern London, UK
Nnamdi Madichie, University of Eastern London, UK

The effectiveness and managerial importance of market orientation among SMEs will not be acknowledged among owner-managers and policy makers in the developing economies until a comparative analysis with another developed economy is made to show the impact, operations and managerial effectiveness in business operations. Thus, it is paramount that firms understand the dimensional role of market intelligence and its processing in the firm's internal structure to eventually create a responsiveness action in the market that achieves superior performance that the philosophy is meant for irrespective of firm's size; economic system and economic level of development in the society.

INTRODUCTION

The practice of market orientation is increasingly operational and integrative across the business world in the sense that it is recognised in the different nations irrespective of the level of development and economic system. Also, its acceptability has shot beyond the boundary of large organisation and multinational organisations, but equally being put into practice by small and medium scale enterprises (SMEs). For instance, the transiting economies of the hitherto command economy of China has recognised the managerial philosophy in all its dimensions as a pre-requisite for contemporary marketing practice and business management (Leo et al: 2003). Equally, the emerging economy of the Asian, and the transiting economies of the sub-Sahara African are making a case for the integration of the economic reforms with the practice of market orientation among business organisations to move the business activity and system from sellers’ market to buyers’ market (Ramashesan et al: 2002, Aggarwal & Singh: 2004; Winston & Dadzie: 2002).

The different research studies have shown that the recognition and practice of market orientation in the Sub-Sahara Africa, among business organisations would accelerate competitive practice in the economy, and one that assured to quicken the pace of turning the economy to buyers’ market system whereby consumer needs and satisfaction dominate business decision. Hence, the adequate and reliant practice of market intelligence and holistic responsiveness of organisation to such intelligence findings to improve performance and business fortunes. All these call for the need to recognise the operation and relative economic importance of SMEs in the society and subsequent integration of market orientation to its operation. SMEs need to uphold the virtues of instrument of economic development, and inevitably perform its functions as engine of economic growth, and the reason many studies have been focussing on how to accelerate marketing practices and integration of market orientation into the SMEs operations.

Nigerian SMEs is defined based on the capital structure and employment, as a result it is structured into three different groups; micro industry with maximum capital of N1.5 million and not more than ten (10) workers; small scale industry with maximum capital of N50 and with a labour size of 11-100 workers and medium size industry with maximum capital of N200 and labour size of 101 – 300 workers. The whole sector, highlighted by Udechukwu (2003), is characterised by prominent features high mortality rate; lack
of appropriate management skill; poor capital base; prominence in terms of sole proprietorship, limited liability and partnership and centralised management system.

The comparison study provides a base for firms to understand the developments and operations of the same managerial principles in another economy and environment; thus, the basis to gauge performance and shortcomings in operations. This study seizes this opportunity to understand the differences that occur in market orientation implementation between the developed and developing economies, hence to establish the areas of imbalance in operations. Deshpande & Farley (1999) emphasised that comparative study on market orientation confirmed differences in national culture generally and in the nature of the economic systems as they affect managers. Thus the objectives of the study are to show:

- What differences exist in the application and integration of the dimensions of market orientation of Kohli & Jaworski (1990) among the SMEs operators in both economies?
- What are the factors responsible for the differences in the market orientation practice among SMEs operators in the two economies?
- Which of the economy shows a greater practice and development of market orientation among the SMEs operators and its implication?

LITERATURE
The definition of Kohli & Jaworski (1990, pp. 6) established: “Market orientation is the wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organisation wide responsiveness to it”. The emphasis herein shows the indisputable importance of market intelligence which covers relevant and up-to-date information on the environmental variables and their behaviours, and largely the way and manner they influence consumers’ buying decisions and patterns. This further goes to the application of the intelligence beyond the understanding of the present events or occurrences in the market, but the ability and propensity of organisations to probe into the future of customers’ needs in its implementation. Invariably, intelligence is crucial in obtaining information from customers to develop strategy which will meet customers’ needs (Ruekert: 1992). On a larger scale, market intelligence delve into market scanning, customer ordering systems, and feedback collection on delivered products (Bret: 2006), and its intensity and continuity will recognise the current and changing expectations of customers (Ramaseshan et al: 2002). Shapiro (1988) asserted the need for information on all important buying influences to permeate every corporate function, and this corroborates Kohli & Jaworski (1990) and Kohli, Jaworski &Kumar (1993) intelligence dissemination. Consequently, it is meant that: “strategic and tactical decisions should be made and executed interfunctionally” (Lafferty & Hult: 1999, pp. 102). This shows the importance of the entire functional units to work together and achieve uniformity and collective decisions on marketing to form strategies and policies, and importantly, to let other functional responsibilities to recognise market orientation principles and reflect such inherited tenets in the dispensation of such responsibilities or units’ functions. This is aptly described as interdepartmental dynamics (Blankson: 2006). Ultimately, responsiveness decision should be based on the findings of market intelligence as processed and reflective of market needs to achieve customer satisfaction. Slater & Narver (1990, pp. 21) asserted that the essence of market orientation is “creation of superior value for buyers and, thus, continues superior performance for the business”. Invariably, the responsiveness attains superior performance only when firms’ market offerings truly and completely reflect intelligence findings as organisation responsiveness outcomes. SMEs development and profitable performance is indispensable to play the roles of engine of growth in economic management, and this remains a universal phenomenon irrespective of the economic systems and level of development. And the role of market orientation is to coordinate and expedite the firms’ responses to customers and marker opportunities (Bret: 2006); to develop a market-oriented culture that
serves as an exceptionally important resources for the small firms when they cannot boast of huge factors of production like large firms (Martin & Martin: 2005).

Meanwhile, the problems of poor understanding or ignorance of market orientation (Harris & Watkins: 1998) hinder market orientation effectiveness in the operation of SMEs especially in the developing economies where the awareness is relatively lower to the counterparts’ in the advanced societies. Also, problems of contentment with status quo (Harris & Watkins: 1998) could limit the propensity of SMEs to experience new orders and strategy. Bisp (1998, pp. 81) identified the issue of management personality that may impede market-oriented activity in terms of: “introvert nature, autocratic, high risk aversive, high need for personal achievement”. Also, the impediment of organisational structure factor in terms of lack of interdepartmental connectedness; centralised decision making; much formalised nature of system (Bisp: 1998). Factors relating to human resources incapacity and psychological climate such as lack of trust in available marketing information and inter-departmental conflict (Bisp: 1998) could further the problems of attaining effective market-oriented activity in SMEs. Okoroafo & Kotabe (1993) showed that the level that marketing practices among firms in an economic system recognised the importance and priority of consumers’ satisfaction determined the domination of sellers’ market or buyers’ market in the market system. In furtherance of this, Appiah-Adu (1998) stressed that the level of recognition and alignment of economic reforms in the marketing activities of firms in the developing society would determine the orientation of operations. However, Okoroafo & Kotabe (1993, pp. 144) emphasised: “a shift to a ‘buyers’ market’ environment necessitates effective marketing activities”.

METHODOLOGY:
The work adopts qualitative research which basically involves interview with the chief executives officers or their representatives (who is a senior officer) in the businesses. The interviewees were selected by convenience samples from the city of Lagos in Nigeria, and the county of West-Sussex, England in the United Kingdom. A convenience sample of ten (10) SMEs businesses were carried out in both countries respectively. And they all emerged from the same sectors/industries of each economy, and equally belong to the same categories of SMEs as statutorily defined by both economies respectively to give a comparative basis. Precisely, the firms sampled in Nigeria are members of Nigerian Association of Small-Scale Industrialists (NASSI) and different registered organisations that monitor and coordinate activities of each firm in their respective sectors. And the firms sampled in West-Sussex are drawn from the West Sussex Industrial Estate Directory (2006) a publication of West Sussex County Council. The respective firms are recognised to operate as a legal entity in the economy.

Kohli, Jaworski & Kumar (1993) model of market orientation form the basis for the questions that serve this study. The three dimensions of intelligence generation, intelligence dissemination and responsiveness spell the need to investigate firms’ understanding of the environment factors, competition, top management emphasis, internal structure and responsiveness process in the firms. The importance of MARKOR Scale is in the ability to be adapted into different economies irrespective of the level of development; hence the comparison objectives can be achieved. Hence, questions were derived from the model/framework with the provision for firms to specify and itemise the respective techniques or tools employed at5 the different stages of the application. A face-to-face interview, open-ended questions and study of operation was adopted with the owner-managers or the senior management staff and the organisations. Also, the question recognised the different environmental developments in term of government institutions and legislations. Thus, each case was analysed with description of settings, operations and tools/techniques used to accomplish market orientation. Furthermore, comparative analysis of each case based on industry and country was adopted to show market orientation application and level. The questions that form the interview of the study were a product of exploratory study for a PhD thesis. The question was sent to two (2) PhD students along with the objectives and research question for assessment. The essence is to ascertain the “understanding of the theoretical foundations underlying the obtained measurement” (McDaniels & Gates: 2007, pp. 282).
FINDINGS & IMPLICATIONS

Intelligence Generation

Table 1: Nigerian and UK firms

<table>
<thead>
<tr>
<th></th>
<th>Nigerian Firms</th>
<th>UK Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Property &amp; Estates</strong></td>
<td>Press Release</td>
<td>Questionnaires</td>
</tr>
<tr>
<td></td>
<td>Government Gazette</td>
<td>Training &amp; Seminar</td>
</tr>
<tr>
<td></td>
<td>CBN Publications</td>
<td>Specialist Information</td>
</tr>
<tr>
<td></td>
<td>Experience</td>
<td>Press Release</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Websites</td>
</tr>
<tr>
<td><strong>Pharmacy</strong></td>
<td>Experiences</td>
<td>Manufacturer Advice</td>
</tr>
<tr>
<td></td>
<td>Customer Interactions</td>
<td>NHS</td>
</tr>
<tr>
<td></td>
<td>Manufacturer’s Advice</td>
<td>PCT</td>
</tr>
<tr>
<td></td>
<td>FAQ</td>
<td>GP</td>
</tr>
<tr>
<td></td>
<td>NAFDAC</td>
<td>FAQ</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales Representatives</td>
</tr>
<tr>
<td><strong>Laundry</strong></td>
<td>Questionnaire</td>
<td>Questionnaire</td>
</tr>
<tr>
<td></td>
<td>FAQ</td>
<td>Industrial Luncheon</td>
</tr>
<tr>
<td></td>
<td>Experience</td>
<td>Seminar Attendance</td>
</tr>
<tr>
<td></td>
<td>Competition Information</td>
<td>Government Release</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Periodicals</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Specialist Advice</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Experience</td>
</tr>
<tr>
<td><strong>Automobile</strong></td>
<td>Internet</td>
<td>Press Release</td>
</tr>
<tr>
<td></td>
<td>Brochure</td>
<td>Customers</td>
</tr>
<tr>
<td></td>
<td>Competition Information</td>
<td>Local Traders</td>
</tr>
<tr>
<td></td>
<td>Experience</td>
<td>Periodicals</td>
</tr>
<tr>
<td></td>
<td>Social Interaction</td>
<td>Local Government</td>
</tr>
<tr>
<td><strong>Manufacturing</strong></td>
<td>Questionnaire</td>
<td>Conferences</td>
</tr>
<tr>
<td></td>
<td>Competition Information</td>
<td>Tradeshows</td>
</tr>
<tr>
<td></td>
<td>Hired Specialist/Technologists</td>
<td>Press &amp; Media</td>
</tr>
<tr>
<td></td>
<td>Specialist Information</td>
<td>Market Research</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Customer Meetings</td>
</tr>
</tbody>
</table>

From the above, the findings on intelligence generation (as shown in Table 1), the UK firms scored high in intelligence generation by employing more of formal methods like questionnaire, research study, brochure, internet and specialist advice, and less informal means like experience, frequently asked questions (FAQ) etc. On the other hand, Nigerian firms employed more of informal methods of generating intelligence than the formal means. From the findings, the sampled firms in Properties & Estates comparatively showed that Nigerian firms responded more to government and institution regulations which basically were inevitable and essential for firms to curry government favour to receive more NHF (National Housing funds) funds, and the UK firm sourced intelligence that unfold market and
consumer behaviours in terms of changes in the market and consumers’ evolving needs and changes that influence their patronage and purchase decisions.

The firms sampled in the pharmaceutical industry showed that both Nigerian and UK firms employed intelligence tools that sourced market and consumers’ information for their operation, but UK firm emphasised government and institution information in its kit more than Nigerian counterpart, and the essence of this is that such regulations and laws are watchdog to monitor firms that consumers safety and the public at large is guaranteed. The laundry sector show a situation where Nigerian firm relatively show questionnaire as the only formal means, which was only employed at the commencement of the firm’s operation, but UK firm showed more of formal method application that not only generate customer information buy market, industry and technological intelligence as well. The automobile firms in both economies show a blend of both formal and informal methods among firms to source intelligence regarding market changes and customers needs. Nevertheless, the richness and disposition of firm to sources of intelligence is fundamental and the information therein, for instance, the information from the brochure would only produce product details and features and internet would only furnish firm with the source and producer’s details, which really have helped Nigerian firm to procure latest tools for its operation e.g. scanning machine. But sources like press release and periodical would furnish firm with information relating to government regulations, technological development application and implications, MOT test services, etc. which are important and more consumer-oriented. Therefore, while Nigerian firm look inward with intelligence to improve its services and offerings in the market to satisfy customers, UK firm look outward with intelligence on what will improve their offerings/services in the market. The manufacturing firms in both economies employed different set of intelligence tools in the market. The UK firm showed a relative formal and conventional methods of intelligence generation like exhibition & trade shows and market research to gain insight into competition information and market developments, but Nigerian firm depended on hired specialists (not consultants) who worked for another Nigerian firm (large scale firm) to furnish it with latest information on technology and market, and enjoyed “transferred technology”. The questionnaire used by the Nigerian firm was first and only used at the commencement of the firm operation, hence it is not regular.

Conclusively, there is more room for intuition, trial and errors and personal opinions of senior staff or owner-managers to dominate marketing decisions that affect market orientation decisions in Nigerian firms than the UK firms because of the prominence of informal means like social interactions and rarity of formal means of intelligence generation comparatively to UK firms. On the other hand, UK firms show more of formal and conventional method of intelligence generation which to a large extent will influence the veracity and comprehensiveness of market orientation decisions.

The findings in Table 2, based on the dimension of intelligence dissemination, it can be shown that firms in both economies employed information disseminating process but at different proportion and this is based on the disposition of the management. The Nigerian firm in Properties & Estates has organisational structure that gives room for regular meeting, discussions and departmental interaction to process intelligence generated within the organisation, and UK firm employed in-house market research and ensure departmental interconnectedness along with other information processing methods adopted by Nigerian firms. Impliedly, UK firm showed a greater proportion of information dissemination than the Nigerian counterpart.
**Table 2: Intelligence dissemination**

<table>
<thead>
<tr>
<th></th>
<th>Nigerian Firms</th>
<th>UK Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Property &amp; Estates</strong></td>
<td>Regular Meetings</td>
<td>Monthly Meetings</td>
</tr>
<tr>
<td></td>
<td>Informal Talks</td>
<td>In-House Research</td>
</tr>
<tr>
<td></td>
<td>Discussions</td>
<td>Departmental Interactions</td>
</tr>
<tr>
<td></td>
<td>Departmental Interactions</td>
<td>Departmental Connectedness</td>
</tr>
<tr>
<td><strong>Pharmacy</strong></td>
<td>CEO Exclusive</td>
<td>In-House Research</td>
</tr>
<tr>
<td></td>
<td>Regular Meetings</td>
<td>Weekly Meetings</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Staff Deliberations</td>
</tr>
<tr>
<td><strong>Laundry</strong></td>
<td>Bi-Weekly Meetings</td>
<td>Regular Meetings</td>
</tr>
<tr>
<td></td>
<td>CEO Exclusive</td>
<td>Departmental Interactions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Informal Talks</td>
</tr>
<tr>
<td></td>
<td></td>
<td>In-House Research</td>
</tr>
<tr>
<td><strong>Automobile</strong></td>
<td>Meetings</td>
<td>Departmental Interactions</td>
</tr>
<tr>
<td></td>
<td>In-House Research</td>
<td>In-House Research</td>
</tr>
<tr>
<td></td>
<td>Coaching</td>
<td>Brainstorming</td>
</tr>
<tr>
<td></td>
<td>Departmental Interactions</td>
<td>Informal Talks</td>
</tr>
<tr>
<td><strong>Manufacturing</strong></td>
<td>Meetings</td>
<td>Regular Meetings</td>
</tr>
<tr>
<td></td>
<td>In-House Research</td>
<td>Ad hoc Meetings</td>
</tr>
<tr>
<td></td>
<td>Coaching</td>
<td>Departmental Interactions</td>
</tr>
<tr>
<td></td>
<td>Departmental Interactions</td>
<td>Departmental Interconnectedness</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Collaborations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Brainstorming</td>
</tr>
<tr>
<td></td>
<td></td>
<td>In-House research</td>
</tr>
</tbody>
</table>

The Pharmaceutical firms’ findings revealed how Nigerian firm concentrate and centralise power to make decision and process information in the hand of senior officers or the CEO, while the UK counterpart stressed in-house research, staff deliberations on customers’ complaints and suggestions and regular meeting. This issue of centralisation, especially when over stressed, can negate the effectiveness of market orientation (Matsuno et al: 2002), and this is a rare occurrence in the UK firms. Likewise, the same trends was shown in the operation of the Laundry firms; Nigerian firm showed a centralisation and concentration of power in the executives’ hands, while the UK counterpart showed a relatively adoption of formal and conventional of information dissemination and processing in its operation. Thus, such adoption of centralisation would negate every other effort to arrive at effective and strategic operation of market orientation, which will invariably, affects business responsiveness to the market needs.

The automobile firm in Nigerian exemplified meeting, informal talks and departmental interaction for its intelligence dissemination, and its UK counterpart showed the application of the same processing and inclusion of more formal methods like in-house debate and brainstorming to arrive at decision based on intelligence generated. The manufacturing firm in UK showed a greater means of intelligence dissemination than the Nigerian counterpart, and importantly, the UK firms further adopted a system where two or three departments came together to devise a strategy to attack firm’s shortcomings or customers complaints in the market – collaboration.
On the general note, firstly, it can be seen that UK firms emphasised formalisation of intelligence dissemination more than the Nigerian counterparts, while Nigerian firms relatively showed a higher centralisation of intelligence processing than the UK counterparts. Hence, the exhibition of higher centralisation in intelligence processing among Nigerian firms created a system where staff initiatives and ideas are less applicable but a “one man show” (Blankson: 2006, pp.579) where power and authority regarding decision making is concentrated in one hand – CEO or senior officer. And the high formalisation of information processing shown by UK firms helps in speed of decision making but atimes less room for initiative where it is overstressed because of strict procedure, however it retains the benefit of collective decision. Secondly, the inherent relatively lower level of intelligence dissemination among some Nigerian firms might not be divorced from the practice of organisational structure whereby few functional units are set up within firm internal operation and the staff are mostly saddled with clerical functions than strategic decisions expected from the unit, but UK firm give room for specialisation of functional units within the firm internal operation.

Responsiveness

Table 3: Responsiveness

<table>
<thead>
<tr>
<th></th>
<th>Nigerian Firms</th>
<th>UK Firms</th>
</tr>
</thead>
</table>
| Property & Estates | Segmentation  
|                 | Customisation  
|                 | NHS Funds Utilisation  
| Pharmacy | Wide Stocks/Offerings  
|           | Expiration date Display  
|           | Competitive Pricing  
|           | OTC Service  
| Laundry | Segmentation  
|          | Prompt Delivery  
|          | Discriminatory Pricing  
| Automobile | Competitive Pricing  
|           | Delivery Service  
|           | Auto Clinic Service  
|           | Credit Facility  
|           | New Purchase Advice  
| Manufacturing | Competitive Pricing  
|              | Meeting Client Specification  
|              | Prompt Delivery  

The findings in Table 3 regarding responsiveness of the firm in the market showed that UK and Nigerian firms’ action is a function of intelligence generated and dissemination processing. The properties & estate firm in Nigerian responded to intelligence with segmentation, customisation and compliance with government regulations. The segmentation in this sense is in the context of a particular income group that the firm offers its service for; hence fail to create market for other income groups – lower income groups. On the other hand, the UK firm responded with different market actions like outlets across the county, advice mortgage ladder and second buying, networking of operations etc. This helped the firm to respond widely and accurately to customers’ expectations more than Nigerian counterpart.
The pharmaceutical firm in Nigeria showed compliance with NAFDAC (National Agency for Food, Drug Administration and Control) regulations on labelling and display of product expiration date and any product without such product should not be sold to customers, OTC (Over-the-Counter) service and competitive pricing. However, the owner-manager of pharmaceutical in Nigeria said: “we insist on non-acceptance and replacement of returned goods if the fault is not discovered before the product is taken out of the premise”. The UK counterpart equally showed compliance with different authorities’ regulations, which basically give directive on products to be sold to the public, and product to be sold on OTC and exclusively GP (General Practitioners) prescription. Other responsiveness is prompt delivery to the elderly at home and competitive pricing for OTC.

The experience in the laundry sector showed Nigerian firm responding by segmentation, which was basically to serve a particular income group in the entire, which is a strategic decision for market orientation. Price discrimination also formed part of the market responsiveness along with prompt delivery. The UK counterpart responded with competitive pricing, customer education and compliance with regulations on global warming and consumer safety. It can be said that Nigerian firm responded with actions that are inward looking and conscious of the firm’s profit based on selected customer satisfaction and patronage, while the UK counterpart showed more customer-oriented approach with action that are outward looking to meet customer and society needs, which invariably improve firm’s performance in the market. The automobile firm in Nigeria showed great deals in more responsiveness than UK firm with activities that are customer-focussed, and the UK firms equally showed such activities and inclusion of compliance to government regulations reduction of carbon emission and MOT Test service which form part of customer education in the implementation of market orientation.

The manufacturing firm in Nigeria showed responsiveness activities by engaging in competitive pricing, prompt delivery and meeting customer specification, while the UK counterpart responded to market by meeting legislated standard from both national regulatory and EU, along with activities like compliance with government regulations to reduce firm’s carbon emission and integration of marketing mix tools in marketing actions. It should be noted that while Nigerian firm responded to meeting customer specification in terms of quality and quantity based on the fact that the firm produced on order from clients, the UK counterpart worked towards meeting legislated standard that meet the need of the customer irrespective of quantity, usage or individual status. Invariably, Nigerian firm product might vary as the client desire in which price or cost factor cannot be ruled out, which is totally opposite to UK firm operations. UK firm’s responsiveness also embraces all marketing mix tools while Nigerian counterpart stressed product and pricing mix.

On a general note, it is inherent and plausible for Nigerian firms’ responsiveness to tend towards sellers’ market while UK firms operations remain keen on buyers’ market practice because of firms disposition to responsiveness to the market and customer needs.

The environment behaviours show that there are relatively more changes and turbulence for firms to cope with in the UK environment than the Nigerian system and yet organisations cope with them because of the firms’ attitude to intelligence. For instance, the pharmaceutical firms sampled in both economies show that UK firms have PCT, NHS, GP, and NVQ to cope with as government and institutional regulations; forth-coming GP on-line prescription to cope with as technological factors, and consumers buying behaviours, while Nigerian firms, in the same industry, have NAFDAC as government institution and regulations to cope with alongside with consumers buying behaviours. Also, the technology environment is relatively more turbulent in UK environment than Nigeria except where individual firms decide to improve on its services. Hence, firms that show relative higher intelligence and responsiveness in the market get more fortunes than the others.
CONCLUSION
The purpose of this study is to show a comparative analysis of market orientation practice among SMEs in Nigeria and the UK with the intent to show the differences and the responsible factors that influence the levels of practice of market orientation in the two countries. The firms in both economies showed a presence and implementation of Kohli, Jaworski & Kohli (1993) model of market orientation in operation, but at different proportion of integration and emphasis.

The findings show the evidence of comprehensiveness and high recognition of environmental peculiarities in intelligence generation and dissemination to determine firms’ responsiveness in the market on the part of UK firms than the Nigerian counterparts. In other words, the Nigerian firms show a narrow application and inadequacy of usage of intelligence generation and dissemination tools to explore and understand the market environmental factors in the economy, and this subsequently affect effectiveness of the market operation in their operations. And this position of Nigerian firms may not be disconnected from the nominal attention to marketing practice and low marketing education background of top management (Winston & Dadzie: 2002). Consequently, the disposition of firms or management towards intelligence generation and dissemination would determine the quality of responsiveness in the market, and the fact remains that where market orientation is attended to with marginal attention and focus, the likelihood of sellers’ market cannot be ruled in certain sectors of the economy as can be pointed out in Nigerian experience more than UK.

SELECTED REFERENCES

Kofi Poku, Kwame Nkrumah University of Science and Technology, Ghana

The State Insurance Company Ltd (SIC), a market leader, having enjoyed monopoly in the insurance industry over government projects for many years is faced with declining market share as a result of keen competition emanating from change in government policies. This has necessitated SIC to adopt strategies to retain its customers and to arrest the falling trend in her market share in order to keep her position as the market leader. The study examined the trend in market share of SIC from 1999 to 2004, the major relationship marketing strategies adopted by SIC for the same period and how they affected customer retention. Critical success factors for relationship marketing for customer retention in the insurance industry in Ghana were obtained. Valued clients from three key offices of SIC were selected through purposive sampling and survey questionnaire and interviews were employed. Using trend analysis for the market share and Zeithaml and Bitner (2000) model for relationship marketing strategies, the study revealed that SIC generally experienced a falling trend in its overall market share from 1999 to 2003. However, 2004 showed the beginning of a steady rise in its market share. Market share and return on equity showed a negative correlation between them except in 2004 where results from SIC’s customer retention strategies began to show. The study also revealed that SIC employed financial, social and customization bond strategies for customer retention of which financial bond strategies was found to be potentially burdensome without a long-term benefit. Social and customization bonds strategies were however found to be critical to the success of retaining customers.

INTRODUCTION

By the end of 2003, the insurance industry in Ghana was made up of 18 insurance companies with performance between 1999 and 2003 characterized by a general increase in premium income. Gross premium for general business increased from Gh¢14,911,580 in 1999 to Gh¢57,111,578 in 2003 which represents a yearly average growth of 40.5% while the market share of SIC seem to be on the decline over the period.

The State Insurance Company of Ghana (SIC), formerly a state owned enterprise, enjoyed market leadership in Ghana until the early 1990s following the Government’s revision of policies which removed its monopoly. This brought about keen competition leading to a decline in SIC’s market share. Thus, requiring SIC to adopt strategies to retain her customers and to arrest the falling trend in her market share in order to keep her position as the market leader. SIC handles both general and life insurance business where in the general business category, its key competitors included Enterprise Insurance Company Ltd., Metropolitan Insurance Company, Ghana Union Company Ltd., Vanguard Assurance Company Ltd. and Star Assurance Company Ltd. This study focused on general business of SIC within the category of Accident, Fire, Marine, Aviation and Motor insurance. The study examined the trend in market share of SIC from 1999 to 2004, the major relationship marketing strategies adopted by SIC for the same period and how they affected customer retention.

LITERATURE REVIEW

The Concept of Relationship Marketing and its Benefits

The concept of relationship marketing is a market-led, customer oriented, general management concept, based in part on a return to marketing’s root and the original marketing concept. It aims at building long-lasting, sustainable win-win relationships between provider and receiver of goods and services (Webster, 1992; Gronroos, 1990) so that the customer would only want to be served by that particular company as a result of high switching cost (Jackson, 1985), Trust (Morgan and Hunt, 1994), loyalty.
Kandampully (1997), service quality and customer satisfaction (Zeithaml and Bitner, 2000), among other things, for a mutually beneficial relationship. According to Berry (1983) the primary goal of relationship marketing is to build and maintain a base of committed customers who are profitable for the organization in the long term. This brings benefits for both the firm and the customer. To the customer confidence benefits, social benefits and special treatment benefits are expected as they buy from the firm that they perceive offers the highest customer delivered value (Gwinner et al., 1998). To the organization, a lower cost is accrued and employees are retained as a result of a stable base of satisfied customers (Reichheld, 1996).

**Customer Retention**

Customer retention is the continuous attempt to satisfy and keep current customers actively involved in conducting business (Harris, 2003). Thus, a well-developed plan for customer retention creates an environment where current customer needs are met on an ongoing basis while new needs are explored. Such environment is consolidated through the use of relationship marketing which acts as a catalyst to understanding the value of customer retention with the primary goal of building and maintaining a base of committed customers who are profitable for the organization (Peck et al., 1999). Since customers may not remain loyal forever, there is therefore the need to pay closer attention to customer defection rate through defining and measuring retention rate; distinguishing the causes of customer attrition and identifying those that can be managed better, after which customer retention strategies should be adopted (Kotler, 2000).

**Customer Retention Strategies**

Zeithaml and Bitner (2000) have combined the customer relationship strategies of Berry and Parasuraman (1991), and Pine (1993) into a model which the author has adopted for the study:

The model of Berry and Parasuraman (1991) reported of three customer value-building strategies as follows:

- **Adding financial benefits** (the customer is tied to the firm primarily through financial incentives – lower prices for greater volume purchases or lower prices for customers who have been with the firm a long time.)
- **Adding social benefits** (customers are bound to the firm through more than financial incentives, while price is still assumed to be important, at this level retention marketers build long-term relationships through social and interpersonal as well as financial bonds),
- **Adding structural ties** (structural bonds are created by providing services to the client that are frequently designed right into the service delivery system for that client. Often structural bonds are created by providing customized services to the client that are technology based and serve to make the customer more productive.)

In addition, Pine (1993) also proposed customization bonds strategies to precede the structural bonds. Zeithaml and Bitner (2000) put the four strategies (financial benefits, social benefits, structural bonds, and customization bonds) discussed above together with a resultant model having the four bonds with the attendant activities surrounding each bond, and all fueled by excellent service quality and value (Fig. 1).
Figure 1. Levels of Retention Strategies

Source: Zeithaml and Bitner (2000)

Market Share
Well-managed organizations measure performance in such areas as market share, sales volumes, number of outlets carrying the product and number of new products developed. These are measures used to indicate whether marketing objectives are being achieved. (Donnelly et al. (1992). Market share, which can be explained as a firm’s sales in relation to total industry sales is generally accepted to equate company success when increasing whereas a decrease signifies a manifestation of unfavorable actions/inactions (O’Regan, 2002). Market share is also acknowledged as a key indicator of industry growth (Lynch, 2000). While some researchers however contend that market share does not necessarily indicate high organisational performance or profitability (Mische, 2001), others suggest that a small market share can be financially healthy (Hamermesh et al., 1978; Woo and Cooper, 1983).

METHODOLOGY
The State Insurance Company of Ghana Limited has 15 offices nationwide out of which three (Accra, Kumasi and Tema Offices) were selected purposively for the study because they generate the bulk (92%) of the total premium income of SIC. The respondents, the valued clients, were the top twenty to sixty corporate clients of each selected office who contributed up to 80% of each office’s premium income. A total of 120 valued clients were identified in the three selected offices of SIC: 60 from Accra office, 40 from Kumasi office, and 20 from Tema office. Using the recommendation of Mugenda and Mugenda (1999), 50% of the population of valued clients from each selected office was randomly selected.
Survey questionnaire and interviews were used to gather primary data from senior officers in charge of insurance from the selected valued clients regarding relationship marketing and customer retention strategies of SIC. In addition, trend analysis were conducted on the desktop data of the market share of SIC for the period under the study.

ANALYSIS AND DISCUSSIONS OF RESULTS

Overall Market Share

As shown in table 1 below, the top seven insurance companies in the insurance industry in Ghana controlled about 88% of the total market share in each year under review. There were nineteen insurance companies in the industry at the close of 2004 and SIC alone had market share ranging from 38% to 50% in the years under review. The market share of SIC fell by 5% from 1999 to 2000. The reason for this fall, among others, were due to stiff competition, poor customer service, falling corporate image, and lack of innovation on the part of SIC. In 2001, SIC further lost 7% points, while the other competitors either maintained their market share or decreased slightly. During this period, in order to withstand the new wave of competition, SIC introduced some interventions. These included organizational restructuring, re-training of staff with emphasis on customer service, introduction of customer retention strategies and innovative products, improvement in processes and procedures through information technology, modernization of the internal business environment, prompt claims processing, and repositioning of the company, among others. These strategies had not fully gained ground so a slight increase in market share of 2% in 2002 was lost in again in 2003. However, in 2004 there was a significant increase of 5% market share, the highest since the company’s downward trend. Indicating the probable positive results of the numerous strategies adopted by SIC since 2001.

Table 1. Market Share by Gross Insurance Premium of General Business (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>State Insurance</th>
<th>Metropolitan</th>
<th>Enterprise</th>
<th>Ghana Union</th>
<th>Vanguard</th>
<th>Star</th>
<th>Provident</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>50</td>
<td>10</td>
<td>9</td>
<td>7</td>
<td>9</td>
<td>4</td>
<td>4</td>
<td>7</td>
<td>100</td>
</tr>
<tr>
<td>2000</td>
<td>45</td>
<td>14</td>
<td>9</td>
<td>7</td>
<td>9</td>
<td>4</td>
<td>3</td>
<td>9</td>
<td>100</td>
</tr>
<tr>
<td>2001</td>
<td>38</td>
<td>14</td>
<td>14</td>
<td>7</td>
<td>10</td>
<td>4</td>
<td>3</td>
<td>10</td>
<td>100</td>
</tr>
<tr>
<td>2002</td>
<td>40</td>
<td>13</td>
<td>15</td>
<td>7</td>
<td>8</td>
<td>4</td>
<td>3</td>
<td>10</td>
<td>100</td>
</tr>
<tr>
<td>2003</td>
<td>38</td>
<td>12</td>
<td>16</td>
<td>5</td>
<td>8</td>
<td>5</td>
<td>4</td>
<td>12</td>
<td>100</td>
</tr>
<tr>
<td>2004</td>
<td>43</td>
<td>9</td>
<td>13</td>
<td>7</td>
<td>7</td>
<td>6</td>
<td>3</td>
<td>12</td>
<td>100</td>
</tr>
</tbody>
</table>

The corresponding return on equity (a measure of profitability) for the same period indicated a negative correlation generally with market share, except for the year 2004 (figure 2). This because in 2002 when the strategies of the new management started showing results there was a slight increase in market share while return on equity (a measure of profitability) took a slight dip mainly due to increase in exceptional expenditure items such as retrenchment cost and payment of credit guarantee claims. Thus, confirming that market share does not necessarily lead to increased profit as suggested by Mische (2001). In 2004, a positive correlation began to show between market share and return on equity, in agreement with O’ Regan (2002) who reported that firms with increased market share were likely to have higher performance and in particular, achieve enhanced financial performance, greater customer retention and customer
satisfaction. Thus, confirming the fact that the new measures put in place by management had began to bear fruit.

Figure 2. Trend in SIC’s Overall Market Share Versus Return on Equity
Customer Retention Strategies Adopted by SIC

Customer Retention Strategies
Quality in Core Service. In examining service quality of SIC which is at the centre of the relationship marketing strategies for customer retention is excellent service quality and value (Fig. 1), the study revealed that SIC’s pursuit for total customer satisfaction and growth in premium income through efficient customer service delivery included continuous introduction of new products and modifying existing products to meet customer needs; training staff in customer care; improving work environment for customers to feel comfortable; improving processes through installation of modern technology and improving employee conditions of service to motivate them to serve clients better. These yielded favorable rating from majority of respondents (Table 2).

| Table 2. In your opinion how would you rate the quality of service delivered by SIC? |
|---------------------------------|-----------|-----------|
| GRADE             | FREQUENCY | PERCENTAGE |
| Excellent         | 4         | 8         |
| Very Good         | 12        | 24        |
| Good              | 29        | 58        |
| Fair              | 5         | 10        |
| Total             | 50        | 100       |

Notable among the services which appeal to its clients were the ability to pay claims followed by the fact that SIC was a state owned company (Table 3). Since insurance is a promise to indemnify the insured in the event of a loss and if customers think SIC has the ability to pay claims, it is a big plus for the company. The involvement of the Ghana government in SIC proves to be an asset for SIC in retaining its customers and so the government should not totally shed of its commitment as it ushers the company to become public funded.
The study further revealed that SIC adopted financial bonds, social bonds, and customization bonds strategies. Respondents generally found these strategies to be effective. The structural bonds were however, yet to be adopted. Financial bonds strategy was found to be sustainable and could not be used for competitive advantage for SIC since customers were always asking for more incentives. Social bonds and customization bonds strategies were however, found to satisfy the needs of majority of respondents such that 90% of the respondents described their relationship with SIC from being good to excellent under social bond strategy whiles 72% of respondents found customization bonds strategies to satisfy their needs.

### Table 3. Customers Reasons for Choosing SIC

<table>
<thead>
<tr>
<th>Reason</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability to pay claims</td>
<td>24</td>
<td>48</td>
</tr>
<tr>
<td>State owned company</td>
<td>16</td>
<td>32</td>
</tr>
<tr>
<td>Excellent customer service</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>SIC is market leader</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Customer Defection Rates**

Customer defection rates (the percentage of customers who leave in one year) in SIC over the period under study showed a downward trend as depicted in Fig. 3. In 1999 the defection rate was 6.73%, this dropped steadily to 4.72% in 2000 and then to 4.63% in 2001. The year 2002 saw a remarkably drastic fall in the defection rate to 0.91% confirming the positive effect of the strategies by SIC management introduced in 2001. In 2004 SIC achieved zero percent target. The relationship marketing strategies could be said to be very effective since they have consistently reduced customer defection, thus increasing customer retention.

**Figure 3. Trend in SIC Client Defection Rate**

CONCLUSIONS AND IMPLICATIONS

The market share of SIC generally declined for the period under review except in 2004, whiles its profitability generally increased. This confirms that market share is not always an indicator of profitability. However, in 2004, when results from customer retention strategies started showing
significantly, market share and profitability started increasing simultaneously, also pointing towards a healthy firm.

The State Insurance Company Ltd (SIC) adopted financial bonds, social bonds, and customization bonds from the Zeithaml and Bitner (2000) model. However, the financial bond strategy appeared burdensome and unsustainable. Hence, not a recommended strategy for SIC to bank her hopes on to retain its customers. The social bonds and customization bonds strategies showed promise for customer retention and SIC is encouraged to consolidate her gains here and invest more into these areas company-wide for sustainable results since customer defection rate significantly reduced with the introduction of these strategies.

The prompt honor of compensation and perceived government involvement are the leading factors which attracted customers to SIC. These are factors that must be highlighted and consolidated for competitive advantage even as SIC becomes a public-funded organization and will like to assert itself as a market leader in the face of keen competition.

SELECTED REFERENCES
Competitiveness of African Businesses in International Markets through Branding Strategies: A Case of Tanzanian Enterprises

Lufumbi J. Mwaipopo, University of Dar es Salaam, Tanzania

Export trade by emerging African Enterprises is seen as a promising avenue for faster growth. However, significant challenges such as psychological barriers, organizational difficulties, and marketing complexities face these enterprises. Export product branding can go a long way in improving competitiveness in international markets and help overcome some of the marketing complexities. However, evidence from this study shows that it is poorly carried out. Five enterprises of different sizes were studied and the results from depth interviews with their managers are discussed. Not a single one of these enterprises has a comprehensive branding strategy in place. Even aggressive promotion to achieve brand name recognition of their export products is hardly existent. There is over reliance on foreign middlemen and preferential access schemes offered to African developing countries. Positive word-of-mouth appears to be another main avenue through which new business is acquired. It is recommended that managers should adopt aggressive branding strategies beginning with strong name recognition, impress upon customers the distinguishing attributes of the brand and develop emotional attachment to it. Cost efficient channels should be used as widely as possible to deliver brand messages.

INTRODUCTION
The importance of Africa’s enterprises in the social and economic development of countries in this continent has been underscored by various authors (Kinunda-Rutashobya, 1999). Hence, the health and growth of such enterprises is a subject of extreme import to leaders and academicians interested in the welfare of Africa. Export trade by many of these enterprises has been seen as a promising avenue for speedier development of these firms and is now gaining increasing attention by researchers in developing countries such as Tanzania (Matambalya 2003). Significant challenges face enterprises that export or wish to do so, such as psychological barriers, organizational difficulties, and marketing complexities (Hornby, Goulding, and Poon, 2002). Branding is an area that can significantly reduce marketing complexity if it is properly incorporated in export strategies. This study explored the nature of branding strategies for export products practiced by Tanzanian enterprises and whether branding is fully appreciated by managers.

Using an exploratory research methodology, the paper approaches the subject by first exploring the literature that deals with exporting enterprises’ environment in Africa and on the branding concept. Then, the findings from in-depth interviews conducted with managers of five Tanzanian enterprises of different sizes and sectors are discussed. An analysis of the branding practices and recommendations for the appropriate avenues to be pursued make up the conclusion of the paper.

AFRICAN ENTERPRISES AND THE INTERNATIONAL TRADE ENVIRONMENT
Many Sub-Sahara African countries have been part of international trade agreements and associations, and are signatories to a number of bilateral and multilateral agreements (WTO, ACP, EPAs, etc.). Such agreements have favoured mainly traditional bulk exports chiefly consisting of agricultural products while scant opportunity has been accorded to non-traditional exports. Towards the turn of the last century, trade in non-traditional exports had generally been promoted at a more individual level. The practice, which continues to some extent up to now, is that individual nations take responsibility to facilitate enterprises engaged in non-traditional exports, while at the same time the concerned firms use their own resources to promote products in foreign markets.

One significant development that took place with a bearing on export trade was the African Growth Opportunity Act (AGOA) established by the United States of America from year 2000. The Act provides...
reforming African countries with the most liberal access to the U.S. market available to any country or region with which the United States does not have a free trade agreement (AGOA, 2000). This represents an unprecedented exporting opportunity for African enterprises if they can meet the import requirements of the U.S. market. On the local spheres, many African countries are vigorously establishing export processing zones (EPZs), whose aim is to encourage firms to produce for export, by giving them a number of incentives that include exemptions from a number of duties.

COMPETITIVENESS IN THE EXPORT TRADE
International trade and export competitiveness has been one area that is increasingly gaining the attention of stakeholders in enterprise development. But enterprises that export or wish to do so, face considerable challenges when it comes to competing in foreign markets. Hornby et.al. (2002) document a number of traditional internal and external obstacles facing firms wishing to export. These are categorized into four main groups which are: (a) psychological problems (include perceptions of high costs and excessive risks; ethnocentric orientation and short-term perspectives); (b) operational difficulties (excessive paperwork; lengthy transaction processing; etc); (c) organizational difficulties (limited resources; lack of information on foreign markets; and lack of export experience); and (d) product/market difficulties (product customization; targeting of markets; tariff and non-tariff barriers; etc.). The impact of such barriers on African enterprises is considerable given that they encounter more disadvantages in comparison to firms in developing countries in other continents, such as India and China.

Psychological barriers may be confronted through education and encouragement by responsible institutions, for example, through entrepreneurship training and expert consultation. Operational and organizational difficulties continue to be tackled by various facilitating organs, which include providing better access to credit and export market information to firms. For example, governments may exempt exporting enterprises from certain levies, encourage them to join EPZs, or schemes like AGOA. Product or marketing difficulties probably provide a stronger challenge that requires some expertise in developing and implementing strategic market targeting. Undoubtedly all four barriers are equally important but this study focuses on the fourth barrier, and in particular, an aspect involving marketing strategy.

DEFICIENCIES IN AFRICAN ENTERPRISES’ EXPORT COMPETITIVENESS
Exploitation of business opportunities offered by schemes like AGOA has been dismal for many countries and one reason for the lack of success is because the U.S. market is highly specialized and needs higher technology that many African producers and manufacturers lack. Local producers should concentrate on improving the quality of their products and work on building competitive capacity within their regions before thinking of exporting to the U.S. (Ibid.). For Tanzania, Matambalya (2003) observed that the country has not been able to develop a vibrant export sector because of restricted knowledge of international trade opportunities and that the country is more dependent on lower order sources rather than higher order sources of competitiveness in exports manifested by economic efficiency through better management techniques, technology and knowledge (Matambalya, 2003).

Hence knowledge of international markets and their operations would mean African enterprises should obtain sufficient information on the end users of their products, their preferences and what needs these products satisfy/are expected to satisfy. They should have a clear understanding of the requirements of partner businesses or importers in the targeted countries and the competitive situation. Better management techniques and technology should include strategic marketing of which branding is paramount. Many local exporters rely heavily on partner businesses in the importing countries and struggle to meet their demands and specifications, but are otherwise very much in the dark about their products’ final trajectories. One consequence of this is that the enterprises’ bargaining power is severely limited, although other factors also contribute to these exporters’ leverage disadvantages. Prominent among these other factors are quality, reliability of supplies, and quality assurance.
BRANDING AS A STRATEGIC COMPONENT OF EXPORT STRATEGY
Branding is not only about getting the target market to choose you over the competition, but also to see you as the one that best provides a solution to their problem (Lake, 2007). A brand of course is defined as a name, term, sign, symbol, or design, or combination of them intended to identify a company’s product and differentiate it from those of competitors (Kotler, 2004). Branding begins with the determination of customer needs and establishing the competitive position of the product or service (Cunningham, 2006; Kotler, 2004). It will require a firm to conduct a systematic marketing effort to instill in the minds of the consumers about who you are, what you do, and what value you bring to them (Masters, 2005).

Kapferer (2004) emphasizes that a brand is more than just a name or trademark. It is the product essence, which bestows it meaning and its direction, and defines its identity in time and space. It is obvious that branding assumes a long term strategic perspective which perhaps might not be characteristic of smaller entrepreneurs who normally try to capitalize on opportunities as they tend to emerge. Nevertheless, branding offers greater benefits in the long term, and the sure path for growth transition of the enterprise.

FINDINGS FROM INTERVIEWS WITH EXPORTING ENTREPRENEURS
An exploratory research methodology was employed using a case study approach (Saunders et al, 2003). Five firms were selected using a purposive/judgment sampling method. The main research questions investigated the type of branding being practiced (i.e. beyond mere labelling); whether a specific product or corporate branding strategy, etc. was used; and whether the firm conducts formal brand strategy planning. The media for communicating the brand and the role of export partners in branding and promotion was also inquired. The firms selected are from five export product categories, and profiles of their characteristics are given in Table 1. The individual cases are discussed in the sections that follow.

<table>
<thead>
<tr>
<th>Enterprise</th>
<th>Size (employees)</th>
<th>Export Product Category</th>
<th>Specific Products Exported</th>
<th>Destination Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clara Handicrafts</td>
<td>4</td>
<td>Handicrafts</td>
<td>Wooden bowls, animal sculptures, Maasai masks, beads, walking sticks, etc.</td>
<td>Italy, Germany, Canada, USA, Japan, South Africa</td>
</tr>
<tr>
<td>HAM Marketing</td>
<td>3</td>
<td>Live creatures</td>
<td>Birds, reptiles, animals, amphibians</td>
<td>Canada, USA, Czechoslovakia</td>
</tr>
<tr>
<td>Azania Sea Foods</td>
<td>350</td>
<td>Sea foods</td>
<td>Prawns, octopi</td>
<td>Belgium, Holland, USA, Japan</td>
</tr>
<tr>
<td>NIDA Textiles</td>
<td>420</td>
<td>Textiles</td>
<td>Bed sheets, “khanga” “kitenge”</td>
<td>Kenya, South Africa, Comoro, Canada, USA, Australia</td>
</tr>
<tr>
<td>Morogoro Canvas Mill</td>
<td>350</td>
<td>Canvas</td>
<td>Heavy, medium, and light duty canvas</td>
<td>Germany, Spain, Netherlands, UK, USA, Saudi Arabia, Kuwait</td>
</tr>
</tbody>
</table>

THE CASE OF CLARA HANDICRAFTS
“Clara Handicrafts” is a business situated at the famous “Mwenge Village” in Dar es Salaam and is renowned for producing and marketing various hand crafted products for the tourist market. The manager, an enterprising female, exports mainly to Europe and America. Distinct items that are for export include wooden bowls, candlestick holders, walking sticks, wild animal and Maasai sculptures, and masks. Other items include bracelets, earrings and bead strings, reed baskets and trays. The export business is mainly non-routine and carried out when foreign importers place orders either after visiting Tanzania or through
various channels of communications. The Internet is one tool for marketing Clara merchandise but she
concedes that word-of-mouth is a very powerful promotional avenue through satisfied customers. The
firm has no website at the moment but uses email contacts, business cards, brochures, etc. to promote
itself. When our discussion came to branding the manager said:

“We have not reached the stage of branding our merchandise with trademarks because most of
the items we market have been crafted or produced by other artists who might be offended and
stir up trouble…”

She conceded that her enterprises’ name is known by a number of customers in the export markets and
particularly for the quality of Clara’s handicrafts. Her clients respond very well to the business strategy of
providing high customer satisfaction through very high quality products and fair trading. The enterprise
does not have sufficient information about their customers and feedback from final consumers is also
non-systematic. The manager said that a private branding strategy might not be possible for all products.
For example, the enterprise markets certain sculptures produced by the famous “Malaba” (and now his
heirs the “Lilangas”) that are so unique and internationally renowned, that they enjoy the status of
designer’s brand.

“In no-way could I camouflage their products using my brand name as clients in Europe and
elsewhere would immediately recognize the source artist and probably even accuse me” she says.

**HAM Marketing Company**

HAM Marketing deals with exports of live creatures such as birds, reptiles, animals, amphibians, and
insects. They export creatures to Belgium, the United Kingdom, Czechoslovakia, the U.S., and Canada.
When the manager was asked why somebody in Europe or elsewhere, should decide to order from HAM
marketing and not from some other firm in Tanzania or Africa at large, she replied that most of her clients
learned about her business through word-of-mouth. She does not claim to have wide brand recognition
but says that the Tanzanian brand in this product category is strong. To promote her brand she uses
business cards, email communications, but has no website. Her approach is more reactive than proactive,
and when intermediaries are used she does not have any information about the final consumers. The core
values of HAM are to uphold the provision of quality products at a good price. One can conclude that
attempts at seriously branding her services are not in existence yet.

**Azania Sea Foods**

Azania Sea Foods mainly exports prawns and octopi to countries such as Holland, Belgium, the U.S. and
Japan. In this business key competitive factors include very high standards of hygiene and quality, apart
from reliability of supplies. Competition in the export market is stiff and conditions for SMEs in
developing countries are made more difficult by the European Union import conditions. The standards set
out for hygiene and product origin are very stringent, according to the manager, making them incur very
high costs in providing acceptable products. The company uses direct marketing in seeking customers and
promotes itself through linkages with international partners. The intermediaries are the main sources of
market information, but they do not access information about final consumers directly. The company has
a website but I was unable to locate it when I conducted a Google search. Their products are labeled
“Azania Sea Foods, Produce of Tanzania.” Hence, this is the brand name that customers interact with.
How strong the country-of-origin brand in this product category is, could not be answered by the manager
we discussed with.

**NIDA Textiles**

This firm produces textile products that include bed sheets, “khangas” and “vitenges” (colourful garments
used by Swahili women for covering, traditional dancing, etc.) and also exports cotton cloth bales. Its
main export markets have been Kenya, South Africa, Comoro Islands, the USA, Canada, and Australia.

676
the U.S., the main exports were bed sheets and this was under the AGOA scheme. However, at present, NIDA has suspended exporting its products due to extreme competition from other exporters such as China. Other barriers to international trade facing NIDA include high utility costs especially electricity and the wage bill for expatriate technicians.

NIDA exports its products under the brand name “NIDA Export.” The firm has a website from which important information can be obtained. The company does have a lot of communication with its business partners in the countries it exports to. However, there was no indication whether it has sufficient information on final customers of its products. That is, the ultimate users of the bed sheets. There are strong indications that NIDA management has some good experience in the export business and has been hailed as one of the pioneers in export of textiles under the AGOA scheme (AGOA News, 2004). Nevertheless, one cannot discern a concrete branding strategy being in place.

**Morogoro Canvas Mill (MCM)**

MCM produces heavy, medium and light duty canvas for export to the Middle East, Europe and America. Currently it is the only such enterprise in the East African region. The products are used for tents, covers for tractors and trucks, umbrellas, safari chairs, etc. Importing agents in the target countries are the main channels used, and the firm promotes its brands and sources export information through them, the Internet and word-of-mouth. When asked as to how systematic this information is acquired, the manager conceded that it was very informal and intermittent. The main competitive advantage of MCM is in the quality of the canvas especially its water proof and durability attributes. The firm has a website but does not have any comprehensive marketing communications program for the export markets let alone the internal market. There is no evidence of any formal efforts at inculcating the core values of the company in their brand communications. Clearly there is no semblance of a branding strategy for the export markets.

Table 2 summarizes the branding characteristics for the respective products. The managers were asked what basic customer need is being satisfied, personalities, what are the core values, and the differentiators of their brands. [No scales were used as the questions were open-ended]
Table 2

<table>
<thead>
<tr>
<th>Enterprise</th>
<th>Brand name</th>
<th>Customer need being satisfied</th>
<th>Core value of the brand</th>
<th>Brand personality</th>
<th>How brand is being promoted</th>
<th>What differentiates brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clara Handicrafts</td>
<td>Clara Handicrafts</td>
<td>Artistic-cultural experience</td>
<td>High quality at fair price</td>
<td>Cannot say</td>
<td>Trade fairs, email, word-of-mouth, importers</td>
<td>High quality, raw material, exceptional artistry</td>
</tr>
<tr>
<td>HAM Marketing</td>
<td>HAM Marketing*</td>
<td>Affection, recognition</td>
<td>Exotic pets</td>
<td>Difficult to say</td>
<td>Email, word-of-mouth, agents</td>
<td>Unique species, varied species</td>
</tr>
<tr>
<td>Azania Sea Foods</td>
<td>Azania Sea Foods</td>
<td>Appetite</td>
<td>Highest standard of freshness &amp; taste</td>
<td>Don’t know exactly</td>
<td>Internet, international business partners</td>
<td>Delicious sea food</td>
</tr>
<tr>
<td>NIDA Textiles</td>
<td>Nida Export</td>
<td>Comfortable sleep</td>
<td>High quality</td>
<td>Haven’t thought about it</td>
<td>Website, design</td>
<td>Comfort, design</td>
</tr>
<tr>
<td>Morogoro Canvas Mill</td>
<td>MCM</td>
<td>Reliable protection</td>
<td>Resilience</td>
<td>Dependable</td>
<td>Website, agents, word-of-mouth</td>
<td>Durability, leak and rot proof</td>
</tr>
</tbody>
</table>

*Products are not formally labelled but customers identify them through the marketer’s name.

Key Observations
The study reveals the absence of a comprehensive branding strategy. Specifically, there are no branding policies and objectives; no description of brand attributes and benefits or brand positioning statements; no organized systems for acquisition of customer information; and there was almost total ignorance of final customer information. Apparently many of these entrepreneurs have a limited understanding of the branding concept. Many respondents initially thought we were discussing about labelling and brand names. I had to explain that branding involves much more, including a total commitment to the welfare of the company’s products and a continuous effort to win the hearts and minds of your customers, clients, and prospects through their experiences with it and perceptions (Kapferer, 2004; Lake, 2007). All the managers conceded that brand name recognition is very important but some were at a loss to explain how this could be achieved to rival their stronger international competitors.

CONCLUSIONS AND RECOMMENDATIONS
Aggressive branding strategies appear to be ignored, or are not fully comprehended for their power in strategic positioning in international markets. Proper knowledge of the needs being satisfied in the target markets guides the positioning strategy. Over reliance on importing agents in the destination countries limits an enterprise’s bargaining power. A powerful brand will have a pull effect and therefore the exporter can dictate some terms to the importer. Branding requires a long-term perspective and therefore a long-term commitment in terms of resources. The core values that every enterprise eschews to should form the starting point for developing the branding strategy. Segmentation and targeting coupled with a comprehensive marketing communications campaign through low cost tools should be applied. The Internet, state sponsored international trade fairs, diplomatic missions, etc. are examples of cost-efficient but very effective promotional avenues. The implications are that government planners and academicians should educate and emphasize to managers the importance of branding. Further research should be conducted in appropriate branding and positioning strategies for specific export sectors in Africa.
REFERENCES
Assessing Consumer Preference of Origin-Labelled Drinks and its Implications for Food and Drinks industry in Ghana

Fred A. Yamoah, Kwame Nkrumah University of Science and Technology, Ghana
Paul N. Buasti, Kwame Nkrumah University of Science and Technology, Ghana

Country of produce label is an important factor that affects consumer evaluation of food and drinks on the market. The direction of international marketing for food and drink has shifted to emerging markets since developed country markets are matured and saturated. Thus, consumer preference for domestic versus foreign drinks on the Ghanaian market is investigated. A survey carried out captured purchase preference, level of satisfaction and demographic links for alcoholic drinks from Ghana, Nigeria, Cote d’Ivoire, South Africa, Japan, USA and UK. Results of the analysis indicates frequently purchased alcoholic drinks range from Ghana, Nigeria, Cote d’Ivoire, South Africa, Japan, USA and UK. Level of satisfaction for alcoholic drinks purchased on the basis of origin-labeled rating also reveals: UK, USA, South Africa, Ghana, Japan, Cote d’Ivoire and Nigeria. The domestic alcoholic brand though popular is weak in the class of UK and USA brands; equal with South Africa and Japan; and strong amongst Nigeria and Cote d’Ivoire. The study further reveals that higher income earners are more likely to purchase domestic alcoholic beverages. It thus appears that the prospect of increased utilization of domestic cereals by the local breweries is not promising.

INTRODUCTION
Agricultural producers and agro-food companies face food and drinks market growth challenges and intense competition due to trade liberalization across globe. Agro-based industries in developed countries are confronted with overproduction and matured food and drinks markets. Most agro-food producers in these matured markets have started expansions into the world's emerging markets of Eastern Europe, Asia, Latin America, Africa and Middle East. On the other hand, agricultural and agro-food industry in developing countries is characterised by underproduction, post harvest losses, absence of ready markets, and increasing foreign food and drinks imports. It is also a growing market because of its increasing population but the majority of consumers have low disposable incomes. Part of the influx of foreign food products into developing markets is alcoholic drinks from developed countries where the brewery industries are experiencing increasing saturation in their mature markets (Nugent 2005). Alcoholic drink markets around the world that are presently witnessing expansions include Brazil, Eastern and Central Europe, China (Smoluk et al. 2004); and most sub-saharan African countries (Yamoah & Madichie 2005).

According to Yamoah & Madiche (2005) Africans consume the equivalent of 2.5 million 300 ml bottles of Guinness a day. Nigeria, Africa’s largest nation with 127 million people accounts for about half of these sales. African countries - Nigeria, Kenya, Cameroon, Ivory Coast and South Africa - account for five of the 10 largest markets by volume in the world for Guinness and 40 per cent of worldwide profit, according to Deutsche Bank’s 2004 estimate. Alcoholic drinks on the markets of developing countries can broadly be classified into foreign and locally produced brands. Consumers associate with either of the two or both brands depending on their demographic factors and/or product attributes. Thus, producers and dealers of alcoholic beverages in developing countries will have to understand consumers’ preferences and add value to their brands to meet the needs of consumers (Van Trip et al. 1993). Value added alcoholic drinks with special characteristics, for instance, may also attract consumers and add to their satisfaction. However, researching consumer preference as a means to meet their needs with a suitable product is one area which has not been widely studied in developing/emerging countries; particularly for alcoholic drinks.
In fact, there is little or no effort to determine the value that consumers may place on alcoholic drinks with respect to factors other than quality and price for the purpose of further distinguishing these products. It is essential to note that in a situation where consumers have to choose from competing alcoholic drinks, country-of-origin benefits to promotion would appear to be especially relevant, particularly in cases where consumers may differ widely in the benefits sought; and/or are little or less familiar with brand names, and evaluate origins rather than products. Research evidence indicates that country of origin of products influences consumers’ choice of foreign versus local brands (Heslop and Papadopoulos, 1993; Patterson and Tai 1991; Al-Sulaiti and Baker, 1997; Verlegh, 2001, Yamoah, 2005). The aim of this paper was to gain knowledge about Ghanaian consumers’ country-of-origin preferences for alcoholic drinks. Simon Anholt’s (brand consultant and author of *Brand New Justice*) posits that *beer is sold on the story of its brewing heritage and you can't tell that story without tying it to the country of origin* (Anholt, 2003). This quotation will obviously hold for all known range of alcoholic beverages.

The objectives of this paper thus are:

i) To ascertain country sources of preferred alcoholic drinks of Ghanaian consumers.

ii) Assess the relative levels of perceived consumer satisfaction from purchasing preferred alcoholic drinks.

iii) Investigate Ghanaian consumer purchase preference for local and foreign alcoholic drinks on the market.

iv) To determine how income levels of consumer relates to preference for labeled alcoholic drinks

To this end, purchased country-of-origin preference for alcoholic drinks, frequency of purchase, perceived satisfaction and demographic factors were studied within a representative sample of consumers. It is envisaged that the findings of this will provide a basis to assess whether the competitiveness of Ghana labeled alcoholic drinks is strong or relatively weak, judging from consumers’ perspective. Such information will provide an insight into the prospects of utilizing more locally grown cereals like sorghum by Ghanaian breweries.

**THE ALCOHOLIC DRINKS MARKET IN GHANA**

Alcoholic drinks plays significant role in the socio cultural life of Ghanaians. It is used extensively in festivals, weddings, funerals, child naming ceremony and at most social events. Despite the absence of a coordinated data on alcoholic drinks marketing and consumption in Ghana, the increasing number of outlets selling alcoholic beverages coupled with the emerging late evening and weekend drinking habits points to an upsurge in consumer purchases. For instance, Diageo group a leading producer of alcoholic drinks globally with a subsidiary in Ghana predicts annual growth consumption in beer by 3.6% for the period 2002 – 2010 (Fletcher, 2006). The brewery industry in Ghana placed third in the ranking both by turnover and by after tax earnings in the first quarter of the year 2006 (Stateman May 2006). The same stateeman’s report indicates Guinness Ghana Brewery Limited made remarkable growth rates in their topline and bottom-line, arising from its merger as well as from its aggressive marketing strategy. Guinness Ghana Brewery Limited’s contribution to the industry’s sterling performance was outstanding. Although, Accra Brewery Limited, a key player in the brewery industry seems to be struggling with its operations and reported a loss for its most recent nine-month ended December 2005. This notwithstanding, the brewery industry turnover advanced by 41% from ¢711 billion to ¢1 trillion while net after tax earnings jumped by 58% from ¢77 billion to ¢122 billion in the year 2005. It is also important to report that traditional alcoholic beverages like Pito, Palm wine, Akpeteshie, Burukutu are still popular with Ghanaian consumers, particularly in the peri-urban and rural areas the country. Practical steps are been taken to increase the utilization of locally grown grains and cereals in the brewery industry in Ghana. A case in point is the credits being extended to sorghum producers in the Northern region of Ghana primarily targeting the growing brewery industry as a source of market.
Country-of-origin and consumer product evaluations
The potential for differentiating quality products on the basis of region of production has been recognised by both researchers and marketing practitioners. As a result, legislation has been introduced for protecting the geographical indications and designations of origin for agricultural products and quality foodstuffs (Skuras and Vakrou 2002) on the market. Many of the studies conducted on country-of-origin (COO) effects on products evaluations have indicated that, in general, consumers are able to establish associations between certain products and their origin. It has also emerged in the last two decades that, the origin of a product as a potential source of market value has received considerable attention from both marketing researchers and practitioners (Peterson and Jolibert, 1995). Bérand & Marchenay (1995) also indicates that because food products by their very nature are land-based product, their geographical origins seem to embody strong associations with place. This assertion may hold for drinks, being it alcoholic and non-alcoholic. It is also worth noting that country-of-origin has been found to have a larger effect on perceived quality than on consumer purchase intention and attitude towards the product. (Verlegh and Steenkamp, 1999).

Country-of-origin influence on Consumer Preference for Alcoholic Drinks
A study of the Northern Ireland wine market utilising questionnaires distributed through off-licences to two hundred and ten respondents found country-of-origin is the most important factor for consumers when selecting wine (Keown & Casey, 1995). The same study further indicates that consumers rated French wines as the most preferred brands. Angulo, et al. (2000) in a study which relates the price of wine to its various attributes found that region of production (wine growing area) is the main determinant of wine prices. Wine attributes that were considered as independent variables against price as dependent are: region of production, the year vintage, grape variety, alcoholic content and expert quality ratings. The study results further indicate that the region of production and the year vintage are the main market price determinants. The study also concludes that the grape variety and the alcoholic contents are not significantly correlated with red wine prices. Speece et.al. (1994) found that Hong Kong consumers select alcoholic drink brands based on quality characteristics, particularly taste. This is closely followed by beer’s image and the country-of-origin. Interestingly, price was found to be unimportant to consumers surveyed.

Global Brewery Industry
The brewing industry has recently experienced increasing saturation and industry consolidation in mature markets (Nugent, 2005) of Western Europe, North America and Australia. For instance, due to the maturity of beer markets in developed economies, the main form of growth of established breweries has become domestic and foreign acquisitions. Recently, brewing companies have started expansion into the world's emerging markets, especially into the buoyant and growing markets of Central and Eastern Europe, China and Brazil (Smoluk et al. 2004). Another alcoholic drink that is experiencing increasing competition on the international market is wine. Traditional wine producing countries of Europe has dominated the wine industry for many years. The changing international marketing environment has encouraged an influx of wines from countries such as America, Chile, South Africa, Australia and New Zealand, among others on most markets of the world. As the portfolio of wines on the market continues to expand, the challenge for survival of both new and traditional wine-producing countries is intensified.

METHODOLOGY
This study employed cross-sectional field survey to investigate Ghanaian consumer’s preference for origin-labelled alcoholic drinks. Questions probing personal details and likert-type statements were used in the questionnaire to solicit consumer perception and purchase preference for alcoholic drinks from Ghana, Nigeria, Cote d’Ivoire, South Africa, Japan, USA, UK and Others. One hundred and seventy five well completed questionnaires were assembled after administration to respondent in the Accra
Metropolis. In addition to questionnaires, an in depth interview was carried out with major distributors of alcoholic drinks in the city of Accra prior to the main consumer questionnaire administration. The current study was undertaken to identify how often consumers buy country origin labeled alcoholic drinks from the selected country sources. It also seeks to find out the perceived levels of consumer satisfaction from purchasing the respective origin labeled alcoholic drinks. Again, the study aims to assess foreign versus domestic alcoholic drinks preference among consumers and to also investigate relationship between consumer demographics and alcoholic drinks preferences. Descriptive statistics, cross tabulation and paired samples test for significance were used to process and present data into meaningful information. Results of the data analysis and discussions are presented in the next section of this paper.

RESULTS AND DISCUSSIONS
In this study the Ghanaian consumer’s preference for origin labeled alcoholic drinks was assessed using structured questionnaires. One of the objectives of the study was to find out how often consumers buy alcoholic drinks brewed or produced in Ghana, Nigeria, Cote d’Ivoire, South Africa, USA, UK and Other country sources. Table 1 below indicates the purchasing pattern for alcoholic beverages from the selected countries.

<table>
<thead>
<tr>
<th>Country origin of Alcoholic Drink</th>
<th>Consumer Purchase Preference Pattern for Alcoholic Drinks (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Never Purchase)</td>
</tr>
<tr>
<td>Ghana</td>
<td>35.9</td>
</tr>
<tr>
<td>Nigeria</td>
<td>83.7</td>
</tr>
<tr>
<td>Cote d’Ivoire</td>
<td>78.2</td>
</tr>
<tr>
<td>South Africa</td>
<td>68.5</td>
</tr>
<tr>
<td>Japan</td>
<td>80.5</td>
</tr>
<tr>
<td>USA</td>
<td>49.0</td>
</tr>
<tr>
<td>UK</td>
<td>35.9</td>
</tr>
<tr>
<td>Other Countries</td>
<td>42.6</td>
</tr>
</tbody>
</table>

It is clear from the above table that Ghanaian consumers’ alcoholic drinks rating in a decreasing order of preference reveals Ghana, UK, USA, Japan, Other countries, South Africa, Cote d’Ivoire and Nigeria. This implies that 64.7% of consumers prefer foreign brands of alcoholic drinks. In order to draw implication from the study consumer level of satisfaction results presented in table 2 below were also discussed.

On the level of satisfaction scale, table 2 above indicates that UK origin alcoholic drinks was rated first, followed by USA, South Africa, Other Countries, Ghana, Japan, Cote d’Ivoire and Nigeria. From domestic versus foreign classes, the results shows that Ghanaian consumers are more satisfied with purchasing foreign drinks than domestic brands.
### Table 2: Level of Satisfaction with Purchase

<table>
<thead>
<tr>
<th>Country origin of Alcoholic Drink</th>
<th>Level of Satisfaction with Alcoholic Drinks Purchases (%)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Not Satisfied)</td>
<td>(Somewhat Satisfied)</td>
</tr>
<tr>
<td>Ghana</td>
<td>16.3</td>
<td>27.6</td>
</tr>
<tr>
<td>Nigeria</td>
<td>43.1</td>
<td>36.0</td>
</tr>
<tr>
<td>Cote d’Ivoire</td>
<td>38.0</td>
<td>40.2</td>
</tr>
<tr>
<td>South Africa</td>
<td>13.8</td>
<td>27.7</td>
</tr>
<tr>
<td>Japan</td>
<td>27.5</td>
<td>28.6</td>
</tr>
<tr>
<td>USA</td>
<td>10.6</td>
<td>13.5</td>
</tr>
<tr>
<td>UK</td>
<td>7.1</td>
<td>10.7</td>
</tr>
<tr>
<td>Other Countries</td>
<td>13.6</td>
<td>28.4</td>
</tr>
</tbody>
</table>

### Table 3: Comparing Purchase Preference and Level of satisfaction for Local and Foreign Alcoholic Drinks

<table>
<thead>
<tr>
<th>Alcoholic Drink Purchasing Attribute/Country</th>
<th>Ghana</th>
<th>Nigeria</th>
<th>Cote d’Ivoire</th>
<th>South Africa</th>
<th>Japan</th>
<th>USA</th>
<th>UK</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country of Origin Preference (*Always Purchase %)</td>
<td>35.3 (1&lt;sup&gt;st&lt;/sup&gt;)</td>
<td>4.8 (8&lt;sup&gt;th&lt;/sup&gt;)</td>
<td>5.4 (7&lt;sup&gt;th&lt;/sup&gt;)</td>
<td>6.0 (6&lt;sup&gt;th&lt;/sup&gt;)</td>
<td>7.3 (4&lt;sup&gt;th&lt;/sup&gt;)</td>
<td>10.7 (3&lt;sup&gt;rd&lt;/sup&gt;)</td>
<td>13.1 (2&lt;sup&gt;nd&lt;/sup&gt;)</td>
<td>6.6 (5&lt;sup&gt;th&lt;/sup&gt;)</td>
</tr>
<tr>
<td>Level of Satisfaction (*Satisfied and Delighted %)</td>
<td>56.1 (5&lt;sup&gt;th&lt;/sup&gt;)</td>
<td>20.9 (8&lt;sup&gt;th&lt;/sup&gt;)</td>
<td>21.8 (7&lt;sup&gt;th&lt;/sup&gt;)</td>
<td>58.5 (3&lt;sup&gt;rd&lt;/sup&gt;)</td>
<td>44.0 (6&lt;sup&gt;th&lt;/sup&gt;)</td>
<td>76.0 (2&lt;sup&gt;nd&lt;/sup&gt;)</td>
<td>82.1 (1&lt;sup&gt;st&lt;/sup&gt;)</td>
<td>58.0 (4&lt;sup&gt;th&lt;/sup&gt;)</td>
</tr>
</tbody>
</table>

*The figures represent percentage of respondents who ‘always buy’ and exclude ‘sometimes buyers’. **The figures represent percentage of respondents who are ‘satisfied’ plus respondents who are ‘delighted’ with purchase and it exclude ‘somewhat satisfied’ respondents.

Tables 3 above, was designed to place results in tables 1 and 2 side-by-side for a better insight into both consumer preference and level of satisfaction scales. Ghana’s first position with respect to frequency of purchase and the fifth position on the level of satisfaction scale raise product quality and value for money questions. Conversely, UK and USA are holding good positions on both frequency and satisfaction scales. Percentage of respondents’ levels of satisfaction is way greater in magnitude compared to the frequency of purchase figures. The difference between the percentages of satisfaction for alcoholic drink from Ghana (56.1%) and that of UK (82.1%) and USA (76.0%) is considerably big relative to preference percentages.

**Paired Samples Test for Preference of Domestic versus Foreign alcoholic drinks and Level of Satisfaction of Domestic versus Foreign alcoholic drinks Purchases**

Results of paired sample revealed that at 95% confidence interval, there is a significant difference between the frequency of purchase of alcoholic beverages produced in Ghana and the foreign alternatives from Nigeria, Cote d’Ivoire, South Africa, Japan, USA and UK. This means that consumer preferred domestic alcoholic drinks than the foreign alcoholic drinks on the Ghanaian market. Additionally, the results indicates that there is a considerable difference between the level of product (alcoholic drinks) satisfaction that consumers derive from the purchase of domestic (brands) of alcohol compared to foreign brands from Nigeria, Cote d’Ivoire, USA and UK at 95% confidence level. Specifically, they are less satisfied with Ghanaian brands when compared with the satisfaction derived from the purchase of alcoholic drinks produced in the UK and USA. The positive country image that Ghanaians hold for the
two countries may be a contributing factor (Madichi & Yamoah 2006). Conversely, consumers are more satisfied with the domestic brands than foreign alternatives from neighbouring West African countries- Nigeria and Cote d’Ivoire. It further shows that there is not significant difference between the level of satisfaction associated with the purchase of Ghanaian alcoholic beverages and that from South Africa and Japan. Thus, the domestic brand compares at three different levels of quality with the other foreign brands. In the class of UK, USA and Ghana, the domestic brand is weak in terms of product satisfaction. It is a strong brand amongst the class of Nigeria and Cote d’Ivoire sources of alcoholic brands and a class of equals with South Africa and Japan.

Table 4: Result of Cross tabulation between Income Groups and Frequency of Purchase of Ghanaian Alcoholic Drinks

<table>
<thead>
<tr>
<th>Income Group (Cedis)</th>
<th>Frequency of Purchase of Alcoholic drink – Ghana (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Never)</td>
</tr>
<tr>
<td>Less than 250,000</td>
<td>15.5</td>
</tr>
<tr>
<td>250,000 – 499,999</td>
<td>13.3</td>
</tr>
<tr>
<td>500,000 – 999,999</td>
<td>42.3</td>
</tr>
<tr>
<td>1,000,000+</td>
<td>28.9</td>
</tr>
</tbody>
</table>

The result in Table 4 depicts a direct relationship between income groups and frequency of purchase for alcoholic drinks produced in Ghana (see always purchase column in table 4). It is however indicating a contrary view to other studies on consumer behaviour in developing countries which found an inverse relationship. For instance, Yamoah (2005) confirmed earlier findings (Bailey & Pineres 1997, Sharma et al. 1995, Good & Huddleston 1995), that the higher the level of income the less likely it is that the consumer would purchase domestic products.

IMPLICATIONS

The above findings collectively show that competition within the food markets of developing countries precipitated by influx of foreign substitutes does not only involve cereals like rice and poultry but drinks as well. Of special importance is the product quality and value for money issues raised with respect domestic brands on the market. It follows from this background that local breweries would need to undertake competitor analysis to be able to identify the specific attributes of foreign drinks that makes provide better satisfaction than Ghanaian alternatives. The next step will be to match the attribute(s) identified by the audit through product improvement strategy. The findings from the income/purchase frequency provides management challenge to the stakeholders in the local drinks industry to undertake product improvement programmes since higher income earners will buy more drinks and certainly will patronise the brand that offers better level of satisfaction and for that matter foreign alcoholic drinks. It also throws up some strategic challenges to agricultural policy makers in executing the idea that vibrant local breweries will enhance the use of more local cereals like sorghum and maize as a way of solving market access problems.

CONCLUSIONS

The study investigates consumer preference for origin labeled alcoholic drinks from Ghana, Nigeria, Cote d’Ivoire, South Africa, Japan, USA and UK. Based on the results of the analysis and discussion the study concludes that Consumer preference for alcoholic drinks scale ranging from most frequently purchased to less frequently purchase is: Ghana, UK, USA, Japan, South Africa, Cote d’Ivoire and Nigeria. Also, there is a significant difference between consumer preference for domestic alcoholic drinks and foreign brands from Nigeria, Cote d’Ivoire, South African, Japan, USA and UK. Level of satisfaction for alcoholic drinks purchased on the basis of origin-labeled rating is: UK, USA, South Africa, Ghana, Japan, Cote d’Ivoire and Nigeria. In terms of product satisfaction, the domestic alcoholic brand is weak in the class of UK and USA brands; equal with South Africa and Japan; and strong amongst Nigeria and Cote d’Ivoire. Again, higher income earners are more likely to purchase domestic alcoholic beverages.
LIMITATIONS AND FUTURE RESEARCH AVENUES

An obvious limitation of investigating consumer perceptions and attitudes is the limitations imposed on generalizing the findings. It is recommended that a study that will use the real products to solicit consumer behaviour will be undertaken to confirm or contrast the findings of this study.

REFERENCE

Attitudes of Nigerians Towards Insurance Services

Dallah Hamadu, University of Lagos, Nigeria.

Tajudeen Olalekan Yusuf, University of Lagos, Nigeria.

Ayantunji Gbadamosi, University of Lagos, Nigeria.

This paper describes Nigerians attitudes towards the insurance institution. The attitudes, most often negative, are mirrored through low patronage of insurance services. It discusses such social-cultural factors that account for these attitudes and what role marketing strategies can play to change such negative tide. Drawing from theoretical foundation, an empirical survey was conducted among 392 members of the public—insuring and non-insuring—to gauge their awareness level and general attitudes towards insurance companies and their operations. The findings present different demographical factors and their attitudes towards insurance companies and their services. It is expected that findings from such survey would constitute vital input for insurers in designing marketing strategies that would further stimulate and boost patronage and perception of insurance services.

INTRODUCTION

An attitude may be defined as a learned disposition to behave in a consistently favourable or unfavourable way with respect to a given object (Schiffman and Kanuk, 2000). Stated differently, it positions people into a frame of mind of liking or disliking things, of moving toward or away from them’ (Kolter and Armstrong, 2008: p144). It is acknowledged that people have attitudes toward almost everything - religion, politics, clothes, music, food (Kotler, 2003). In marketing context, it is stated that consumers can develop attitudes to any kind of product or service, or indeed to any aspect of the marketing mix, and these attitudes will affect behaviour (Brassington and Pettitt, 2003). It is argued also that consumers’ brand attitudes generally depend on the attributes and benefits of the brand (Chang, 2006). Given this logic of argument, in the context of the present study one could ask, what do customers perceive as benefits from insurance business? And how do they perceive these benefits? These questions deserve closer attention especially as it has been stated that consumers in the insurance market are poorly informed about insurance goods (Berger 1988 cited in Seong, 2002), and when confronted with the need to do assessment of quality of offerings, particularly when there is perceived risk or lack of personal expertise, consumers rely on heuristics (Joseph et al., 2003). Hence it could be stated that those who do not have the knowledge of insurance services will result into heuristic in the course of their evaluation of the relevant offerings. In closely related view, there is an argument that customers from different cultures may rely on different factors during the process of relationship development with service providers (Suh, et al., 2006). So, given this, cultural factors might as well prompt Nigerians into exhibiting different behavioural reactions to insurance services and the relevant strategies designed to marketing them. For example in a recent study on key issues and challenges of risk management and insurance in China’ construction industry, Liu et al. (2007) note that risk management and loss prevention are not a priority, and there is no motivation for contractors to transfer risks to insurers as the government will reimburse any losses incurred. This is because investments in many large and medium projects still come from governments. In a similar context, Atmanand (2003) asserts that where people below poverty line are high and per capital income is low, insurance penetration is bound to be low. The foregoing thus suggests that there might be disparity between the common behavioural response to insurance offerings and strategies and what obtains in Nigeria business environment. Therefore, using the basic demographical variables as the basis, the focus of this paper is to investigate the attitudes of Nigerian towards insurance services.
Specifically, the study will focus on the impact of these demographic variables on attitudes towards life insurance.

**Background to the study**

Nigeria serves as a social laboratory for studying marketing of insurance services in developing countries. In spite of being among the developing countries, Nigeria straddles the First and Third Worlds. It is a nation characterised by varying levels of development, vast income inequalities, and cultural diversity in terms of language, religion, ethnicity and resource control crises. It is this rich mix of diverse living conditions that lends itself to experimenting with the development of concepts and instruments to adequately capture the marketing of insurance services with a view to proffering generalisable suggestions for other developing African countries except, of course South Africa.

Historically, some form of social insurance existed in Nigerian society long before the introduction of the modern insurance in Nigeria (Osoka, 1992). These social schemes evolved through the existence of extended family system and social associations such as age grades, and other unions. The simplest form of the ‘social insurance’ was practiced by means of providing cash donations, materials or sometimes organized collective labour to assist members of “extended family” and members of social or communal associations who suffer a mishap. The more modern schemes operate through funds accumulated from levies; or regular contributions imposed by an association on its members. The funds are used to assist members who may suffer misfortunes such as death, illness, unemployment; or sometimes members may be given financial assistance for marriages and other celebrations. Despite urbanization and the attendant loosening of family and communal ties, some form of social insurance is still widely practiced by community groups as well as sections of middle-class Nigerians (Osoka, 1992).

Despite Nigerian growing population, it is still lagging seriously behind in the world global market ranking. Nigeria, curiously occupies the sixth position in Africa and 65th in the global insurance market with human development index (HDI) of 0.453 and GDP per capital of $1,050. Her insurance density per capital is USD 4.3 and 0.70% as premium share of GDP (Sigma, 2005, UNDP, 2003).

While lamenting the critical state of insurance market in Nigeria, Osoka (1992) highlights the prevalence of confusion among insurance marketers between selling and marketing. According to the author, while selling is concerned with creating demand for the products that have already been decided, marketing is directed towards identifying the needs and wants of consumers and planning to satisfy those needs. Hence, in this context, the necessity of understanding the needs and wants of consumers to marketing could be liken to the bone, the tendon, and the ligament of businesses without which no articulation can take place (Gbadamosi, 2000). Accordingly, marketers need to understand the attitudes of customers and prospects to their offerings in order to be able to take informed marketing-related decisions.

**LITERATURE REVIEW**

**Low Level of Insurance Culture**

In a recent study of quality of life in developing countries with reference to South Africa (Moller, 2004), income and social security (own wages, ability to provide for family, insurance against illness/death and income in old age) have been treated as one of the major indicators of quality of life. This standpoint stresses the significance of insurance to human life. Ironically, insurance services seem not to have been so accepted enthusiastically in developing countries. The abysmal level of insurance culture in developing economies has attracted relative interests among researchers and practitioners alike. Risk has been identified as a central fact of life in the rural areas of less-developed countries (Udry, 1994). Some of the problems associated with this have been marketing. For example, Omar (2005) assesses consumers’ attitudes towards life insurance patronage in Nigeria and found out that there is lack of trust and confidence in the insurance companies. Other major reason for this attitude is lack of knowledge about life insurance product. An instructive opinion suggested by the researcher is the call for a renewed marketing communication strategy that should be based on creating awareness and informing the...
consumers of the benefits inherent in life insurance so as to reinforce the purchasing decision. The drawback to Omar’s study is in the area of its inability to capture attitude to non-life insurance products and limited sampling, which include automobile, home contents, goods in transit, marine and aviation, fidelity guarantee and so on. However, Omar’s study raises fundamental marketing questions for insurance practitioners. While highlighting the importance and the need for social health insurance as a powerful method to grant the population access to health services in an equitable way, Carrin (2002) observes that half of the industrialised countries have chosen social health insurance as their health financing system. In contrast, in 1998, the author observes that not one developing country with a gross national product (GNP) per capita below US$ 761 had a social health insurance scheme. Arodiogbu (2005) addresses the problems of poor health sector financing using the social health insurance (SHI) and identify several factors militating against the scheme. His recommendations, unfortunately fail to address the need for private-public partnership in solving the problem as is the practice in the developed countries. In a related study, Morduch (1994) identifies weak financial institutions in low-income countries as one of the causes of low insurance culture. He explains that they besought to second-best arrangement such as borrowing from neighbours and relatives and selling durable assets to cushion the effects of unforeseen tragic circumstances.

The demand for life insurance in a country may be affected by the unique culture of the country to the extent that it affects the population’s risk aversion (Douglas and Wildavski, 1982). Henderson and Milhouse (1987) argue that an individual’s religion can provide an insight into the individual’s behaviour; and understanding religion is an important component of understanding a nation’s unique culture. Also, Zelizer (1979) notes that religion historically has provided a strong source of cultural opposition to life insurance as many religious people believe that a reliance on life insurance results from a distrust of God’s protecting care. Until the nineteenth century, European nations condemned and banned life insurance on religious grounds. Zelizer also states that religious antagonism to life insurance still remains in several Islamic countries. In similar vein, Wasaw and Hill (1986) tested the effect of Islam on life insurance consumption using an international data set. The results of their study indicate that, ceteris paribus, consumers in Islamic nations purchase less life insurance than those in non-Islamic nations. This becomes more evident in the fact that there is comparatively very low ratio of Muslims in developed countries with the majority residing in medium to low human development countries. From the thirty-five low human development countries as defined by the Human Development Report (2004), seventeen have a majority Muslim population and a further five have a Muslim population of over 20 percent. Muslims around the world are commonly faced with low-income levels, and lack access to social security systems, healthcare, education, sanitation, and employment opportunities (Patel, 2004). The above assertions have been corroborated in another related study of insurance penetration in Nigeria, a developing nation where the marketing of an interest-free insurance scheme gained the support and patronage of the Muslim population (Yusuf, 2006). This becomes attractive mainly because the scheme is interest free, hence it is regarded as having religious backing.

Insurance is understood by most people to be critical to a well-functioning economy (Pritchett et al., 1996). By providing payment in the event of unexpected losses, insurance introduces security into personal and business situation. It also serves as a basis of credit as no financial institution would lend money for purchase of capital goods. The main themes in the literature of attitude and perception of life insurance policyholders have largely focused on factors predicting these attitude (Skinner and Dubinsky, 1984; Ozdemir and Kruse, 2004), purchase decision-making responsibility (Barron and Staten, 1995), consumers perceived value (Smith, 2006) and satisfaction (Kuhlemeyer and Allen, 1999). For example, in a survey of 1,462 families, Skinner and Dubinsky found out that employment status of the wife and education of the husband discriminate mostly between which family member(s) is responsible for insurance purchasing decision. Other significant variables include wife’s educational level, husband’s employment status, family income, and husband’s occupation. Ozdemir and Kruse (2004) explore the relationship between individual’s risk perceptions and their willingness-to-pay for increased safety in a
low-probability, high-consequence event. They found out that the perceived severity of tornado risk has the largest effect on willingness-to-pay and presence of children in the house significantly increases the willingness-to-pay.

While reviewing the performance of the insurance industry, Dorfman (1980) observes that even though life insurance industry engages in product innovation, the market for life insurance appears to have a serious weakness in that not many new improvements have been forthcoming in recent years. Some of the areas of deficiencies include lack of copyright protection for life products, regulatory opposition, consumer and salenmen’s attitudes. Kuhlemeyer and Allen (1999) find out that consumer satisfaction with life insurance products is largely accounted for by the trust they repose in the sales agents in contrast to those who purchase direct from the insurance companies. The surveyed population who purchased from sales agents were more satisfied with the insurance industry than those who purchased directly from insurance companies. This apparently justifies the view held earlier by Pritchett et al., (1996) that “insurance is sold rather than bought”.

**Customers’ Satisfaction**

For more than two decades, customer satisfaction has been an intensively discussed subject in the areas of consumer and marketing research (Hennig-Thurau and Klee, 1997). This is not surprising as measuring customers’ satisfaction has become an important issue in an effort to promote quality and ensure a more competitive economy (Fornell, 1992). Such notion becomes pertinent because of its direct impact on the primary source of future revenue streams for most companies. Furthermore, it complements the traditional measures of economic performance, providing information not only to firms themselves, but also to shareholders and investors, government regulators, and buyers. The services literature recognizes the importance of personal interaction in creating satisfied customers (e.g. Crosby and Stephens 1987; Parasuraman et al., 1985; Solomon et al., 1985). Hence, according to Crosby et al. (1990), the lack of concreteness of many services of which insurance is one, increases the value of the persons responsible for delivering them. A service-encounter or “moment of truth” (Normann 1983), occurs whenever the customers interacts directly with any contact person. Frequently, the service salesperson is the primary—if not sole-contact point for the customer both before and after the purchase (“the salesperson is the company”). Under these conditions, the salesperson controls the level of service quality delivered.

Since general recognition of the marketing principle that keeping customers is more profitable than attracting new customers (Bitran and Mondschein, 1997), many companies have adopted relationship marketing (Fournier et al., 1998). In relationship marketing, managers strive to develop and maintain successful customer relationships (Morgan and Hunt, 1994). Only recently, companies realized that in order to develop such relationships a differentiated approach is needed (Blattberg and Deighton, 1996; Zeithaml, 2000). Instead of treating all customers equally, managers have come to understand that it is more effective to develop customer-specific strategies.

**RESEARCH HYPOTHESES**

For this study, the following hypotheses were developed and tested:

i. Age does not have any effect on people’s attitude to insurance business/services

ii. Gender does not have any effect on people’s attitude to insurance business/services

iii. Marital status does not have any effect on people’s attitude to insurance business/services

iv. Educational status does not have any effect on people’s attitude to insurance business/services

v. Employment status does not have any effect on people’s attitude to insurance business/services

vi. Professional inclination does not have any effect on people’s attitude to insurance business/services

vii. Household income does not have any effect on people’s attitude to insurance business/services

viii. Whether an individual owns a property mortgage or not does not have any effect on people’s attitude to insurance business/services
ix. Whether an individual currently have insurance policy or not does not have any effect on people’s attitude to insurance business/services

METHODS
Survey exploratory research design method is used to meet our research objectives and ascertain the veracity of research hypotheses stated above. Simple random sampling technique is used to select a sample of 500 respondents in Lagos, Nigeria. The choice of Lagos is due to its nature as a metropolitan city where most Nigerian ethnic groups are largely represented. A set of structured questionnaire were distributed to the selected respondents. The research instrument contains 39 questions from which 9 questions deals with socio demographic and economic variables and seven likert scale items addressing respondents’ attitudes to insurance, and 23 remaining deals with marketing strategies. The research instruments were validated by an expert panel. The response rate for the questionnaire distributed is 78.4%, eventhough minor discrepancies in total number of respondents were observed due to respondents inability( refusal ) to provide answers to some questions. Those cases are considered as missing values in the analysis. Moreover, with Cronbach-Alpha coefficient of 0.79 the seven items attitudinal scale (which is above 0.70) can be considered quite reliable with the sample (Pallant, 2001). In addition, the analysis of variance F-distribution and the independent t-distribution tests are used to test the hypotheses under study.

RESULTS
Table 4.1 gives a summary of frequency distributions, descriptive statistics, F and t -statistics values and their significance levels respectively.
Table 4.1 Summary of descriptive statistics and tests of hypothesis results of Socio demographic and economic factors on Nigerians’ attitude towards Insurance.

<table>
<thead>
<tr>
<th>Age</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>F Value</th>
<th>Sig.</th>
<th>Working Status</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>F value</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-25</td>
<td>50</td>
<td>25.68</td>
<td>3.54</td>
<td>10.54</td>
<td>0.0</td>
<td>Employed</td>
<td>170</td>
<td>28.14</td>
<td>4.35</td>
<td>9.01</td>
<td>0.0</td>
</tr>
<tr>
<td>26-35</td>
<td>135</td>
<td>26.16</td>
<td>4.70</td>
<td></td>
<td></td>
<td>SelfEmployed</td>
<td>86</td>
<td>26.70</td>
<td>3.76</td>
<td></td>
<td></td>
</tr>
<tr>
<td>36-45</td>
<td>81</td>
<td>26.00</td>
<td>4.25</td>
<td></td>
<td></td>
<td>Retired</td>
<td>32</td>
<td>28.50</td>
<td>4.10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>46-55</td>
<td>76</td>
<td>28.97</td>
<td>4.18</td>
<td></td>
<td></td>
<td>Unemployed</td>
<td>21</td>
<td>23.62</td>
<td>2.54</td>
<td></td>
<td></td>
</tr>
<tr>
<td>56-65</td>
<td>28</td>
<td>30.43</td>
<td>2.17</td>
<td></td>
<td></td>
<td>Student</td>
<td>46</td>
<td>25.04</td>
<td>4.04</td>
<td></td>
<td></td>
</tr>
<tr>
<td>65+</td>
<td>10</td>
<td>29.00</td>
<td>2.58</td>
<td></td>
<td></td>
<td>Part-time work</td>
<td>25</td>
<td>25.08</td>
<td>6.22</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>380</td>
<td>27.02</td>
<td>4.45</td>
<td></td>
<td></td>
<td>Total</td>
<td>380</td>
<td>27.02</td>
<td>4.45</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>F Value</th>
<th>Sig.</th>
<th>Educational Status</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>F Value</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married</td>
<td>199</td>
<td>27.26</td>
<td>4.32</td>
<td>7.84</td>
<td>0.0</td>
<td>Primary</td>
<td>6</td>
<td>25.00</td>
<td>3.25</td>
<td>19.77</td>
<td>0.0</td>
</tr>
<tr>
<td>Single</td>
<td>155</td>
<td>26.71</td>
<td>4.30</td>
<td></td>
<td></td>
<td>Secondary</td>
<td>49</td>
<td>22.92</td>
<td>4.17</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Divorced</td>
<td>13</td>
<td>23.00</td>
<td>6.58</td>
<td></td>
<td></td>
<td>Higher</td>
<td>291</td>
<td>27.62</td>
<td>4.26</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Widowed</td>
<td>13</td>
<td>31.00</td>
<td>1.00</td>
<td></td>
<td></td>
<td>Education</td>
<td>34</td>
<td>27.06</td>
<td>3.45</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>380</td>
<td>27.02</td>
<td>4.45</td>
<td></td>
<td></td>
<td>Total</td>
<td>380</td>
<td>25.62</td>
<td>4.45</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Profession</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>F Value</th>
<th>Sig.</th>
<th>Household Income'000</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>F Value</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>95</td>
<td>26.16</td>
<td>4.01</td>
<td>6.96</td>
<td>0.0</td>
<td>&lt; N100</td>
<td>33</td>
<td>25.33</td>
<td>3.30</td>
<td>9.24</td>
<td>0.0</td>
</tr>
<tr>
<td>Business</td>
<td>87</td>
<td>27.02</td>
<td>4.52</td>
<td></td>
<td></td>
<td>N10-50</td>
<td>91</td>
<td>25.57</td>
<td>4.56</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fin-Sector</td>
<td>42</td>
<td>27.33</td>
<td>5.38</td>
<td></td>
<td></td>
<td>N50-100</td>
<td>85</td>
<td>28.27</td>
<td>4.34</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private-Sector</td>
<td>64</td>
<td>26.13</td>
<td>4.63</td>
<td></td>
<td></td>
<td>N100-200</td>
<td>109</td>
<td>28.55</td>
<td>4.30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal</td>
<td>29</td>
<td>29.52</td>
<td>1.08</td>
<td></td>
<td></td>
<td>&gt;N200</td>
<td>46</td>
<td>27.04</td>
<td>3.46</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sector</td>
<td>7</td>
<td>34.00</td>
<td>1.09</td>
<td></td>
<td></td>
<td>Total</td>
<td>364</td>
<td>27.26</td>
<td>4.39</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>46</td>
<td>28.00</td>
<td>4.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Sector</td>
<td>10</td>
<td>22.80</td>
<td>3.08</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>10</td>
<td>22.80</td>
<td>3.08</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>380</td>
<td>27.02</td>
<td>4.45</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gender</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>T Value</th>
<th>Sig.</th>
<th>Property Ownership</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>T Value</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>242</td>
<td>27.24</td>
<td>4.60</td>
<td>1.30</td>
<td>.19</td>
<td>Landlordship</td>
<td>92</td>
<td>28.53</td>
<td>3.96</td>
<td>3.70</td>
<td>0.0</td>
</tr>
<tr>
<td>Female</td>
<td>138</td>
<td>26.62</td>
<td>4.16</td>
<td></td>
<td></td>
<td>Tenancy</td>
<td>282</td>
<td>26.61</td>
<td>4.49</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Policy Ownership</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>T Value</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>170</td>
<td>29.36</td>
<td>3.46</td>
<td>10.24</td>
<td>0.0</td>
</tr>
<tr>
<td>No</td>
<td>190</td>
<td>25.09</td>
<td>4.33</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

DISCUSSION
From the above results we observe respondents’ age has a significant effect on Nigerians’ attitude to insurance. Further analysis using LSD reveals that respondents with age 45 years and below have lesser positive attitude towards insurance than those whose age are 46 years and above. In fact respondents with age group between 56 and 65 years have highest positive attitude towards insurance than others; this
stems from the fact that members of this group are at the tailed end of active life, and they are more conscious of life after retirement.

Even though male respondents’ attitude mean score is slightly higher than their female counterpart, gender does not have any statistical significant effect on Nigerians attitude towards insurance. This is quite surprising bearing in mind the nature of African family which lay more responsibility of family burden on man than woman. In fact, in Nigeria man is the breadwinner of any microscopic family.

Marital status has a significant influence on Nigerians’ attitude towards insurance. With mean attitude score of 31 Widow/Separated have significantly greater positive attitude to insurance than others. Furthermore, no significant difference is observed between married and single even though as expected married respondents have higher mean attitude score, whereas both of them have significantly higher attitude than Divorced/Separated. This can be explained by the difficult and precarious conditions facing the divorced particularly in Nigeria and Africa in general.

Educational status of Nigerians has significant influence on their attitude towards insurance. Educated people have more positive attitude to insurance than less educated ones. In fact respondents with higher education outperformed others even though no statistical significant difference was observed with vocational education.

Employees working status has a significance effect on Nigerians attitude towards insurance. Retired and Employed Nigerians with means attitude scores of 28.50 and 28.14 respectively outperformed their competitors. No significant difference was observed between retired, employed and Self-employed respondents. On the other hand, self-employed people have significantly higher attitude towards insurance than unemployed, student and part time workers. This result is quite similar to findings in most developed world.

Professional inclination of respondents’ has significant influence on Nigerians attitude towards insurance. With mean attitude score of 34 out maximum of 35 manufacturing sector markedly outperformed other profession. Moreover, the LSD results show that there is no significant attitudinal different with the legal sector. Following closely are legal sector and public sector with mean attitude scores of 29.52 and 28 respectively. On the other hand legal sector is significantly higher than only other profession. All other remaining paired professions are not statistically different. Thus, the significance is mostly coming from manufacturing sector.

As expected household income of respondents have significant influence on Nigerians attitude to insurance. Low household incomes have lesser positive attitude to insurance than high household income groups. Mean attitude scores of middle household income is higher than high household income even though the difference is not statistically significant from LSD test of ANOVA. This can be explained partially by the fact that middle income groups are more vulnerable than wealthy household in Nigeria. In fact, wealthy household relatively feel secured usually in Nigerian economic environment. On the other hand, low household income groups are less empowered and usually insurance is considered beyond their reach. Mortgage property ownership has significant effect on respondents’ attitude to insurance. Without any doubt Nigerians landlords have higher attitude towards insurance than tenants.

Finally, respondents owning insurance policies have a significant higher positive attitude towards insurance than those not owning any insurance policy.

**CONCLUSION AND IMPLICATIONS**
From the above, it can reasonably be concluded from the analysis that demographical factors play considerable role of varying degrees on attitudes of Nigerian to insurance services. Specifically, age,
marital status, educational status, profession, household income—all have significant impact of varying degrees on attitudes towards insurance. Only gender, surprisingly though, proves not to have significant impact. The findings of this study suggest some major implications for marketing of insurance services in Nigerian businesses environment. Given that attitude is strongly linked to behaviour, marketers of insurance services targeting Nigerians are confronted with the challenge of encouraging people to embrace insurance institution and its associated benefits. Based on the findings, this paper confirms negative attitudes of Nigerians to insurance services further. But apart from this broad finding in respect of the negative attitudes to this line of business, this study suggests some specific findings based on different demographical factors of the respondents. The findings serve as inputs to marketers of insurance services on how they formulate and implement relevant marketing strategies towards addressing the nonchalant attitude of Nigerians to insurance. For instance, specific marketing strategies are required to encourage the young generation below 46 year of age, the divorced/separated, and the less-educated to embrace and appreciate the role of insurance. Since, the basic issue associated with this lack of interest rests mainly in their lack of appreciation of the roles of benefits of insurance services; it is recommended that significant marketing communication activities be targeted more at this set of peoples highlighted. This will help to kindle their interest in the business and brings the insurance institution to the highly exalted position it belongs in their perception.

All in all, the peculiar feature of most financial transactions in the developing world has been weak contract certainty which in turn, erodes the trust of the insuring public. This is where the regulatory authority wades in to strengthen regulation and supervision that would further boost the public confidence and trust in the insurance industry. In the case of Nigeria specifically, the present government’s cardinal programme of strict adherence to the rule of law should be extended to the insurance industry where impunity seems to be holding sway at the moment. It is when the public realizes the availability of seeking redress in case of insurance disputes that they can repose confidence and positive attitude to the industry. Nevertheless, the efficacy of marketing-orientation rather than selling by insurers would go a long way in addressing the attitudinal problem. Hence, further studies on the efficacy of the present marketing strategies being adopted by insurers to exploit the opportunities offered by these findings about demographic factors are highly recommended.

SELECTED REFERENCES
A Theoretical Framework for Explaining the Moderating Role of the Institutional Context on Advertising Effects in Emerging Market: The Case of South Africa

Mlenga G. Jere, University of Cape Town, South Africa

Albertina K. Jere, Rhodes University, South Africa

The paper presents a theoretical framework for explaining how the institutional context impacts on advertising effects in emerging market countries. Drawing on the social learning and cultivation theories of socialisation and using gender representations in advertising in South Africa as examples, the paper argues for the importance of investigating the cultural subsystem of the institutional context and puts forward four proposing for empirical testing.

INTRODUCTION
Partly due to the increasing globalisation of the marketplace, it is becoming increasingly imperative to study marketing issues from an international perspective (Burgess & Steenkamp, 2006; Dekimpe & Lehmann, 2004). Nevertheless, most research is still undertaken in the high income industrialised countries and generalised to emerging market countries. But emerging market countries have different institutional contexts from high income industrialised countries. This poses at least two major challenges. First, it questions the wisdom in uncritically generalising empirical findings and theories from the high income industrialised countries to the emerging market countries (Burgess & Steenkamp, 2006). Second, it creates the impetus to undertake more research in emerging market countries (Steenkamp, 2005). Using the subject of gender representations in advertising as a discussion anchor, our objective in this paper is to propose a theoretical framework for explaining advertising effects in an emerging market. Based on the literature reviewed, we suggest research propositions that need to be empirically investigated in order to understand the moderating role of the institutional context on advertising effects in emerging market countries. In presenting these propositions, we focus on the case of gender representations in advertising in South Africa. Drawing on the social learning and cultivation theories of socialisation, we argue that the moderating influence of the cultural subsystem of the institutional context in emerging market countries needs to be investigated given its overarching influence over both advertising practitioners and consumers. We attempt to contribute to this research by presenting the theory development stage of the scientific marketing research process (Burgess & Steenkamp, 2006).

The scientific marketing research process involves four stages namely theory development, data acquisition, data analysis, and learning (Burgess & Steenkamp, 2006). Theory development involves construct identification, hypothesis development, structuring the institutional context, and identification of the moderating role performed by the institutional context. In theory development, the institutional context has generally not been taken into account and cross-national generalisability has been taken for granted (Burgess & Steenkamp, 2006). Though there is evidence of strong generalisability within high income industrialised countries (Bijmolt, Van Heerde & Pieters, 2005), the same cannot be stated for generalisability from high income industrialised countries to emerging market countries (Talukdar, Sudhir & Ainslie, 2002; Hult, Keillor & Hightower, 2000) where weak generalisability may be observed (Burgess & Steenkamp, 2006). Data acquisition is the second stage in the scientific marketing research process. Using the deductive research approach, researchers can put together general assertions and theories to test in more specific situations. In this instance, we have only gone as far as deducing testable
propositions from theory and prior research and expressing them in operational terms as suggested by Robson (1993). The third stage is data analysis which leads to the last stage, the learning stage where new insights and knowledge are drawn from the research findings. Using the inductive research approach, these findings can be more generalisations that contribute to the body of marketing theory which can themselves be subjected to testing with new data using the deductive research approach (Burgess and Steenkamp, 2006; Saunders, Lewis & Thornhill, 2000).

LITERATURE REVIEW

Advertising, gender representations and socialisation

A lot of research has been undertaken on the role of the media and advertising in particular in the creation of new behaviours including gender identities and stereotypes (Milner & Collins, 2000). While some research argues that the media’s influence is overstated (Mills & Chaisson in Cross, 1996; Gunter, 1986), some studies have consistently found that females are generally portrayed negatively in the media (Davis, 1990). Specifically, advertising has been found to contribute to the creation of social inequality, stereotypes, and discriminatory practices (Golombok & Fivush, 1994). The negative representation of females in advertising is not limited to the highly industrialised countries. In South Africa, negative perceptions amongst managers of the suitability of women for managerial jobs have been attributed to the influence of female stereotypes in advertising (Laxton, 1984). It has also been found that in industrial advertising, females are used to drape products whose visual appeal is lacking (Mourier, 1988). Pretorious (1996) found that there was a tendency to depict women as belonging to the kitchen. The following section presents a proposed theoretical framework for explaining how advertising works that can be applied in an emerging market context.

Advertising and how it affects consumers

Advertising is one medium that advertisers use to convey brand and other messages to consumers with the expectation that the consumers will respond to them in a certain manner (Weilbacher, 2003; Vakratsas & Ambler, 1999, Singh & Cole, 1993). There are two broad views regarding how advertising affects consumers: the traditional view and the contemporary view. According to the traditional view or stimulus-response model, consumer behaviour is a result of consumers’ responses to external stimuli. This view postulates that to understand consumer behaviour, one does not need to examine the consumer’s mental processes because both the stimulus and the behaviour are externally observable (Weilbacher, 2003). The traditional view allows advertisers to assume that they can control what consumers think through appropriate stimuli in their messages and that consumers in turn will respond to the stimuli in a conscious and rational manner (Weilbacher, 2003). But behavioural psychology-based view is not considered a complete and accurate explanation of human behaviour anymore (Haralambos, Holborn & Heald, 2004; Weilbacher, 2003), hence our premising the proposed framework on the contemporary view. The contemporary view of advertising effects derives from cognitive psychology and conceptualises human behaviour as a consequence of complex and ongoing mental processes (Weilbacher, 2003). It suggests that consumers are exposed to many and varied forms of incoming marketing communications including advertisements. The perception of this incoming information results in different behavioural outcomes. However, what the consumer perceives is influenced by moderating variables including his or her remembered experiences (Hunt, 1982). Other moderating variables affecting the consumer’s perception of the advertisement are his or her personal habits and attitudes to a specific type of advertisements or advertisements in general (MacKenzie, Lutz & Belch, 1986) and his or her social interaction with other people (Haralambos, Holborn & Heald, 2004; Lazarsfeld, 1955 cited in Kitzinger, 2002), his or her personality, educational level, cultural values and beliefs, motivation, ability to process information, and involvement (McInnis & Jaworski, 1989; Cacioppo & Petty, 1985. An advertisement that captures a consumer’s attention may subsequently influence the consumer’s perception of future information flows (Weilbacher, 2003).
**Consumer socialisation**

Socialisation is a complex and long-term combination of communication activities that individuals and various members of society participate in to help the individual acquire the skills, knowledge, and attitudes to operate in a specific sociocultural environment (Schaefer & Lamm, 1992; Moschis and Churchill, 1978). It is a form of induction that is provided by social institutions such as family, religious institutions, schools, and the media. It is through socialisation that societies transmit their cultural values to both young and adult members of society. Bush, Smith and Martin (1999) identify three key components of socialisation theory namely socialisation agents, social structural variables (i.e., the social setting), and outcomes (i.e., what is learned from the socialisation process). Socialisation agents and social structural variables are key to the development of attitudes and behaviours through the agents’ transmission of norms, attitudes, and behaviours to the individuals who learn from the socialisation process through modelling, reinforcement, and social interaction (McLeod & O’Keefe, 1972). In the proposed theoretical framework presented here, socialisation is divided into three elements namely moderating factors, intermediate effects, and behavioural effects or learning outcomes (Vakratsas & Ambler, 1999). The first element (i.e., moderating factors) recognizes that consumer responses to socialisation agents including advertising are subject to mediating factors. These mediating factors filter the advertising input and can influence the consumer’s response to the advertisement (Vakratsas & Ambler, 1999).

The second element of socialisation is the intermediate effects, namely cognition, affect, and experience (Vakratsas & Ambler, 1999). Advertising can trigger two types of responses from the consumer namely the intermediate type of response and the behavioural response. The intermediate effects refer to what happens before consumer behaviour is affected in response to an advertisement. The third element of the socialisation process, the behavioural effects or outcomes of advertising, occurs after the first two intermediate effects namely cognition and affect. This phase involves the actual outcome of the socialisation process, i.e., the acquisition of specific skills, knowledge, and attitudes including culturally constructed gender beliefs. This behaviour feeds back to and is what makes up the third component of the intermediate effects of advertising namely experience (Vakratsas & Ambler, 1999).

Different theories are used to explain socialisation. These theories include social learning theory (Moschis & Churchill, 1978) and cultivation theory (Morgan & Signorielli, 1990). According to social learning theory or the imitative model, socialisation is the outcome of subjecting an individual to environmental forces (Haralambos, Holborn & Heald, 2004; Bandura, 1977). Social learning theory suggests that what people observe in the media and from other socialisation agents shapes their behaviours, attitudes, and emotional responses to such observations (Bandura, 1977). In other words, people learn through observation and imitating or modelling the behaviours that they observe. This learning tends to be more effective if it is supported by reinforcement (Bandura, 1977). It is our argument that institutions including the advertising media play a key role in this reinforcement.

Cultivation theory or the power of culture perspective proposes that consumer perceptions of social reality are influenced by the kind of beliefs and attitudes they acquire as a result of long-term exposure and interaction with socialisation and ideological agents such as the media (Fourie, 2001; McQuail, 2000; Morgan & Signorelli, 1990). It assumes media output like advertisements are cultural symbols that reflect cultural values and that media cultivate readers and audiences to adopt certain worldviews (Fourie, 2001). If the media in question carry distorted or stereotyped texts and images, these distortions or stereotypes may affect the consumers’ perceptions of reality as well (McQuail, 2000), especially if the consumers do not have first hand or direct contact with those being portrayed in the media (Morgan & Signorelli, 1990). Cultivation theory goes further to suggest that how people are portrayed and covered in the media may also influence how they come to perceive themselves and relate to others in society (Shrum, 1996). A
significant influence on the socialisation process is therefore the institutional context which is the subject
of the next section.

**The institutional context in emerging markets**

We focus on the institutional context of emerging markets, a group of countries that includes transition
economies and developing countries (Burgess & Steenkamp, 2006). The institutional context refers to the
structures that exist in a particular society. Institutions are the social structures that hold societies together
across temporal and spatial boundaries (Giddens, 1984). The institutional context is important because it
influences the success of marketing programmes (Burgess & Steenkamp, 2006) including advertising
theory and practice. In the proposed theoretical framework presented here, the institutional context
influences both the advertiser and the production of advertisements on one hand and the consumer and the
socialisation process on the other hand. Burgess & Steenkamp (2006) identify three main elements of the
institutional context, namely the socioeconomic, cultural, and regulative subsystems. It is with the cultural
subsystem that this paper is concerned. The cultural subsystem deals with beliefs, attitudes, habits, norms,
and behaviours.

In terms of understanding the cultural subsystem, Burgess & Steenkamp (2006) apply Schwartz’s (2004)
cultural framework to national culture in the analysis of emerging markets’ cultural systems. Schwartz’s
(2004) cultural framework identifies three dimensions of cultural values namely autonomy versus
embeddedness, hierarchy versus egalitarianism, and mastery versus harmony. According to Burgess &
Steenkamp (2006), emerging markets may be differentiated from high income industrialised countries on
the first two of the dimensions. The autonomy versus embeddedness dimension of culture attempts to
explain the nature of the relationship between the individual and the group. In the cultures of high income
industrialised countries that emphasise autonomy, people are expected to be independent and to develop
and express their own uniqueness. On the other hand, cultures in emerging markets tend to encourage
embeddedness in that people are perceived as situated in groups from which it is expected they will obtain
group identification, social relations, common goals, and shared meanings and life (Schwartz, 2004 cited
in Burgess & Steenkamp, 2006). The hierarchy versus egalitarianism dimension on the other hand refers
to how societies ensure responsible behaviour to protect their social fabric. High income industrialised
countries tend to be more egalitarian and encourage cooperation, equality, social justice, responsibility,
and concern for others. This is in contrast to emerging market countries which tend to be hierarchical and
ensure responsible behaviour in society by allocating resources including power and social roles in line
with existing hierarchical systems (Schwartz, 2004 cited in Burgess & Steenkamp, 2006).

Another element of the cultural subsystem is the masculinity versus femininity dimension of culture
which is a sex role dimension that refers to the distribution of emotional roles between the sexes
(Hofstede, 2001). It distinguishes between masculine or tough and feminine or tender societies. According
to Hofstede (1991), masculinity refers to cultures which expect men to be tough, assertive,
heroic, and material success-driven or achievement oriented while women are expected to be tender,
softer, and not so driven by material success. On the other hand, femininity is described as a culture
which expects both men and women to be tender, soft, modest, relationship oriented and not so driven by
material success but focused on quality of life and caring for the weak in society (Hofstede, 1991). The
location of a society on this dimension influences the allocation of social roles and resources to males and
females. In societies that seek to maximise social differences between males and females, men will tend
to be assigned more masculine roles. This is in contrast to the situation in minimum-social-differentiation
societies where on the whole, feminine qualities will prevail in social institutions and some men can take
up feminine roles while some women can take up masculine roles and qualities (Hofstede, 1984).
Hofstede (1991:84) calculated Masculinity Index values for each of the countries he studied and ranked
them from highly masculine to feminine. SA with a Masculinity Index score of 63 is considered a masculine country. One would therefore expect this masculinity to be reflected in advertisements.

THE PROPOSED THEORETICAL FRAMEWORK AND PROPOSITIONS

The proposed theoretical framework (Figure 1) has three major components in line with the literature review namely advertising, consumer socialisation, and the institutional context. The first component is advertising and how affects consumers. According to the framework, a consumer’s perception of advertisements is affected by various moderating variables as detailed above (Haralambos, Holborn & Heald, 2004; Lazarsfeld, 1955 cited in Kitzinger, 2002; MacKenzie, Lutz & Belch, 1986; McInnis & Jaworski, 1989) before and during the process of socialisation. The second component is socialisation; the process through which consumers acquire skills, knowledge, and attitudes (Schaefer & Lamm, 1992; Moschis and Churchill, 1978). The nature of the contents of advertisements exerts an influence on the kind of skills, knowledge, and attitudes that people acquire. The third and last component is the institutional context. In this study, our focus was on the cultural subsystem. The cultural subsystem of the institutional context sets the agenda in terms of what beliefs and behaviours are appropriate for a society. Consequently, individual beliefs and behaviours are steered towards the realisation of institutional priorities while individual beliefs and behaviours that are not compatible with the institutional priorities are discouraged by the use of appropriate measures such as rules and regulations (Scott, 2001). Advertising is partly influenced by this context.

Figure 1: The Proposed Theoretical Framework for Explaining Advertising Effects

Based on the review of literature and the proposed framework, four propositions are suggested as follows:

**Proposition 1:** Advertisements in South Africa (as an emerging market) are more likely to portray people in group scenarios because the institutional context encourages cultural embeddedness rather than autonomy. However, it is also expected that the tendency to portray people in group scenarios will be higher for women than for men due to the masculinity of the country.
Proposition 2: Advertisements in South Africa are more likely to portray women in hierarchically lower social roles because the institutional context encourages hierarchy and the masculininity of the country.

Proposition 3: In advertisements featuring both women and men, women are more likely to be assigned hierarchically lower social roles and/or positions due to the masculininity of the country.

Proposition 4: Advertisements in South Africa are more likely to emphasise masculinity and social differentiation between women and men.

CONCLUSIONS AND IMPLICATIONS
Consistent with the objective of this paper, we have proposed a theoretical framework for explaining the moderating role of the institutional context on advertising effects in an emerging market situation. The essential points raised in this paper include the following. First, researchers and practitioners need to acknowledge that there are differences between the high income industrialised countries and emerging market countries and that some of these differences may necessitate differentiated approaches to doing business. Second, both advertisers and consumers are subject to the same institutional environment. Consequently, socialisation is a negotiated or contested process where different socialisation and ideological agents compete for the consumer’s attention and mind. Some studies have theorised and undertaken empirical tests on the impact of countries’ institutional contexts on consumer behaviour and advertising. It has been found that advertisements in emerging market countries generally tend to show individuals of unequal status and people in groups more frequently than advertisements in the high income industrialised countries. This is in line with the emerging markets’ emphasis on hierarchy and embeddedness (Alden, Hoyer & Lee, 1993). Three, the generalisation of research findings must take the institutional environments into account. It is this last point that we have set in motion with this conceptual paper whose propositions we plan to subject to empirical testing.

Though the theoretical framework can be applied to the analysis of different aspects of the institutional environment, our propositions are limited to only a few elements of the cultural subsystem of institutional environment. This is a major weakness of this paper, but it is not possible to be exhaustive with a paper of this size. It is our view that there is a lot of scope for researching other elements of the cultural subsystem or other subsystems (such us the socioeconomic and regulative subsystems) of the institutional environment.

REFERENCES


Robson, C. Real World Research, Oxford: Blackwell.


This study examined creative strategy development in Ghanaian advertising. In-depth interviews were conducted with advertising practitioners in Ghana. Findings suggest that the creative strategy development process in Ghana presents a mix between the western model and what this paper identifies as the “Ghanaian model.” This involves a mix of reliance on research, intuition, sensitivity to culture, agency’s experience with the brand, and client’s budget. The extent to which these factors dominate in the process was found to be dependent on the nature of the client and the client’s knowledge of advertising practice.

INTRODUCTION

The World Bank describes Ghana as a success story and “one of the best-performing economies in Africa.” However, not much is known about its advertising industry. The role of advertising in a growing economy cannot be overemphasized. This paper presents an exploratory analysis of Ghana’s advertising industry with an emphasis on creative strategy development in Ghana (which is non-existent in the advertising literature). Only few studies have examined creative strategy development in countries other than the United States. These include Taylor, Hoy & Haley (1996) and Punyapiroje, Morrison and Hoy (2002). Both studies found that culture plays a significant role in the creative strategy development process in France and Thailand. This current study follows in that tradition by examining creative strategy development in Ghana and what role, if any, culture plays in the process.

Background information on Ghanaian advertising

Information from the Advertising Association of Ghana (AAG) website indicates that Advertising in Ghana began in 1927 when the West African Publicity Limited (WAP) was set up to advertise merchandize imported by United African Company (UAC), a Unilever Subsidiary. WAP was eventually absorbed by Lintas to become Lintas W.A. Limited, which mainly promoted Unilever products. A billboard company, Afromedia, was also set up around that time for outdoor advertising of Unilever products. These two advertising companies were at the forefront in establishing an advertising industry in Ghana. These were followed by other international advertising agencies and local production houses. After an economic slump in the 1970s Ghana’s economy bounced back in the 1980s. This saw the re-entry of many more advertising agencies, with over 30 agencies operating in the country around that time. The advertising association of Ghana was thus set up in 1990 to regulate the activities of advertisers in Ghana (Advertising Association of Ghana, 2005). However, it was not until recently did the advertisers association become a more vibrant force in the advertising scene. It seeks to raise the level of professionalism in the advertising industry. The association’s code addresses various issues including, the use of fear appeals, media buying, conditions regarding alcohol advertising, cigarette advertising, and advertising to children. It also discourages the use of superstition, depiction of violence, ads that promote sexual virility, placement of ads for competing products side by side, and requests that all condom ads be approved by the AAG before being aired. The code suggests that non-compliant members are liable to penalties, such as being suspended or expelled from the association. As part of its mission to encourage professionalism, the association organizes an annual “gong gong” awards to award deserving ads.

LITERATURE REVIEW

A review of literature on Ghanaian advertising reveals a major under representation in the advertising literature. Published academic research on Ghanaian advertising is extremely few. One study was found by Milner (2005), which examined sex role portrayals in advertising in Ghana, Kenya and South Africa. Her key findings were that Ghanaian ads portrayed men as employed more often than women, voiceovers
were dominated by men, and men were often shown in work positions. Women were portrayed more frequently in independent roles than in relational roles. Aside Milner’s study, other studies (e.g., Brody, 2001 and Ross, 2004) examined some aspects of Ghanaian advertising, but from a visual communication perspective. For example Brody (2001) examined movie posters as a way to advertise movies in Ghana. The article concluded that in the 1980s, as a result of lack of posters from the west, movie houses in Ghana designed their own hand made posters to publicize movies. These were on improvised canvas (flour sacks) and sometimes had images that had no bearing on what was in the movies themselves (Brody, 2001).

There is also scanty industry research on Ghanaian advertising. For example, the AAG and a research organization only recently began compiling an annual audience research survey called the Ghana All Media and Products Survey (GAMPS). This survey provides aggregate audience data for the various media. Presently, this appears to be the most used data by advertising agencies. However, findings have sometimes been disputed by some media houses. There is also some industry data on media expenditures in Ghana compiled by the Steadman Group. However, their data is centered mainly on media houses in Ghana’s capital city. Some multinationals in Ghana sometimes commission research to back their campaigns. Sometimes their findings are disputed by their ad agencies, as will be discussed later in this paper. It can be seen therefore that there is inadequate academic and industry research on Ghanaian advertising, hence the need for papers such as this to fill in the gaps.

Culture and creative strategy development

Cultural meaning is transferred from the cultural world to the product – through advertising. The creative director decides what properties of an ad to choose from the alternatives available in the culturally constituted world to reflect the meaning the client intends to present for the product (McCracken, 1986). There are cultural expectations for advertising which influences how advertising is created in different cultures (Rotzoll & Haefner, 1990).

In examining the role of culture in creative strategy development, Taylor, Hoy & Haley (1996) compared French creative strategy development with United States creative strategy development. They found that the French consider clients expectations in choosing the cultural properties of the ads. Also, the approach used for U.S. clients might be different from the approach used for French clients. They cite the example that U.S. companies in France evaluate survey research, do copy testing, while clients “comfortable with French culture” tend to go with the French creative strategy system which tends to be based on “intuition, experience with culture, and semiotic/linguistic analysis.” (p. 9). They also found that although the client is the main determinant of which creative strategy model to use, it is the creative director’s responsibility to portray the ad in a way that would make the intended meaning transferred accurately to the viewer. These might be contrary to the expectations of the U.S. client, or seem strange to the U.S. client. Another finding was that French advertising doesn’t have creative strategy typologies. This was attributed to the fact that French academicians have not developed a body of literature on advertising and do not have a body of “how to” literature. They basically rely on textbooks from the United States and express the rules according to their culture.

Similar findings were found by Punyapiroje, Morrison and Hoy (2002) who examined creative strategy development among Thai professionals. They found that that Thai advertising is very similar and heavily influenced by American advertising. Similar to the French, the Thais also do not rely solely on research, but rather combine research with intuition, emotion and creativity. They recognize culture as an important factor in developing advertising creative strategies. Although research is conducted, they don’t rely on research, because of the belief that creativity is like an art and is more accidental than based on research. They argue that as a result of Thailand being a high context culture, Thai advertisers tend to use soft sell approach. There is also a great deal of emphasis on “non-verbal cues, physical settings, social circumstances.” Thai advertising is also influenced by easy-going (sabai-sabai) nature of Thai people.
They argue that as a result of Japanese and American influence, Thai advertising is non-unique and easily adapts to western and eastern styles.

It can be concluded from the above discussion that culture plays a significant role in creative strategy development. This study therefore examines what role culture plays in creative strategy development in Ghana. It also examines other influences on the creative strategy development process.

**METHODS AND PROCEDURE**

*Procedure*

This study adapts procedures established by Punyapiroje, Morrison and Hoy (2002) and Taylor, Hoy and Haley (1996) who examined creative strategy development in Thailand and France respectively. It involved qualitative interviews with Ghanaian advertising professionals. The “purpose of qualitative interview is not to discover how much and what kinds of people share a certain characteristic. It is to gain access to the cultural categories and assumptions according to which one culture construes the world.” (McCracken, 1988, p.17.) Data was collected in Ghana through in-depth-interviews with seven advertising agency practitioners. In-depth interviews provide insightful information useful in understanding cultures. The interviewer contacted the practitioners or their secretaries and scheduled appointments to meet with them. At the agreed upon time, the interviewer went to the practitioner’s office and introduced himself and explained the purpose of the interviews. The interviewer sought their permission to record the interviews, which they all obliged. The interviews were all conducted in English, since business in Ghana is normally conducted in English, and they all felt more comfortable expressing themselves in English. A question guide comprising questions adapted from Punyapiroje, Morrison and Hoy (2002) was used. An additional question was included; “What unique problems or challenges do you face as an advertising agency located in Ghana?” Consistent with an emergent design, the interviewer asked follow up questions to clarify issues that came up. The interviews were audio taped and transcribed later.

*Sample*

The practitioners were recruited after consultations with an executive of the AAG. The executive recommended these practitioners based on their level of experience in the industry and expertise on the subject. They also worked in agencies deemed to be representative of Ghanaian advertising. They included the president of the AAG, who is also the managing director of an advertising agency which is an affiliate of a United States based agency, an executive director of Ghana’s first and largest advertising agency, an account manager who has had experience working in various capacities at her agency, a managing director of another advertising agency, who also teaches advertising at a major university. In addition, the sample included a production manager, who also doubles as a copy writer at his agency, a creative coordinator of an agency that has consistently won most of the advertising association’s “gong gong” awards, and a client service manager who has had years of experience working with local and international clients. Respondent numbers have been used to protect their identities. Their years in the industry ranged from five to over 20 years. All those interviewed, with the exception of one, worked in agencies that are affiliates with United States agencies. All the agencies are based in Accra, the capital of Ghana. The major questions were the following: Tell me about your work, your title, and your job responsibilities, Tell me about your agency, your clients and the types of work you do for them, How do you develop creative strategies for different clients? What kinds of research, if any, do you use? What kinds of research do you conduct? What do you think are the unique characteristics of Ghanaian advertising? What are the similarities and differences between Ghanaian advertising and advertising in other countries (United States, Europe)? How does Ghanaian advertising compare with advertising in other countries? What unique problems or challenges do you face as an advertising agency located in Ghana?

To ensure the validity of the data, the interviewer rephrased participants’ responses to double check whether the interviewer was interpreting their responses accurately. Analytical induction and comparative
analysis (Glaser and Strauss 1967; Goetz and LeCompte 1984) was used in the analysis of the data. First, open coding was done, which involved scanning each transcript line by line to identify the themes. Secondly, the common themes were combined together. Finally, the themes were merged together and developed into core concepts.

**FINDINGS AND ANALYSIS**

**Mixed Model — Western and Ghanaian**

It became apparent from the data that Ghanaian practitioners generally have a preference for the western model, which involves creative strategy evolving from the client’s brief, based on research etc. When asked how they developed creative strategies, all practitioners interviewed described the typical western model of strategy development. This could be attributed to the fact that most of the major ad agencies in Ghana are affiliates of American agencies. Also, most of the practitioners receive western advertising training and use American textbooks. There is therefore a great deal of emphasis on making decisions based on research that provides insights into consumer actions and activities. Some agencies also do pre-testing of concepts and ads.

However, they were all quick to point out that that good quality research is sometimes hard to come by in Ghana. Although some clients provide their own commissioned research, some of the practitioners expressed that the quality of client research can be doubtful at times. As a result, agencies end up conducting their own research. This is normally done with smaller samples (commonly referred to as dip stick research). As a result of high cost of research; the sample sizes are normally small and are not necessarily all empirical.

Respondent 1: Dip stick is something that we just go out on the street, ask people, or call people in for focus group discussion for developing communication, when we just want to get the initial sentiment concerning what to develop. Despite the general preference for research based decisions, per the western model, there is also an emphasis on intuition and experience, more so than research data. In this study, this is described as the “Ghanaian model.” There are a number of reasons for this. First of all, as a result of inadequate and unreliable research, agencies that have worked on brands for a considerable length of time tend to trust more in their experience with the brand than research that contradicts their experience with the brand. If there is a conflict between research data and their experience with the brand, they are more likely to develop their strategy based on experience.

Respondent 2: There have been instances where we’ve taken some landmark decisions where we have doubted clients’ research and have succeeded. Initially there is some degree of resistance, but then eventually at the end of the day they are honest enough to say that “hey you guys are right.” But that can only happen when your depth of knowledge of the brand is deep and you really know what you are talking about.

Secondly, some types of research are simply unavailable. According to one of the practitioners, there is no data on outdoor advertising. Hence, most decisions about outdoor are made “from gut.” Thirdly, although research data might be accurate, some practitioners may still rely more on their intuition more so than research. This is due to their belief that the consumer is not always right and sometimes cannot push the envelope in research situations.

Respondent 3: The consumer is not always right anyway. Because they also sometimes can’t push the barrier. They want to see what they are familiar with.

In all the instances discussed above, practitioners recognize the role of research in the creative process. However, another set of advertising practitioners (those who have no professional training in advertising) almost always develop their strategies based either on intuition or their clients’ preferences. Most of these practitioners are people who just happen to own or operate broadcast production equipment or have some expertise in graphic design.

Respondent 5: Again also we are getting a lot of mediocre business... people believe that once you think you can write or your have a video camera you can do advertising... A lot of people are not trained. We welcome competition but sometimes it is a bit on the low side.
Cultural Sensitivity

Despite the preference for research, sensitivity to Ghanaian culture is a very important determinant of how the message is presented in the ad. It became apparent from the data that Ghanaians generally do not open up to cultural expressions that are perceived as harmful to traditional Ghanaian values. One of the practitioners described Ghanaians as “very conservative” with “strong cultural values and morals.” Using appeals that might be considered offensive might alienate consumers from patronizing the brand. For instance, when asked about the use of sex appeals, all practitioners said they avoided them. Even the advertising of sex related products like condom can be tricky in Ghana.

Respondent 3: Even in the condom communication you do have to stay within the core message and not just about stripping and getting under the sheet. As a result, most of them try to play it safe by avoiding any creative ideas that might be perceived as offensive. The use of sex appeals is considered a western value with a potential to corrupt the morals of the Ghanaian people. There appears to be an effort among Ghanaian ad agencies to stay consistent with Ghanaian values and reject values that are considered western, perhaps for fear of repercussions on the brands advertised. Even the AAG’s code of ethics has strict regulations governing use of sex appeals.

The Ghanaian Appeal - Simple, Popular Culture, Big Humor

Ghanaian practitioners try to be literal and use a straight-to-the-point approach in their creative strategy. There is more emphasis on providing facts about the brand than being creative. They try not to get sophisticated or obscure anything, for fear of losing the target audience in the process. Rather, emphasis is on the Ghanaian appeal which is to keep it simple and straight to the point.

Respondent 3: …The Ghanaian market is very literal. You just have to be very direct… and if you get too artsy, its just for a certain group so you have to find a way of making your message clear simple and yet likeable….You can’t be obscure and say let them work it out. It will be lost on them. So you have to be plain.

In addition, Ghanaian ads work well if they have humor, particularly humor that is peculiar to Ghanaians. The humor used is a type of contextual humor that is normally only appreciated by people who live in the culture. It borrows from elements in popular culture and indigenous comedy (popularly known as “concert party”) and may borrow from certain linguistic elements in the local dialects, such as terminologies and phrases dominant in Ghanaian popular culture. Even when the humor is expressed in English, it takes someone who understands the local language and gets the double entendre to appreciate it. These elements tend to “indigenize” advertisements and make them relevant to the everyday lives of average Ghanaians.

Respondent 4: Ghanaian advertising is rooted more so in the popular culture here than it might be in other parts of the world. Advertising in many parts of the world use humor that is translatable. Ghanaian advertising I wouldn’t say is that readily translatable. It tends to be more rooted in the popular culture…I think Ghanaian advertising has more to do with the everyday lives of people here.

Level of Sophistication of Client

Another finding is that the level of sophistication of the client sometimes determines the strategy model used. This mainly depends on whether the client has knowledge of advertising or not. Multinational clients tend to have well developed systems, usually consistent with the western model. Most of them have well established marketing and promotions departments staffed by people who have excellent knowledge in advertising development process. Agencies working with these clients are normally required to abide by these models, with minor adjustments to fit the Ghanaian environment.

Respondent 3: …different clients have different systems. Uniever has a thing they call the brand key …we have to understand the brand in and out as much as the marketing manager.

However, some clients who don’t have advertising training sometimes insist on certain creative directions without any good rationale. Smaller and younger agencies tend to give in to these pressures just to keep the account. According to one of the practitioners, in the initial stages of their agency, they had to give in to some of these demands. He recalled instances when clients requested that they design ads similar to some other ad they had seen on television, without providing any rationale.
In addition, some companies, mostly small to medium size companies that engage in imports, bring in ads from overseas to support their products. They make minor adaptations to these ads and place them in the media. They do not necessarily use ad agencies, but use the services of production houses to make these changes. Some of these adaptations tend to be very literal and sometimes don’t make sense.

Respondent 3: If you take one of the feminine hygiene products (for example), they just bring the ad and put Twi on it and it is really tacky. It’s like watching a Chinese movies with English talk… they create the communication completely so what you say almost (sounds like) saying “dirt is good.”

*Execution Issues*

Another consideration in the strategy development process is how executable the creative concepts are. Some practitioners expressed that they can develop creative concepts that can match any western agency. However, problems arise with the execution. This is because there are not enough qualified production personnel (producers, directors, graphic artists, models etc.) who can accurately and appropriately transform and execute the concepts into real ads (especially when the ads are done in English). Most Ghanaian ads done in English have a hard time accurately bringing out the nuances, compared to ads done in Ghanaian local languages. As a result, most agencies tend to stick to ads in the local languages, which are generally linguistically well executed with appropriate nuances. This could be attributable to an undeveloped film and television industry in Ghana. Ghana has only one film and television institute which trains television production personnel.

Respondent 5: In the US or UK or whatever, the language is theirs, so they know how to use the language. We don’t, we don’t. …. more people (agencies) go into the local languages…But we almost always have a problem when we go into English. That is because a lot of them write with the local language in mind so if they produce in the local language it is fluid, it flows very well, and there is a lot of humor. When they do the same ad in English, there is a problem, because people don’t really get the nuances, they don’t.

Secondly, the strategy used and the intended execution is normally determined by the client’s budget. Some Ghanaian clients are unwilling to devote substantial sums of money to advertising campaigns. Most agencies tend to cater their strategies to the clients budgets which sometimes results in stereotypical “low budget” productions.

*DISCUSSION*

This exploratory study examined creative strategy development in Ghanaian advertising, which is non existent in the advertising literature. Overall the findings suggest that Ghanaian advertising strategy is influenced by culture. Advertising practitioners tend to take into consideration the “perceived conservatism” of Ghanaians and try not to depart from Ghanaian values. It appears each creative strategy has to pass the “culture test.” Advertising practitioners are careful not to offend or insult the values and sensibilities of Ghanaians. Hence, most ads are culturally sensitive, non-risqué, safe and tend not to push the envelope. In addition, ad practitioners are conscious of the fact that media houses have their own censorship mechanisms for determining what is culturally appropriate for placement in their media. The advertising association also has its own regulations governing ad appeals that are deemed culturally inappropriate and contrary to Ghanaian values. This cultural sensitivity tends to impact creative expression, contributing to a trend of simplistic, “straight jacket” and direct-to-the-point creative approaches, with very little sophistication (in the western sense of sophistication).

Although most Ghanaian advertisers would generally prefer to make decisions based on solid research, as a result of being trained according to the western model, research data is relatively unreliable or unavailable in most cases. For instance, it is very hard to come by high quality secondary data that can be bought off the shelf (like MRI and Nielsen data in the United States). In addition, most advertisers are reluctant to spend huge sums on research, either because of low return on investment, or because of their lack of education regarding the role of research in advertising. For those that are willing to invest in research, there aren’t many organizations that have the capacity to conduct high quality research. These
contribute to situations where some decisions are made based on gut feeling and intuition — basically a “hit or miss” approach.

Ghana’s advertising industry, and for that matter its media industry, are still growing. Until the early 1990s, Ghana only had state owned media. There was relatively no competition in the media and this resulted in Ghana having very few job openings for broadcast and print production personnel. There was therefore not much of an incentive for people to train in broadcast and print production. This led to a shortage of well trained production personnel capable of developing high quality ads. Although this trend has been changing since the late 1990s, as a result of the proliferation of media houses, there are still very few production personnel who can adequately convert creative strategies into high quality executions, especially for ads done in English. The relative shortage of experienced creative and production personnel tends to impact the advertising industry and affects execution. Ads done in the local languages, however, tend to do quite well if they emphasize “Ghanaian humor” and incorporate elements of Ghanaian popular culture.

Economics also play a role in the creative strategy process in Ghana. Ghana has a population of about 22 million people. For that matter, Ghanaian advertisers generally target a market not bigger than this number. On the other hand, advertisers in the United States may target markets with hundreds of millions of people and can afford to make huge investments in creative strategy development and ad execution. There is therefore less of an incentive for most Ghanaian advertisers to devote comparable budgets in creative strategy development considering the relative low return on investment.

CONCLUSIONS AND IMPLICATIONS
Ghanaian creative strategy development process does not lend itself to an easy definition. But generally the process is a mix between the western model (which relies heavily on research) and what this paper describes as the “Ghanaian model” — which is a mix between intuition, sensitivity to culture, client’s budget and experience with the brand. The extent to which these factors dominate is dependent on who the client is, the client’s knowledge of advertising practice, and to what extent the client insists on a particular creative strategy model.

These findings have several implications. First of all, it is important that multinationals advertising in Ghana localize elements of their campaigns to conform to Ghanaian culture. It appears that just presenting the same western concepts in Ghana might not work, especially if they are inconsistent with Ghanaian values. If ads are to be done in English, companies that can afford it could hire qualified production personnel from overseas to assist in the execution, so the quality comes close to overseas ads. However, if Ghanaian production personnel are to be used, the ads would work best if executed in the local languages. Since most agencies prefer to use good quality research, it will be important that would be advertisers invest in high quality research and involve their agencies in designing the research. Involving the agencies in the research process would create an environment where the agencies are likely to agree to the validity and reliability of research findings and actually use them in making decisions.

REFERENCES
Sustainable Tourism Marketing as a Tool for Economic Development Strategy in Nigeria*

Adegbuyi Omotayo Adeniyi, Covenant University, Nigeria

Many African countries (including Nigeria) are blessed with a wide variety of natural environment, and rich customs and traditions that offer enticing options for the tourism industry. Yet tourism is one of the sub-sectors of the Nigeria economy that is waiting to be exploited. This study examines national and international strategies for developing tourism and investigates the opinion of participants in the tourism industry in Nigeria, with a view to identifying the key strategic issues that can ensure the success of sustainable tourism marketing. The research consisted of a literature study, field surveys and interviews with policy makers, tourism operators, academics and administrators. The results identify tourism marketing as an economic development strategy tool for Nigeria and other developing countries. Four strategic issues which include, product and enterprise development, education and training, transport and infrastructure, funding and financial administration were identified as fundamental for its success. It is believed that these guidelines could also be applied to other African countries, thus creating generic strategy for developing sustainable tourism marketing.

INTRODUCTION
Fundamental processes of restructuring, an increased mobility of capital, the rise and decline of localities and regions and the pursuit of new economic growth activities, particularly in the service sector, have characterized the economic geography of the post-industrial world. (Binns and Nelt, 2002). In the developing world, such economic change frequently overlays more localized processes of marginalization and extreme poverty. In recent years, in a parallel and often related process, service-based economies sectors have received significant impetus from altered consumer preferences and choices, wealth and locational mobility (Hudson, 1995). Tapping into economic shifts such as these can have significant potential for areas that are seeking to reorientate their local economies as a result of economic change or marginalization. One sector that has performed particularly well in this context is tourism, which has clearly become one of the most critical forces shaping the world’s economy (Williams 1998). The identification and promotion of localities as a result of their location, natural attractions and tourist-oriented facilities, has enable once marginalized areas, such as Nigeria to enjoy newfound economic prosperity. The increasing importance of tourism generally, and more specifically in the developing world, is a noteworthy theme in development literature, and many countries have now come to regard it as a ‘passport to development’ (Williams 1998; Dann 2002).

Within this context, the advocacy of tourism as a so-called ‘pro-poor’ strategy is an emerging theme in development literature (Ashley and Roe 2002), as are parallel debates concerning the potential of tourism development in promoting community development and sustainability in a manner that does not lead to drastic environmental and social changes (Wahab and Pigram 1997). Numerous governments and development agencies around the world find tourism promotion a relatively inexpensive strategy that can draw in foreign exchange through ‘exhibiting’ local culture and environments. In situations marked by economic collapse, and in the absence of significant economic alternatives, this is probably an understandable situation. The tourism industry has seen rapid growth in recent decades and has attracted the attention of many scholars who see tourism as a tool for economic development in less developed countries (LDCs). Tourism obviously increases spending by affluent visitors from developed countries in less developed countries. It can also contribute to the transfer of non-monetary resources such as human skills and technology from developed countries to less developed countries (LDCs).

* Paper omitted from the 2007 IAABD Proceedings.
However, like other development strategies, tourism has limitations (Sharpley, 2002). The main constraints are lack of capital and infrastructure including hotels, transportation, health facilities, and security. Local support industries often do not exist or cannot meet the demands of large tourism operations. If tourism is to grow as an alternative development strategy, the LDCs must be able to supply or import the industrial goods and offer the specialized services that are essential for this industry to succeed. In the short run, this would negatively affect LDC trade balances and increase dependency on imported goods and labour. On the other hand, tourism could support much needed infrastructure and open opportunities for faster and cheaper movement of resources. Increased trade opportunities would assist all markets and lead to faster long-run economic development in other sectors.

The paper first reviews the application of tourism by developed countries for economic development. The next section discusses the reasons for tourism marketing in developing country like Nigeria. Subsequent sections explore the relevance of sustainable tourism marketing in Nigeria, concept of marketing and some policy issues regarding the subject matter. The methodology used, and the results from the field follow. A concluding section suggested some recommendations and their implications to the developing countries (including Nigeria).

WHY TOURISM MARKETING?

Tourism Marketing as an internationally recognized tourism product

Tourism is the temporary movement to destinations outside the normal home and workplace, the activity undertaking during the stay and the facilities created to cater for the needs of the tourists (Wall, 1982). Rural areas have a special appeal to tourists because of the mystique enshrouding these rural areas with their distinct cultural, historic, ethnic and geographic characteristics (Edgell and Harbaugh, 1993). Tourism marketing and its impact on rural communities are becoming increasingly prominent internationally. Special attention is being paid to tourism development in rural where wildlife and indigenous cultures provide numerous opportunities for tourism, rural development and economic growth (Mahony and Van Zyl, 2002). Tourism Marketing is truly global, but little is known about this new tourism product in developing countries (Page and Getz, 1997). It is ironic that tourism marketing is well established in most developed countries of Europe, North America and Australia, while it remains unacknowledged in most developing countries. For instance, the countries that attended a tourism seminar and shared their experiences were Australia, Italy, France, Switzerland, China, Netherlands, Spain, Turkey, Romania and Israel (World Tourism Organization, 1997).

Given the decline in rural economies internationally over the past three decades, it is understandable that much government attention has been given to the economic benefits of tourism, particularly in areas that are struggling to keep pace with, and adapt to, the vagaries of a globalized economy. Tourism development has therefore received increasing recognition as a toll for regional and national economic development. In Japan, which has long been held as model for many of the developed nations of the west, the countryside has suffered from out-migration. The national and regional governments, together with businesses, have implemented policies to arrest rural population losses by replacing declining industries such as forestry, farming and fishing with rural tourism (Graburn, 1995).

Government intervention in tourism is widespread. Tourism is being promoted as a source of rural and urban economic growth and employment generation at all levels of government in developed nations such as Australia, Canada, the European Union, New Zealand, the United Kingdom and the United States (Williams and Shaw, 1988; Hall and Jenkins, 1995; LEADER, 1995); by the former state socialist countries of Eastern Europe (Hall 1991); and by less developed countries such as Kenya, Cuba and Sri Lanka; and the pacific region generally (Hall and Jenkins, 1995). It is beyond any doubt that tourism marketing is indeed an internationally acclaimed tourism product.
The goals of tourism marketing such as economic growth and diversification, employment generation, increased investment, population retention, infrastructure and facility provision and conservation are fairly standard policy goals, but the actual strategic process by which they can be achieved is not standard. Little attention has been paid to the objective defining process or to strategy formulation. Although tourism is hailed as a tool for regional development, there is rarely a clear conception of tourism marketing or of the role tourism in rural regions or local communities that could inform strategy or planning (Butler et al 1998). This is the background against which strategic guidelines for tourism marketing development are considered.

Tourism marketing is distinctive by its projection of people needs, whether authentic or not (Kotler 2003). It generally constructed around the built or natural environment, and includes programmes such as cultural festivals and traditional activities that often re-enact the past or provide a flavour of the traditional local or rural culture and its history. Tourism marketing brings together the natural and cultural heritage, and this is what differentiates it from nature-based tourism. Tourists and their way of life are key component of tourism marketing. There is enough theory to form the basis for the development of tourism marketing as an enterprise in its own right (Butler et al., 1998). Australia is a leading nation in tourism development, and had developed a National Rural Tourism Development Strategy by 1994.

The relevance of Sustainable Tourism Marketing to Nigeria

Tourism is one of the sub sectors of the Nigerian economy that is waiting to be exploited. Owing to the nature of the sub sector as a major foreign exchange earner, many countries, both developing and developed devoted much attention to its development in a bid to realize its huge potentials. This is why most countries that are less endowed rely largely on tourism as major source of revenue. The growth of the tourism industry of a country depends largely on the state of its economic development (Ibru, 2006). This is why any tourism is intertwined with the level of economic development of any country. There is also a strong correlation between the level of economic development in a country and the state of its hospitality industry, which is an aspect of tourism. This explain why Ikeja Hotels Plc, a leading hospitality company in Nigeria is making strategic moves to position itself in the industry in a bid to maximize the huge potentials that is inherent in the unfolding economic growth in the country. Under the strategy, Ikeja Hotels, parent company of Ikeja Sheraton Hotels and Federal Palace Hotel, has acquired 51 per cent of Capital Hotels (Owners of Abuja Sheraton Hotel and Tower).

The strategic acquisition was made through a special purpose vehicle and it was financed by a syndicated loan obtained from a consortium of banks consisting of Union Bank of Nigeria, Afribank Nigeria Plc, Intercontinental Bank Plc, Diamond Bank Plc, IBTC Chartered Bank Plc, and First Bank of Nigeria Plc. And in Nigeria to underscore the important of tourism, the federal government set up a presidential tourism council, which is more or less an inter ministry council comprising of 12 ministers and 10 governors of states who have interests in the development of tourism in their states. It is a public/private sectors partnership in which the private sector is well represented (Ibru, 2006). Ibru, (2006) said from projections made about the country, one can see that the economy will grow if the economic reforms in place are sustained, noting that by 2016, the Nigerian economy will be as big as the South African economy, which is the biggest economy in Africa presently. The story making the rounds in the community is the perceived government’s poor attitude to tourism. The way government workers relate with the individual operators leaves much to be desired. From the Nigeria government quarters, inability to fund some world Tourism Days at the national level in Abuja was major obstacles to the Nigerian Tourism Development Corporation (NTDC) charged with the responsibility of marketing and promoting tourism potentials in the land. A visitor interested to see several historically and culturally significant tourism sites in Nigeria would not look too far. Such person has the choice of eight states such as Abia, Lagos, Bauchi, Plateau, Cross River, Osun and Nasarawa to traverse. These states are full of impressive ecotourism scenery, including Fari Rura, i.e white waters in English, precious mineral deposits, Bay Dorchester, Obudu cattle ranch e.t.c
The fact that the tourism industry in the country is slow gave tourism writers in 2003 gathered in Ibadan to rub minds and keep abreast of the trends in the global tourism industry. At the end of the seminar the writers issued a communiqué, which they said would jump-start the tourism industry, if it were well implemented by the government and other stakeholders. Some of the resolutions that were reached on how to move the sector include according to Okpanku (2003) the following.

1. Federal government should advise the leadership of the Nigerian Tourism Development Corporation (NTDC) to turn a new leaf in order to improve on the tourism industry in the country.
2. Review of NTDC poor implementation of marketing and promotion responsibilities
3. Public hearing by National Assembly on the way forward for the new national airline which will project the image and pride of Nigeria
4. Harmonization of taxation policy in the country in order to encourage the speedy growth and development of the tourism industry and
5. The summit said that the vibrancy for which the National Association of Nigeria Travel Agencies (NANTA) was noted has nose-dived, calling on the travel trade body to seek ways to review the industry.

This unfolding scenario will sustain demand for hotel and conferencing facilities over the medium term, translating to improved prospects for the company in the years ahead.

THE CONCEPT OF MARKETING

People hold a variety of misconceptions about marketing. Most common is its confusion with selling and advertising. Selling and advertising are actually types of promotion, which is only a component of marketing. Marketing involves much more, including products/service development, place (location and distribution), and pricing. It requires information about people, especially those interested in what you have to offer (your “market”), such as what they like, where they buy and how much they spend. Its role is to match the right product or service with the right market or audience. Marketing, as you will see, is an art and science. According to the American Marketing Association (1984), marketing is “the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives.” Simply stated it is creating and promoting a product (ideas, goods or services) that satisfies a customer’s need or desire and is available at a desirable price and place.

Modern marketing is a way of doing business, heavily based on the “marketing concept” which holds that businesses and organizations should:

1. design their products/services to meet customers needs and wants;
2. focus on those people most likely to buy their product rather than the entire mass market; and
3. develop marketing efforts that fit into their overall business objectives.

By adopting this concept you only provide your customers with better products, you will avoid wasting valuable time and money developing and promoting a product or service nobody wants. Earlier it was mentioned that a product can be “ideas, goods, or services.” Since tourism is primarily a service-based industry, the principal products provided by recreation/tourism (R/T) businesses are recreational experiences and hospitality. These are intangible products and more difficult to market than tangible products such as automobiles (Ibidunni, 2004) The intangible nature of services makes quality control difficult but crucial. It also makes it more difficult for potential customers to evaluate and compare service offerings. In addition, instead of moving the product to the customer, the customer must travel to the product (area/community). Travel is a significant portion of the time and money spent in association
with recreational and tourism experiences and is a major factor in people’s decisions on whether or not to visit your business or community.

As an industry, tourism has many components comprising the overall “travel experience.” Along with transportation, it includes such things as accommodations, food and beverage services, shops, entertainment, aesthetics and special events, (Kotler and Armstrong, 1999). It is rare for one business to provide the variety of activities or facilities tourists need or desire. This adds to the difficulty of maintaining and controlling the quality of the experience. To overcome this hurdle, tourism related businesses, agencies, and organizations needs to work together to package and promote tourism opportunities in their areas and align their efforts to assure consistency in product quality.

**SOME KEY POLICY ISSUES REGARDING TOURISM MARKETING**

Tourism marketing does have some disadvantages for rural and urban areas, despite its benefits and viability as an economic development agent. Tourism is not a quick fix for economic ills. Like rural manufacturing, it can put communities in competition with one another. Employment in the tourism industry, like many other service sector positions, remains among the lowest paid around the world. Jobs associated with tourism are often seasonal and profit is made only for a specific part of the year (Wilson et al, 2001). Nonetheless, tourism remains one of the few viable economic options for communities.

Research literature on how best to facilitate the development of tourism has burgeoned in recent years. A view which draws heavily on the economic literature argues that tourism is best developed by helping and creating individual businesses and letting them compete in the market (Eadington and Redman, 1991). This has been criticized because it views tourism and its related businesses as isolated from communities and their issues; because it does not recognize the interdependence of the different sectors, individuals and groups involved in tourism; and because most small tourist businesses, especially those in rural and urban areas do not individually have the resources to promote themselves or their community as tourist product (Palmer and Bejou, 1995).

Opposing this view is the community approach to tourism development (Murphy, 1995). This approach argues that tourism is a community product, and it is therefore necessary to have community and local capabilities- such as community leadership and formal and informal networks – directly involved in tourism development and promotion efforts (Murphy, 1985). While the community approach may be an effective way to develop and promote tourism, creating necessary inter-community cooperation and collaboration is a complex and difficult process. Businesses are asked to share resources while simultaneously competing state and local governments, and indeed the private sector, may see collaborating to develop tourism as risky. Adegbuyi and Iruonagbe (2006) considered that the reluctance of the private sector to invest in tourism in Nigeria could be attributed to the complexities and uncertainties associated with land ownership, poor infrastructure support, the limitations of the tourism market and largely risk-averse financial community. After having analyzed the concept and issues concerning tourism marketing and it potential role in the field of tourism- specifically in Nigeria – the research problem can thus be formulated as how tourism marketing can be fully integrated in a well – structured way into the country. The purpose of this study is therefore to identify and examine key issues that can help private and government to successfully develop tourism.

**METHODOLOGY**

The methodology used in this study consisted of: a comparative literature study of international tourism, with special emphasis on the Australian strategy for promoting tourism and a field survey among the tourism community. The researcher used local individual interviews and focus-group discussions (unstructured interviews) to obtain in-depth information from the respondents who were selected randomly from interested and affected parties. Osuagwu (2002) argues that the unstructured interview is one of the most practical means of trying to understand one’s fellow human beings. It attempts to
understand the complex behaviour of members of society without imposing any prior categorization that may limit the field of inquiry. A stratified sampling is used to select respondents from each category sampled for in-depth interview. 9 policy-makers and administrators (officials of the tourism department);6 tour operators taking visitors to cultural villages and nature and game based parks;7 academics from higher education; and 8 domestic and international tourists to Nigeria were interviewed. The unstructured interviews explored how tourism developed and the respondents’ understanding of the reasons for its success and failure. Respondents were asked to share their views on the salient strategic developmental issues in tourism marketing development. The primary method of data collection has been the unstructured interview technique undertaken by the researcher himself.

RESULTS
The literature study and fieldwork survey identified a set of issues to be investigated. Four strategic issues were found to be most important for successful tourism Marketing in Nigeria: product and enterprise development, education and training, transport and infrastructure, and funding and financial administration.

Product and enterprise development
‘Product’ refers to the actual attraction or service being offered. Its successful marketing is inextricably linked to the tourism enterprises developing the product. For this reason ‘product and enterprise’ is linked together in one strategic guideline. It is recognized in the tourism literature that successful tourism involves persuading tourists to stay longer than simple visit to view an attraction. When a region has a Victorial Falls or other special tourist attraction, it is relatively easy to attract visitors for a prolonged time by providing additional secondary attractions and tourism-oriented activities around the central feature. In the absence of such special attractions, and owing to the dispersed character of attractions in rural and urban areas these destination find it more difficult to attract visitors. This also seems to be a problem in the Nigeria. It has been shown that as a matter of strategy visitors need to view dispersed attraction points, not as isolated from and competing with each other, but in combination. Tourism packages must include all aspects of the environment, its cultural life and natural (scenic) features. In the absence of a particular object of attention, tourists who visit a region want to go for the ‘total experience’. As a point of departure it is thus strategically important to identify the major and ancillary attractions and to draw up a comprehensive supply inventory, including every possible place, activity or happening of interest or of practical value or assistance to tourists, to construct the various kinds of tourism packages that will provide the much-needed total Nigerian experience. The aim is not to show places only, but to let the tourists feel and experience foreign cultures and environments. The research has identified that for a tourism enterprise or area to be successful in the absence of world-renowned attraction, it is essential that the tourism product be innovative, diverse and different from that of its competitors. Diversifying tourism products and matching a specific product offered to a specific market are critical for commercial success. Developing and marketing products, which provide a specifically African experience, are often an important stimulus for new business (Kirsten and Rogerson, 2002).

Education and Training
Tourism depends almost entirely on skilled and innovative human resources for delivering quality service. Our research found that many small-scale tourist operators in major areas had little or no experience either in hospitality or in small business operation. The management of the majority of tourist centers has less than five years’ experience in the industry. Education and training are urgently needed to ensure the delivery of quality service.

The academics, policymakers and administrators who were interviewed insisted that meeting the educational and training needs of tourist guides, tourism operators, communities, local government authorities, tourism associations and development organizations were essential for successful tourism marketing in Nigeria. The means to achieve this are:
- Encouraging industry training for tourism operators
- Establishing educational programmes to increase the tourism skill base of local and state governments and economic development officers
- Distributing a simplified code of conduct for visitors of the tourism destinations
- Working with academic institutions on developing relevant and effective training materials and courses that encourage best practices and principle to ensure that tourism development will be sustainable and keep abreast of new demand patterns.

**Transport and other infrastructure**
Tourism is all about people moving between places, and requires a good infrastructure of all forms of communication. Tourism products are often found in relatively remote and urban areas with poor transport facilities and other infrastructure. Improved transport facilities will not only benefit tourism, but will also ensure that the country is a true gateway to Africa. Respondents regarded the general decline in the condition of some roads in recent times as a major hindrance to tourism. Lack of proper basic services such as water, electricity, telecommunications and road also hamper tourism activities in the country. The development and upkeep of infrastructure should form an important part of the tourism strategic plan. Our research findings and literature review identified infrastructure development as being primarily the responsibility of government. Cooperation between all interested parties and, most importantly, public-private cooperation, are essential.

**Funding and financial management**
It is clear that provision of enough funds for tourism development is a strategic issue. All the issues discussed above need funding. A strategy for acquiring funding from the private sector (and if possible from abroad) seems essential in the light of the restricted budgets of all government departments and the poverty of the country. Funding requires a very special place in any strategic plan for tourism marketing development, in that it requires the raising of funds from within a relatively poor community. It also needs a system of guidance for local entrepreneurs on day-to-day financial administration.

**CONCLUSION AND IMPLICATIONS**
The study of tourism literature has proved that tourism is an industry segment that warrants special attention. In a country such as Nigeria such development will not ‘happen by itself’. Pro-active initiatives through the implementation of the strategy, as expounded, will be necessary. It is a relatively new product with a great potential that can revitalize and diversify the nation economy and counteract the global trend towards urbanization and depopulation of rural areas. Most developed countries, particularly Australia, are ahead as far as tourism marketing and promotion are concerned. Despite its good intentions, the Nigerian Tourism Development Corporation does not explicitly identify tourism as an industry segment that has potential to address economy problems. As a result almost all communities still remain neglected in tourism development initiatives, which reinforces an observation made in the Tourism Seminar organized in 1999 in Lagos. One may conclude that citizens of a country do not stand to gain unless specific policies or strategies are developed to target them.

The study emphasizes the important role of Tourism marketing as part of the economic recovery and development of rural and urban areas. The suitability for tourism of the Nigeria with its citizen character and rich cultural heritage is also documented. It is believed that, should the Nigerian Tourism Development Corporation utilized the strategic guidelines outlined in this report, the country may have a bright tourism future. Without it the tourism sector will remain a haphazard conglomeration of a number of small individual entrepreneurs, trying to do their own thing without realizing the immense potential of the area. Besides, governments (Federal, States and Local) and private businessmen should endeavour to among others to:
- Identify key “anchor” projects at the national and local government levels, which will generate significant spin-offs and assist in promoting interstate economic integration.
- Develop a national marketing strategy
- Develop a research capacity in tourism
- Promote partnerships such as those formed via sub-regional bodies. Examples include Nigerian tourism Development Corporation, the Economic Community of West African States (ECOWAS) and Regional Tourism Organization of South Africa (RETOSA)

However, at the African level, they should do among others:
- Forge co-operative partnerships to capture the benefits of shared knowledge, as well as provide a base for other countries to entering into tourist-related activities;
- Provide the African people with the capacity to be actively involved in sustainable tourism projects at the community level;
- Priorities consumer safety and security issues;
- Market African tourism products, especially in adventure tourism, eco-tourism and cultural tourism;
- Increase regional co-ordination of tourism initiatives in Africa for the expansion and increased diversity of products
- Maximize our benefits from the strong interregional demand for tourism activities, by developing specialized consumer-targeted marketing campaigns.

REFERENCES


A Spotlight on the Entrepreneurial Genius and Diasporic Chords in Akon’s Music and Lyrics

Nnamdi O. Madichie, University of East London, UK

This paper highlights the diasporic influences of Akon’s Music & Lyrics – which blend Senegalese (African) life experiences with immigrant life in the United States. While vilified for his unsavoury lifestyle and wrong-footed role modelling for African American youths, Akon’s genius in music & entertainment remains very much entrepreneurial. This paper evaluates two non chart-topping songs in Akon’s music career ‘Senegal’ and ‘Mama Africa’ - and uses these as a basis for concluding that through his Music & Lyrics, Akon has drawn attention to his native Senegal providing lessons in history, politics and sociology (notably cuisine) and most importantly entrepreneurship for Africans both in the homeland and in the diaspora.

INTRODUCTION

Born 14 October 1981, Aliaune Damala Bouga Time Puru Nacka Lu Lu Lu Badara Akon Thiam (aka Akon) is a Grammy Award-nominated Senegalese hip-hop and R&B artist, songwriter, record producer and record executive. He is the founder of both Konvict Muzik and Kon Live Distribution. Although born in Saint Louis, Missouri (USA), Akon was raised in Dakar (Senegal) until the age of seven – before moving with his family to Jersey City (New Jersey) in 1989 where he attended Snyder High School – and also discovered hip hop music.

Akon’s first song ‘Operations of Nature,’ was recorded in 1996 at the age of 15. His tapes found their way to SRC/Universal, where his debut LP Trouble was released in June 2004. The album has been described as a ‘hybrid of silky, West African-styled vocals mixed with East Coast and Southern beats’. However, it’s not all honky-dory for Akon who has also been described in non flattering terms, ‘Singer, Rapper, Car thief, Polygamist… five wives and a kid. Or maybe it's five kids and a wife. Honestly, it’s hard to know…’ (De Silverio, 2007). However, Akon often cites his Muslim religion for his polygamist lifestyle. He has been in jail for a total of five years for armed robbery and drug charges, this provided him the opportunity to work on his music while in prison – after his release he began writing and recording tracks in his home studio before being discovered by SRC/Universal.

This paper evaluates two non chart-topping songs in Akon’s music life – and uses this to reach the conclusion that through his Music and Lyrics, Akon has drawn attention to his native Senegal providing lessons in history, politics and sociology (notably cuisine) to Africans in the diaspora. Indeed, despite his weaknesses and negative publicity, Akon remains very much idolized both in his native country (Senegal) and adopted country (US).

AKON’S ENTREPRENEURIAL SPIRIT

Akon has established himself in Music & Entertainment, Fashion and possibly film. In Fashion, his clothing line, Konvict Clothing was launched in February 2007. It has street wear, like denim jeans, hoodies, t-shirts and hats. Aliaune is the high-end line of Konvict Clothing line targeted at the both males and females with blazers, and expensive denim jeans. On the Film circuit, Akon also has plans to work on a full-length movie about his life – Illegal Alien (see Channel 4, 2007).

In Music & Entertainment, Akon’s clout needs no further qualification – he has an array of chart-topping songs that enjoy an outstanding global followership.
Released in 2004, ‘Locked Up’ was Akon’s debut single, which appeared on his debut album *Trouble*. The single immediately earned him success, reaching top 10 in both the US and UK. The song recounts Akon’s own troubles with the law, not only was he involved in car theft, the protagonist was also a drug dealer. In the video, Akon is arrested after being caught getting drugs out of a laundromat by undercover cops. After being in jail, he describes what a bad place prison was, contrary to the idea that prison had the tendency to make people tough, an idea popularized by rappers - *Visitation no longer comes by, Seems like they forgot about me, Commissary is gettin empty, Cellmates gettin food without me.*

He then goes on to say that he cannot wait to get out and ‘*Got a family that loves me and wants me to do right, but instead I'm here locked up*’. ‘Locked up’ was a breakout hit for Akon in early 2004 and began to shape the future of his personal life and musical career. His follow-up song ‘Lonely’ reached Number 4 on the Official UK Singles Chart surpassing ‘Locked up’ – as it was his first Top 10 hit. However, while the aforementioned two songs had been huge hits, this paper is more concerned with the little known ‘Senegal’ (not in any album) and less huge-hitter ‘Mama Africa’ (from his second album *Konvicted*). Both songs clearly provide connections between diasporic communities (especially in the US and UK) and the homeland – Africa.

*Mama Africa* was B-listed at radio station BBC Radio 1 but missed the UK top forty upon the single release of the song, peaking at number forty-seven. In Mama Africa Akon mentions poor media coverage on the positive aspects of Africa:

“…Mama Africa -pure blackness, oneness so rare, so much love to give, and let them know they're missing' out ...Mama Africa has so much love to share sweet blackness, oneness, meet me there...So much love to give, let them know they missing' out ... Skin is so dark and brown, she lifts me right off the ground. But no ya not gonna see it on ya TV…”

The less known and therefore unreported song entitled ‘Senegal’ – lives up to the billing of one of the phrases in it:

“...In case you don't know, I go by the name of Akon...and I'm from (Africa! Africa!)... Home of the Goree Islands - I'm from Senegal, West-side (Africa! Africa!)...So I'm a share with you where I'm from and how I was coming' up (Africa! Africa!)”

The Lyrics in Verse 2 of ‘Senegal’ emphasise the sociological aspects of ethnic food consumption:

*So what you know about Tchebou djen,Yassa, Tcherey and Maafe, my favourite foods ...So what you know about niggas throwing rocks, busting shots at the military invading my hood ...So what you know about kids with automatic machines waiting for the war to get on that side... So what you know about how God comes first in our lives, everything that we do is for Allah ...So what you know about that Holy place called Touba where Prophets were born ... So what you know about coming here, getting money and investing it back home.*

Some key themes that emerge from this second verse are very instructive. Akon touches upon Senegalese food, police brutality and the fear of God, sacred places and prophets. He also touches upon remittances – ‘...investing it back home’ (see Adams and Pope, 2003; IOM, 2002; IOM, 2003). That is exactly what he does by owning a charity in Africa – Konfidence Foundation, a non-profit organization dedicated to improving the quality of life for the people of Senegal from health care and disease prevention, to art, music and sport projects.(see [http://www.konfidence.org](http://www.konfidence.org)).

In the second song analysed in this paper it is clear that while *Senegal* (the first song) draws attention to historical Senegalese sites namely Goree Islands, ‘Mama Africa’ projects sacred sites such as Touba – the home of prophets – as well as popular Senegalese cuisine such as Ceebu djen Yaasa, Maafe etc. The next section first highlights the sites and then the cuisine before discussing the death of a Senegalese
immigrant – Amadou Diallo – in an unprovoked assassination by four white New York police officers – in what has been insinuated of racist allusions and immigrant xenophobia.

Lesson 1: Insight on Senegalese Historical Sites

For the benefit of those with a poor knowledge of African/Senegalese history, Akon projects Senegal’s second largest city Touba (a town in central Senegal) after the capital Dakar (see Table 1). It is the holy city of Mouridism, where its founder, Seex Aamadu Bâmba Bâkka (Amadou Bamba), is buried. Sheikh Amadou Bamba, (1853-1927) founded Touba in 1887 under a large tree when, in a moment of transcendence, he experienced a cosmic vision of light.

Table 1. Principal Communes

<table>
<thead>
<tr>
<th>Commune</th>
<th>1988*</th>
<th>2002*</th>
<th>2004*</th>
<th>2007*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dakar (incl. Pikine &amp; Guediawaye)</td>
<td>1,375,070</td>
<td>1,983,093</td>
<td>2,098,600</td>
<td>2,243,400</td>
</tr>
<tr>
<td>Touba Mosque</td>
<td>N/A</td>
<td>N/A</td>
<td>451,300</td>
<td>529,200</td>
</tr>
<tr>
<td>Thiès {Thies}</td>
<td>175,465</td>
<td>237,849</td>
<td>249,400</td>
<td>263,500</td>
</tr>
<tr>
<td>Kaolack</td>
<td>150,961</td>
<td>172,305</td>
<td>178,700</td>
<td>186,000</td>
</tr>
<tr>
<td>Rufisque</td>
<td>142,340</td>
<td>143,281</td>
<td>151,600</td>
<td>162,100</td>
</tr>
<tr>
<td>Ziguinchor</td>
<td>124,283</td>
<td>153,269</td>
<td>154,000</td>
<td>158,400</td>
</tr>
<tr>
<td>Saint-Louis</td>
<td>113,917</td>
<td>154,555</td>
<td>162,100</td>
<td>171,300</td>
</tr>
<tr>
<td>Mbour</td>
<td>76,751</td>
<td>153,503</td>
<td>165,700</td>
<td>181,800</td>
</tr>
<tr>
<td>Diourbel</td>
<td>76,548</td>
<td>95,984</td>
<td>98,900</td>
<td>100,400</td>
</tr>
<tr>
<td>Louga</td>
<td>52,057</td>
<td>73,662</td>
<td>77,800</td>
<td>82,900</td>
</tr>
<tr>
<td>Tambacounda</td>
<td>41,885</td>
<td>67,543</td>
<td>72,400</td>
<td>78,800</td>
</tr>
<tr>
<td>Mbacké {Mbacke}</td>
<td>38,847</td>
<td>51,124</td>
<td>58,000</td>
<td>68,100</td>
</tr>
<tr>
<td>Kolda</td>
<td>34,337</td>
<td>53,921</td>
<td>57,600</td>
<td>62,300</td>
</tr>
</tbody>
</table>

In Arabic, ţubâ means ‘felicity’, ‘bliss’ or ‘beautitude’, and evokes the sweet pleasures of eternal life in the hereafter. In Islamic tradition, Ţubâ is also the name of the Tree of Paradise. In Sufism (Ross, 2006), this symbolic tree represents an aspiration for spiritual perfection and closeness to God. Since its founding in the late 19th century, the holy site remained a tiny, isolated place in the wilderness until his death and burial 40 years later. Only then did construction of the city really get underway (Ross, 1995; Guèye, 2002). The Great Mosque was completed in 1963 and since its inauguration the city has grown at a rapid pace – from under 5,000 inhabitants in 1964, the population had grown to 30,000 in 1976 and officially estimated at 428,000 in 2005. Along with the neighboring town of Mbacke, the Touba conurbation is Senegal’s second largest, after the capital Dakar.

Life in Touba is dominated by Muslim practice and Islamic scholarship (Ross, 1995). A major annual pilgrimage, called the Grand Magal, attracts between one and two million people from all over Senegal and beyond (this is tourism development associated with the pilgrimages to holy cities of Jerusalem and Mecca). For Mourides, Touba is a sacred place, protected from the corruption of the profane world. Forbidden in the holy city are all illicit and frivolous pursuits, such as the consumption of alcohol and tobacco, the playing of games, music and dancing. The city constitutes an administratively autonomous zone under the full control of the Mouride with special legal status within Senegal. Every aspect of its
city’s life and growth is managed by the order independently of the state, including education, health, supply of drinking water, public works, administration of markets, land tenure, and real estate development.

Goree Islands (i.e. next to modern Dakar) was infamously the prized possession of the French government and an important slave trade departure point. Millions of West African tribes’ people were shipped from there. If this is not a lesson in history nothing ever will.

Lesson 2: Culture and Consumer behaviour (Senegalese Cuisine)
Although Senegalese cuisine is similar to other West African cuisines, it has its own unique touch. Because Senegal borders the Atlantic Ocean, fish is an important staple. Chicken, lamb, and beef are also used in Senegalese cooking, but not pork, due to the nation’s largely Muslim population. Peanuts, the primary crop, as well as couscous, sweet potatoes, black-eyed beans and various vegetables, are also incorporated into many recipes. Meats and vegetables are typically stewed or marinated in herbs and spices, and then poured over rice or couscous or simply eaten with bread.

Akon projects the importance of the Senegalese cuisine to the diasporic palate in Verse 2 of ‘Senegal’ - So what you know about Tchebou djen, Yassa, Tcherey and Maafe, my favourite foods? Ceebu jen (or ãèèboudiènè) is flavoursome marinated fish cooked with tomato paste and a variety of vegetables – and notably the national dish of Senegal. Yassa is a spicy marinated dish prepared with poultry or fish. Originally Senegambian, yassa has become popular throughout West Africa. Chicken Yassa, prepared with onions and lemon (known as yassa au poulet) is one of the most popular recipes in West Africa. Maafe (Groundnut Stew) is a stew made from lamb, beef or chicken with a tomato and peanut-based sauce. Variants of the dish appear in the cuisine of several nations throughout West and Central Africa. This might have implications for the consumption of Senegalese restaurants in Europe and North America (see Madichie, 2007).

Lesson 3: Immigration, Racism and Oppression
Born in St. Louis, Missouri instead of Senegal because his family didn’t want to have to go through immigration problems and so he and his siblings could get a better education. There are also indications of the problems faced by Africans in the diaspora. Akon highlights the plight of Africans in the US and possible other parts of the developed world by citing different elements of xenophobia and Semitism. rom verse 1 of Senegal, Amadou Diallo is mentioned:

“So what you know about the struggles that my people went through so you can live the way you live now ...So what you know about seeing that brand new mother giving away her newborn child ... So what you know about Mr. Amadou Diallo, the Senegalese cop shot down ... So what you know about how people love to perceive us when we come into a brand new town ... So what you know about the Goree Island, where all the slaves were shipped from ... So what you know about being born in America to avoid immigration...”

This history lesson presents or highlights the tragic loss of an African in the diasporas, Amadou Diallo whose Massacre in New York occurred on 4 February 1999. But when they got out of the car in front of Amadou Diallo’s - a 22-year-old street vendor’s home in the early morning of February 4, they made the conscious decision to shoot him’ (CNN, 2000). Prosecutor Eric Warner even stated that ‘We will prove that by the number of shots fired at very close range, that this man, who was cornered and killed in the vestibule of his home -that these four defendants intended to kill him, and therefore are guilty of murder.’

According to CNN (1999) reports ‘four white New York police officers accused of murdering an unarmed black man in a hail of 41 bullets. Prosecuting attorneys provided the defense with more than 250 pages of material in discovery, including medical examiner, ballistics lab and crime scene evidence. The officers- Sean Carroll, 36, Edward McMellon, 26, Kenneth Boss, 27, and Richard Murphy, 26 were
indicted on second degree murder charges for the fatal shooting of an unarmed African immigrant, Amadou Diallo. The undercover cops fired 41 shots at Diallo in the vestibule of his Bronx apartment building, hitting him 19 times in a post-midnight encounter (CNN, 1999). Diallo’s death was cited by critics of the New York Police Department as a glaring example of police brutality against minorities – notably immigrants (CNN, 2000).

CONCLUSIONS & IMPLICATIONS
This paper uses two of Akon’s songs Senegal and Mama Africa to explore the Entrepreneur and the artist in his bid to make connections with his homeland – Senegal, Africa. The messages in the songs not only cuts across social ills such as robbery, drug addiction and dealing, poverty, politics, immigration and racism but also touches upon some very important themes such as the growing need for freedom, justice and equality. It also touches upon aspects such as charity and the need for remittances by Africans in the diaspora. Politicians and non-governmental organisations (NGOs) especially those that organise concerts such as the Live 8 may want to pick up on some these cues in order to ensure that their message touches upon those most in need – women and youths (including children).

Drawing parallels from the movie industry as a cultural product Madichie and Ibeh (2006) reported three interesting dynamics/ scenarios, which suggest the need for emotional consumption of Nollywood movies in overseas markets. In the first case, one Nigerian resident in the US expressed what living in the Diaspora meant for the upbringing of their kids thus: ‘...for us parents, it becomes a reference book’. This view was also reportedly echoed by a similar line of reasoning in a second case where a respondent recalled scenes in various Nollywood movies: “...Our kids, when they get here, they get lost, too Americanized... These movies show them the other side.”

Furthermore, Bollywood marketers and producers have since realised the significance of the Diaspora market - where ticket, video and DVD sales accounted for up to 40 percent of revenues. Indeed Bollywood had put in great promotional effort - via newspapers, TV and local radio – in order to appeal to the diasporic community. Shah (2002) suggested that film producers have started developing movies that appeal to ‘Diaspora’ tastes in what has been ascribed to as the non-resident Indians. Likewise Akon’s Music and Lyrics are most consequential to the preservation of the diasporic community and has become a powerful tool for galvanizing such connections. Unfortunately the two songs discussed in this paper never made it into the top 40 charts in the most influential markets of Europe and North America which is not really a surprise as Akon prophesized in his song Senegal – ‘No you’re not gonna see it on your TV.”

REFERENCES


Healing an Organization: High Performance Lessons from Africa

Sanford V. Berg, University of Florida, USA

William T. Muhairwe, National Water and Sewerage Company, Uganda

What nations do business executives visit for insights about how water utility performance can be improved? What company might provide lessons and encouragement for managers? This short article describes how managers at the National Water and Sewerage Company of Uganda (NWSC) were successful in healing an organization that had become fragmented, un-focused, and unproductive. The key lesson is that while no single prescription exists for transforming a corporation, the basic ingredients are well known: thoughtful leadership, careful measurement, performance benchmarking, open communication channels, strong incentive programs, and well-designed implementation strategies. These components do not always characterize state-owned enterprises, yet they are essential if the Millennium Development Goals for water coverage are to be achieved. Proverbs from Africa are used to reinforce some of the principles for reforming water utilities in developing nations.

INTRODUCTION

A person who never travels, believes his mother’s cooking is the best in the world. (Kiganda).

We need to travel further from home more often. Those who have grown up in wealthy nations cannot fully appreciate the challenges faced by institutions emerging from turmoil. Yet the same organizational sicknesses that have promoted inefficiency, bureaucracy, and complacency in Africa also infect businesses in the developed world—the difference is only a matter of degree. While the business strategies that are improving corporate performance in Africa are the same as those that make a difference in OECD nations, the dramatic impacts serve to highlight the universal elements of sound strategy. Reviewing the steps for healing sick organizations in dire circumstances provides both lessons and inspiration for those attempting to transform enterprises within countries at any stage of development.

What can the developed world learn from Africa? First, Africa is not what the press characterizes as the continent of despots, disease, disaster, and despair. It is undergoing a transformation, as Charlayne Hunter-Gault (2006) states in her book, New News Out of Africa: Uncovering Africa’s Renaissance. She identifies the political and social changes unleashed by a new generation of leaders. The purpose of this short article is to describe the parallel economic transformations engineered by new business leaders—highlighted by proverbs that capture insights from the region’s oral cultures. In an era when globalization is driving changes in every society, it is useful to focus on lessons that stand the test of time, lessons of healing from Africa.

First, we all know that many organizations do not fulfill their potential. If a consultant had a recipe for creating high performing organizations, that list of ingredients and steps to be taken would be worth its weight in gold. Yet anyone who listens to the advice of organizational gurus, reads books by successful executives, and reflects on personal experience knows that the way to change an organization is to engage its leaders in a set of tasks. These tasks involve at least eight elements.16

Identify Trends so that past performance is understood;
Establish Baselines documenting current performance;

16 There are many comparable “lists” of steps for organizational transformation; these happen to fit the NWSC experience, so while they are not original they provide a framework for surveying strategies for change.
Select Measurable Goals as challenging (but achievable) targets;
Design Internal Incentives to reward teams for meeting those objectives;
Establish Lines of Communication to promote information-sharing internally;
Develop and Implement Strategies for dealing with external threats;
Ensure Accountability by assigning responsibilities to leaders and teams; and
Review Results within a reasonable timeframe to evaluate process implementation—which takes us back to identifying trends again.

Mugabi, Kayaga and Njiru (2007) underscore these steps in their survey of strategic planning for water utilities, which uses NWSC to illustrate how setting (and achieving) performance targets require the utility to have a strong commercial orientation. This article draws upon the experiences of NWSC to illustrate the links among these fundamental elements of organizational transformation. There is no magic involved in healing a sick organization; the process is disruptive for the organization and potentially dangerous to those who are committed to changing the status quo. Thus, a leader who becomes a change agent is but one of many factors contributing to the creation of a healthy and successful organization.

IDENTIFY TRENDS
A visible stone does not harm a hoe. (Rundi, Burundi)
Reform is impossible without an understanding of elements that have led the organization to its current state. Awareness of trends provides a context for addressing emerging threats, allowing decision-makers to exercise both prudence and confidence in attacking the problems revealed in the data-gathering process. Such information should reveal how the organization has dealt with past financial and market conditions. In addition, the process should identify the outcomes associated with past policies; some of those policies may not have been explicit but reflected the corporate culture of the time. The key is to distill the data into a framework that facilitates pattern analysis, which later can be used to develop effective strategies for moving forward. Threats that remain hidden can lead to either extreme caution or “business as usual,” neither of which is a good way to start a transformation process.

Of course, failing organizations are complex. Like our bodies, an organization consists of many parts, and the conditions involve mental as well as physical processes. The attempt to reform (or transform) a sick organization can be likened to that of curing a “sick” person, where the range of conditions can be extremely varied. The situation facing the National Water and Sewerage Company of Uganda (NWSC) was typical of an organization in trouble, characterized by

- A large and inefficient labor force with conflicting and overlapping roles,
- High unaccounted-for water (more than 50%),
- Poor customer service,
- Low collection efficiency (only about 71% of bills were paid),
- Substantial accounts receivables (days receivable ratio of about 420 days), and
- Corruption within the work force, especially field staff.

Despite having a relatively high average price of US$1.00/m³, the monthly deficit was about US$300,000, putting severe cash flow pressures on the organization. The urgency of the situation could be characterized by the West African proverb: If your house is burning, there is no time to go hunting.

ESTABLISH BASELINES
Lack of knowledge is darker than night. (Hausa, Nigeria)
Poorly performing organizations are likely to have poor information systems. There may, or may not, be ample historical data, but systematic collection and analysis is required if managers are to get a handle on the firm’s financial drivers. The new management team in 1998 focused on past trends and baselines—utilizing basic benchmarking as a tool for identifying problem areas and realistic targets (Matta and Murphy, 2001). Groups performed detailed SWOT analyses for their areas of responsibility, yielding
insights into the organizational processes and production technologies. This step was among those that enhanced informational flows in NWSC during the initial stages designing the 100-day program (Mugisha, Berg, and Muhairwe, 2007): Make a new arrow by comparing it to the old one. (Akan)

SELECT MEASURABLE GOALS
You cannot throw one thing while you are holding many things. (Rundi, Burundi)
It is important to decide early on what the targets will be and how success will be measured. To some extent, those closest to the problems may not be aware of possible solutions: they may be wearing blinders that limit their sense of what is possible. We know that people cannot manage what they cannot measure. However, everything is not of equal importance, and the costs of data collection become a drain on time that should be spent on analysis. NWSC leaders knew that when organizations attempt to measure everything, the managers end up understanding very little. Consequently, NWSC formulated only a few priority indicators relating to financial improvement (collections), operational efficiency (leakage), and staff productivity. The selection of indices reflected the performance situation at that time. Of course, measuring what matters requires consensus on priorities.

DESIGN INTERNAL INCENTIVES
Better a single decision-maker than a thousand advisors. (Ethiopia)
Designing incentives involves making employees responsible for outcomes, delegating authority, providing information and resources, and ensuring accountability. Although the new Managing Director had ultimate responsibility for ensuring that performance improved, he could not do it alone. The trick was to empower decision-makers throughout the organization: managers responsible for delivering high performance. Identifying an individual’s responsibilities and holding him or her accountable is the central problem facing top managers. Thus, NWSC focused on delegating authority to those with information and designing incentives that induced managers to meet reasonable goals. Of course, He who cannot dance will say: "The drum is bad." (Ashanti) However, the burden of proof was on those who would not contribute to meeting divisional targets.

Establish Lines of Communication
If you want someone more knowledgeable than yourself to identify a bird, you do not first remove the feathers. (African Proverb)
Internally, NWSC developed a program design outlining clear roles and responsibilities, including bottom-up approaches to strengthen program ownership and support. These SMART (Specific, Measurable, Achievable, Realistic, and Timely) targets were later strengthened through the use of “stretched” (tougher) targets (reflecting the Stretch Out Program). NWSC then introduced competition for managerial responsibility through business plan preparation and expressions of interest.

Being an eyewitness is better than listening to tattle-tales. (Sumbwa Proverb, Western Tanzania)
There is nothing like direct observation for identifying what is happening within an organization. The MD and top managers brought outsiders to meet with staff, to see how people were addressing issues. Such events were powerful confidence building activities. Many respected professionals from donor organizations, government agencies, NGOs, and other important stakeholders attended meetings to learn about NWSC initiatives and give strategic advice and guidance where necessary. These dialogues helped to build confidence with key stakeholders and subsequently secure support for further managerial and development efforts. In tandem, the managers and staff gained confidence in what they were doing, strengthening their commitment to programs.

Benchmarking permeated the new organizational culture, but the process started with listening: There is more wisdom in listening than in speaking. (Nilotic proverb) As part of the reform process, local area managers shared information with one another. The monthly company magazine included “stories” of how particular water systems met their targets. Professionals from the head office met with local
managers and mentored them in management techniques, purchasing, quality control, and customer relations: *Wisdom is not like gold that it should be tied up and kept in a safe place.* (Akan)

**DEVELOP AND IMPLEMENT STRATEGIES**

*Between imitation and envy, imitation is better.* (Ekonda, Democratic Republic of Congo)

Developing strategies involved borrowing ideas from many organizations and people. The staff brought numerous excellent ideas to the table—many based on their graduate training, suggestions from customers, or contacts within other organizations. NWSC evaluated every idea that came in terms of its impact on short-term objectives and long-term goals. Giving attention to all ideas gave confidence to those who generated them. It gave a sense of ownership to strategies that were eventually considered, adopted, and implemented. This participatory approach had reinforced the new corporate culture that was emerging from the organizational reforms: *If the rhythm of the drum beat changes, the dance step must adapt.* (Kossi, Burkina Fasso)

NWSC had to improve operating margins by reducing bureaucracy, increasing staff productivity, and encouraging worker involvement. The corporation management also collaborated with the union to reduce staff by half from 1,800 in 1999 to 900 in 2001, without any industrial unrest. These programs were designed to improve morale, and to instill confidence in managers who were able to alter the expectations of operating staff.

The reform strategy reflected a triage approach: set aside what cannot be changed and attack the problems threatening NWSC’s financial viability. The opening up of lines of communication meant that employees were expected to contribute to the design and implementation of these programs. To some extent, the programs represented campaigns that drew attention to a sequence of issues. Significant attention was given to capacity development within the organization: coaching those who responded to advice, supporting those who were highly motivated and delegating tasks to those whose capabilities matched the tasks at hand.

**ENSURE ACCOUNTABILITY**

*When a needle falls into a deep well, many people will look into the well, but few will be ready to go down after it.* (Guinea)

Accountability requires that tasks be well-defined and appropriately assigned. The outcomes are anticipated, reviewed, and evaluated. Today, managers are rewarded for taking risks and creating efficient ways to deliver quality service. NWSC executives attempt to practice active-listening so that circumstances behind failure are heard and evaluated in a meaningful manner. If this is not done, local managers may not take risks for fear of reprimands. NWSC incentives are such that more than a few managers will be willing (and able) to go after the “needle in the well”—high performance.

**REVIEW RESULTS**

*That which is good is never finished.* (Sukuma, Tanzania)

A continuing theme of the turnaround initiative has been that reform is a process, not an end in itself. The objective was to improve sector performance. Performance indicators shown below indicate that the reform initiatives from 1998 – 2006 have had positive impacts:

<table>
<thead>
<tr>
<th>1998</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Coverage</td>
<td>48%</td>
</tr>
<tr>
<td>Unaccounted for water</td>
<td>51%</td>
</tr>
<tr>
<td>Percent Metered</td>
<td>65%</td>
</tr>
<tr>
<td>Percent Connections Active</td>
<td>63%</td>
</tr>
<tr>
<td>New Connections/year</td>
<td>3,317</td>
</tr>
<tr>
<td>Total Connections</td>
<td>50,826</td>
</tr>
<tr>
<td>Turnover (Revenue)</td>
<td>US$ 11 million</td>
</tr>
</tbody>
</table>
In addition, water network coverage increased by 52% (1,300 Km of water main extensions; primarily from internally generated funds). Total connections are up so that 70% of the target population is now served, for a population base of 1.7 million people (2006). Unaccounted for water is 34% for Kampala while other areas are now at 15%. Because of this performance, operating profit after depreciation has improved from losses of US$ 0.4 million to a surplus of US$ 3 million. Positive cash flows have financed network expansion and enabled maintenance programs to be scheduled and implemented.

Past achievements signal that the organization has great potential for expanding the efficiency frontier. For example, the newly formed external services group serves as a consulting arm of NWSC—teaching best practice as the NWSC understands it to managers of water utilities in other nations (Tanzania, Kenya, Zambia, Ghana, and India). But a good teacher is also a good student, learning from well-performing elements in other operations. Furthermore, creative solutions to problems in other countries lead to better decisions in the home organization: win-win.

DIAGNOSIS, TREATMENTS, AND HABITS

The healer does not drink medicine for the patient. (Akan)

In the process of addressing the health of an organization, five questions can be raised. Taking these one at a time for NWSC provides a convenient way to review the situation at the start of the transformation process.

(1) What is the diagnosis? When the patient is an organization, documenting trends of key indicators is the first step in diagnosing the “patient’s” condition. To be based on reality, a working hypothesis requires data. Collecting information involves a physical examination in the case of a person, and a financial analysis and management audit in the case of an organization. For an individual, diagnostic testing requires laboratory work and imaging information, so specific tests are made. For an organization, listening to managers and gathering information are essential if underlying problems are to be distinguished from superficial symptoms.

(2) What is the cause of weak performance? Addressing this issue requires an analysis of the factors leading to the observed problem; the objective is to identify causal elements. It is easy to imagine a patient who is overweight, lethargic, and easily distracted: a patient whose health status is in jeopardy. A physician can collect information on a patient’s temperature, pulse, height, and weight. Those four indicators help the physician determine whether the person has a dangerous fever and/or is overweight. The indicators point to potential or existing health problems. For example, fever is a short-term problem that can be addressed with specific medications; weight is a longer-term health issue with implications for heart attacks and other problems—diet and exercise programs might be prescribed. However, a set of blood tests would provide more detailed information that can aid in diagnosing the physical problems that are only partly reflected in the fever and weight indicators. Furthermore, diagnosing and treating mental health issues would require other diagnostics and treatments. The lessons for corporate executives should be clear: any business becomes unhealthy if managers are not skillful, do not adapt to changing market conditions, and take financial sustainability for granted. Of course, a single index of corporate performance has the same problems as any indicator: it will be neither comprehensive nor fully diagnostic.

(3) What is likely to happen without intervention? Here, it is necessary to have an understanding of the natural history of the disease (based on prior experience with the same conditions). In addition, early on, the physician must predict potential complications (based on patterns observed in other cases) to be prepared to confront adverse developments should they arise. Similarly top decision-makers in an organization need to have a clear understanding of the consequences of the status quo. In Uganda, the status quo for NWSC was socially unacceptable, but healing was going to require some dramatic changes.
Key stakeholders understood that there would be no gain without some pain. Broad consensus and new leadership set the stage for organizational renewal.

(4) Is there a strategy (or cure) for the problem? Is the treatment worse than the disease? Sometimes the best strategy is to limit the impact of the disease rather than to attempt to cure it. Even if a particular physical regimen, medicine, or treatment is generally effective, it is still necessary to address issues related to patient compliance. Likewise, leaders need the right tools to transform an organization. In the case of NWSC, the tools involved the introduction of change management programs and strong incentives: bonuses of 50% for meeting targets based on benchmarking (Berg, 2007).

Despite the accomplishments, NWSC still faces challenges in the area of sewerage where the coverage is only about 10%. The sewerage investment costs are inherently very high and the company is currently finding it hard to devote resources to such investments, given the payoffs to other uses of those funds. Therefore, achieving the Millennium Development Goals in the area of sanitation remains a distant goal. NWSC has problems serving poor communities where cost recovery is questionable. The infrastructure in such communities is very poorly planned and extending services to such areas involves significant difficulties. Nevertheless, the organization continues to explore cost-effective ways to carry out this task, given public policy objectives.\footnote{The issue of access for the poor is developed by Sansom (2006).}

(5) Could the problem re-surface, depending on the strategy that is pursued? The physician performs the equivalent of elaborate scenario tests, anticipating other situations and considering likely predispositions based on the current situation. Such a meta-analysis really addresses the issue of whether it is possible to prevent other problems from arising by intervening in the overall system. Top management at NWSC is now considering how to ensure that past programs can become fully embedded in the new corporate culture. They are diagnosing the company’s current financial performance and team development to determine what action programs will support and extend past gains. If the financial performance and teamwork among managers and staff are high, the company can move into more complex internal contracting arrangements incorporating individual and group commitment plans. While implementing these performance improvement plans, managers ought to know how to deal with (previously undetected) internal managerial rigidities and inflexibilities that might hamper performance. Finally, realities about moving towards the cost recovery frontier need to be addressed. Few water and sewerage companies have achieved this performance level in developing countries. The movement towards full cost-recovery needs to be sequenced to minimize adverse effects on the citizens. Targeted subsidies/grants can be used to help those whose ability to pay is low. However, for infrastructure firms imbued with the public interest, discussions within civil society need to occur, so citizens become educated about the issues, feasible objectives are established, and political leaders are held accountable for the promises made at election time.

The issue here is water utility performance, not public ownership or private participation. Political leaders need to move beyond rhetoric to tracing the links between managerial incentives and cost, service quality and network coverage. Prices that are not financially sustainable lead to improper maintenance and broken equipment. Like individuals, aspects of organizations have self-healing qualities. However, neglect, political (genetic) predispositions, and laziness present challenges for leaders who are responsible for promoting a healthy, growing business. Good stewardship requires leaders to recognize and apply the eight steps supporting high performance organizations. The examples and illustrative proverbs used here come from Africa: however, the lessons are universal.
REFERENCES


Towards Integrated Infrastructure Development in Greater Lagos

Ayodeji Olukoju, University of Lagos, Nigeria

This paper proposes a blueprint for integrated infrastructure development in the Greater Lagos Region (Lagos and Ogun States) of Nigeria. It focuses on the formulation, content, review and implementation of policies; the roles of state and non-state stakeholders; inter-governmental relations; and private-public sector partnerships. It underscores the fundamental importance of a coordinated approach to addressing the problem of infrastructure deficit and the need to tackle “governance challenge,” which is a major constraint on development in the country.

INTRODUCTION

Metropolitan Lagos, Nigeria’s former national capital, and the leading seaport, commercial centre and industrial hub of West Africa is home to an estimated 12-15 million people. Lagos State contributes some 40 percent of the total value added tax earnings and is the site of sixty percent of Nigeria’s industrial establishments. Lagos faces the greatest infrastructure (housing, electricity, water and urban transport) deficit in Nigeria, a major challenge to economic development in Nigeria (Onokerhoraye, 1984; Acey, 2005; Mabogunje, 2007). The infrastructure crisis has been compounded by the absence of reliable statistics, which vitiates proper planning and service delivery in the face of the phenomenal increase in the population of Lagos from an estimated 6 million in 1985 to 15 million by 2005, and of estimated demand for potable water from 160 million gallons per day (mgd) to 332 mgd in the same period. Only 47 percent of this demand was ever met (Olaosebikan, 1999:13-14). Yet, public taps, which provide some respite for the urban poor, are being dismantled for pre-paid water meters (The Guardian, 2008; K’Akumu, 2004). Electricity supply too has followed the same trend: only one-sixth of the estimated 6,000 MW of electricity required in Greater Lagos is supplied (Olukoju, 2004, Mabogunje, 2007:20).

This paper complements previous studies which focused on metropolitan Lagos or on Lagos State as such by proposing a blueprint for integrated infrastructure development in Greater Lagos (the metropolis and its conurbation in Lagos and Ogun States of Nigeria). It suggests policy options for integrated infrastructure development and highlights the roles of various stakeholders: the Federal, State and Local Governments, community development associations, youth organizations, indigenous social, cultural and political institutions and NGOs in the formulation and implementation of workable policies. The proposed blueprint takes cognisance of the political, human and natural environments within which it is expected to function, the possibilities held out by the synergy of inter-tier (Federal-State) and inter-state (Lagos/Ogun) cooperation, and the prospects for (and limitations of) public-private sector partnership. This piece aims to compel a rethink of the concept and practice of intergovernmental relations in Nigeria with the goal of shifting the focus of state and non-state actors from acrimonious and self-serving power politics to “development.”

CONSTRAINTS ON INFRASTRUCTURE DEVELOPMENT IN LAGOS

As previous studies have shown (Gandy, 2005, 2006; Olukoju, 2003, 2007a), the constraints on integrated infrastructure development in the Greater Lagos Area include, among others, the peculiar (low-lying) terrain of Lagos, the phenomenal increase in population, the great heterogeneity of that population, the menace of vandalization of public facilities, the poor management of volatile Federal/State relations, inefficiency in the energy sector, epitomized by the shortfall in the power supply situation (Olukoju, 2004), the sub-optimal harness of the potentials of public-private sector partnership, and unregulated urban and sub-urban development. Added to these is corruption in the award and execution of
infrastructure related contracts. Furthermore, the monumental problem of poor maintenance culture has meant that even well-conceived infrastructure projects rapidly deteriorated with overuse or misuse in the face of official neglect. As well, poor supervision or quality control by compromised state officials, political patronage and the unscrupulous drive for profit maximization by contractors through the use of sub-standard materials and equipment have led to the speedy obsolescence of equipment and the short life span of public facilities. In all, the problem is a combination of a massive shortfall in supplies, poor service delivery (arising from inefficiency, waste and corruption) and high costs of services, which are burdensome to the majority of the inhabitants of Lagos.

Against the background of the foregoing discussion, this paper proposes a blueprint for consideration by all stakeholders to achieve optimal infrastructure development in the region in the immediate future. Accordingly, the rest of the paper considers the following issues: the formulation, content, review and implementation of policies; cost and quality controls; power and transport sector components; inter-governmental relations; and private and public sector partnerships.

POLICY THRUST AND IMPLEMENTATION

Effective policy formulation and implementation must be informed by sound knowledge based upon a comprehensive infrastructure audit of Lagos and the adjoining state(s). Such information will indicate what facilities are available for which number of people; their current state; the magnitude of the inadequacy; the locations or sectors which are over-supplied, and the need for a reallocation of resources and facilities. A comprehensive infrastructure development strategy must be developed to underscore the pivotal role of that sector in the socio-economy and to ensure proper coordination of efforts and resources. There should be continuity and periodic reviews of infrastructure development policies, which should no longer be ad hoc or disconnected. Great emphasis should be placed on implementation and supervision. There should be target-setting and a system of sanctions in public works: actors or operators who are able to meet set targets should be rewarded while those who are unable to do so should be sanctioned. Moreover, policies and plans should be flexible enough to anticipate or respond to changes and to strike a balance between resources and people’s expectations.

There must be quality control and standard setting in all sectors of infrastructure development; the use of appropriate technology and functional equipment; supply of adequate spares; routine facility maintenance and skills acquisition. This must inform the entire process of installing, operating and maintaining facilities and equipment in this sector. The cost of road and other contracts must be aligned with those in other developing nations while the durability of the facilities must be guaranteed and included as a clause in the contracts.

Integrated (inter-modal) transport infrastructure (rail/road/water) should be aligned with urban planning with the aim of decongesting the city, de-emphasizing road transport and developing complementary modes of transport. There should be effective inter-sectoral linkages, such as the integration of road, water and rail transport for perfect inter-modalism. This can be exemplified at nodal points such as Oshodi, Mile 2, Iddo, The Marina, Oworonsoki and Ojo in the Lagos metropolis. The Zonal Approach to Road Maintenance should be fully supported by local governments and other stakeholders, such as Community Development Associations (CDAs). An inspectorate of roads should be charged with identifying critical needs and monitoring the efficiency of maintenance works.

Given the peculiarities of Lagos, the development of water transport on the models of Italian and Dutch cities should be accorded utmost priority. This will require private sector involvement, the support and understanding of the Federal Government, and the co-operation of, and patronage by, the people. Capital and expertise from the private sector will facilitate service provision and delivery; cordial inter-governmental relations will harmonise policies, eliminate waste and boost efficiency; the education and
co-operation of the people will ensure that canals are not turned into waste dumps which would imperil the health of the community and impede water transport.

The critical role of electricity for domestic and industrial uses must inform the devotion of attention and resources to its provision. Moreover, the development of commuter rail transport is impossible without constant electricity supply, which is the fulcrum of most economic activities. It is striking that increasing shortfalls in electricity supply have been hindering economic and social development in Lagos (Ukpong, 1973). The choice of the ill-fated Enron company in an early scheme of private-public sector partnership in the energy sector and (until recently) contentious relations between the Federal and Lagos State government have hampered efforts to address the energy crisis, especially as it affects the Lagos region (Olukoju, 2003).

INTER-GOVERNMENTAL RELATIONS

Vertical (inter-tier) and horizontal inter-governmental relations have always been fraught with tension and conflict throughout Nigeria’s post-independence history (1960 till date). However, horizontal relations between contiguous States have been less acrimonious (though still problematic on issues of boundary delimitation and resource control) than the vertical, inter-tier relationship between the Federal and State, and between State and Local governments. Still, Federal-State government relations, the most critical for good governance, have been rancorous until recently. Consequently, the policy prescription in the following paragraphs will be on Federal-Lagos State and Lagos-Ogun State relations.

The thorny issue of inter-governmental relations, especially in relation to the Federal Government, must be addressed, though not without reference to the local governments. The Lagos State government should endeavour – through informal channels of conflict resolution – to strengthen relations with the Federal Government. Otherwise, its greatest strength – the heavy concentration of Federal investment, industrial capacity and population – could be a major handicap by turning the State into a battleground instead of being a model of harmonious cooperation for development. Fortunately, the acrimonious relationship between former President Olusegun Obasanjo and former Governor Bola Tinubu (1999-2007) has been superseded by the cordiality and civility between President Umoru Musa Yar’Adua and Governor Raji Fashola in spite of their different party platforms.

The federal government should take the lead in revising or repealing legislation which hampers state government or private sector participation in projects of unquestionable value, such as inter-state and intra-city railways. The repeal or amendment of the Railway Act, which confers monopoly on the Nigerian Railway, will create a conducive environment for private sector and state government investment in rail development. As well, the federal government should liberalize the laws which set up the Nigerian Inland Waterways Authority so that the state governments will not be hampered in the development of water transport in their domains.

The horizontal inter-governmental relations between the governments of Lagos and Ogun States and the vertical, inter-tier relationship between the state and federal governments require conscious deepening. Full co-operation by the Ogun State government will ensure strategic road development across the natural (river Ogun) and political boundaries which divide them. The ugly spectacles or prospects of boundary disputes (cf. Alao, 2008: 31,38), deliberate non-alignment or abrupt termination of state roads at the inter-state boundary should be eradicated. As an indication of citizens’ concern about this matter, a resident of Lagos has canvassed the state’s “collaboration with Ogun State Government on the reconstruction/rehabilitation of the Ita-Oluwo (Lagos/Ogun boundary road) to link Owutu/Agric road [in Ikorodu].” (Soneye, 2006:16)

Inter-state co-operation across the Ogun river should be developed into a framework for regional development with joint economic development summits, synchronization of project planning and
execution, and the pooling of resources (with federal government grant-in-aid or matching grant) to tackle common problems or fund mega projects, such as power plants or road construction, and solid and liquid waste management.

PUBLIC-PRIVATE SECTOR PARTNERSHIP
It is evident that the public sector cannot fund the provision of infrastructure in Lagos State. This has informed the formulation of various public-private partnership (PPP) and private sector participation (PSP) schemes in the power sector and physical infrastructure development. However, much remains to be done. Hence, there should be, first of all, the provision of an enabling environment for private sector, including foreign, operators, with appropriate safeguards. This will provide much needed (though capital-intensive) power, transport and telecommunications infrastructure. This appears to be the solution to the underdevelopment of urban mass transit- rail, road and water transport in Lagos (Mabogunje, 2007: 24-25).

However, the government must realize that while private sector involvement or dominance is desirable in most sectors, public investment in certain sectors is still required at the country’s present level of development, notwithstanding the orthodoxy of the Bretton Woods institutions. Capital-intensive projects, such as railway construction and channel clearing, demand direct and heavy state interventions as is the case in many other countries of the world. It is worth noting that successive governments of Lagos State, especially since 1999, had fashioned out various schemes of private sector participation in power generation, road construction and maintenance, street-lighting and beautification (Olukoju, 2007b).

POLITICAL WILL AND MASS MOBILISATION BY STATE AND LOCAL GOVERNMENTS
Just as the public sector needs private sector participation to achieve success, so too do governments need the support of civil society in the provision and maintenance of infrastructure (Uduku, 1994). The Lagos State and Local governments must be prepared to sacrifice some political capital and goodwill, and to exercise strong political will in coordinating urban infrastructure with urban planning. This will entail the removal of structures (including houses) that impede the discharge of storm water into the lagoon and the imposition of appropriate deterring sanctions on defaulters. This has a good precedent in the controversial but laudable demolition of structures that violate the Abuja Master Plan.

The State and Local governments must formulate and implement a conscious policy of creating citizens’ awareness in, and fostering their commitment to, the maintenance of public infrastructure or common services. There should be community involvement in project planning and implementation, including the award and execution of road and similar contracts. The community’s sense of civic pride in (indeed, co-ownership of) a local project, such as a bridge, power plant or dam, should be fostered as a bulwark against the vandalization of common facilities, the bane of public life in Nigeria.

The national malaise of a poor maintenance culture should be addressed with despatch. All stakeholders (traditional institutions, residents’ associations, youth and cultural organizations, government and private enterprises) should be awakened to the need to report and fix broken taps, fallen pylons and electric poles or defective equipment, bearing in mind the popular adage that “a stitch in time saves nine.” Appropriate agencies of local and state governments and motor transport unions should devise rapid-response strategies to deal with urgent problems, such as fixing potholes before they degenerate into craters and pose a threat to everyone. A system of rewards or incentives, such as matching grants, will encourage enthusiastic CDAs in their efforts at complementing government’s road-mending/maintenance

Priority should be accorded facilities that serve the largest number of residents of Lagos State as opposed to those that pander to the minority elite. This is based on the idea that infrastructure is meant to make life better for the greatest number of a country’s citizens (“the greatest good of the greatest number”) if it is to
generate social and economic development. A striking example of this is the provision of an efficient urban rail transit system in Lagos (Ebosele, 2008).

CONCLUSIONS AND IMPLICATIONS

Long-term infrastructure development in Greater Lagos requires an integrated approach in the wider contexts of harmonious Federal/State and State/Local inter-governmental relations and the depoliticisation of infrastructure development in the Lagos region. This will produce a rich harvest from the enormous potentials of vertical and horizontal inter-governmental relations and policy coordination. The comprehensive policy should contain the following components: profitable inter-modal urban transport in the Lagos metropolis; reversing the overdependence on road transport; the systematic alignment of rail and road transport; and optimal development of water transport along the lagoon network which stretching across the State.

Rail transport must be the fulcrum of urban transport in Lagos given its demonstrable advantages in mega-cities such as Lagos. These include environment friendliness; an overwhelming edge in carrying capacity; speedy commutes without the constraint of interminable traffic lights; and comparatively lower fares; safety record; and relatively lower costs of track maintenance. Fortunately, the Lagos State government has begun feasibility studies toward providing commuter rail services (The Punch, 2006; Ebosele, 2008), though this will take time to deliver.

All said and done, the cultural context in which these prescriptions will be implemented is a key consideration. The Lagos State and Local governments and the community must develop the people’s pride in (and attachment to) public property, and nurture a maintenance culture. Public infrastructure cannot always be replaced at will given the obvious financial limitations. This calls for rational allocation and prudent management of resources. Moreover, there should be greater responsiveness by officials to calls for the repair or replacement of burst or leaky water pipes, fallen electrical cables and pothole-infested roads.

The task is not the monopoly of either the government or the private sector; it requires a greater coordination of efforts. Great possibilities are held out by the Federal/State; Lagos/proximate states’ collaboration in providing urban and inter-state rail mass transit systems, and efficient water, housing, electricity and waste management services. With necessary goal setting, a rewards system, the protection of investment, the fostering of a maintenance culture, citizens’ commitment to securing infrastructure facilities, and the installation of durable equipment and spares, modern and adequate infrastructure is bound to play a major catalytic role in the social and economic development of Greater Lagos.

This paper argues that infrastructure development is the fundamental requirement for the overall social and economic development of Greater Lagos and the rest of the country. It is the key to attracting investments, boosting industrial productive capacity, generating employment, sustaining Small and Medium Enterprises (SMEs) and ensuring effective governance. The paper acknowledges, however, that “governance challenge” (Mabogunje, 2007:22) is a major impediment to urban or regional infrastructure development (Estache, 2006; Gasmi, Noumba and Virto, 2006; Curbin and Stern, 2006).

REFERENCES


Mabogunje, Akin L. (2007). Developing Mega Cities in Developing Countries, Lagos: Department of Geography, University of Lagos.


Infrastructure Social and Economic Effects

Robin Tayal, TERI University India, India

Empirical evidences of the social and economic infrastructure in eradicating poverty particularly for developing African countries are very rare. However there are few examples of the role of social and economic infrastructure in eradicating poverty and taking the nation on the path of the progress from the Asian countries like China, India. This paper tries to see the role; social and economic infrastructure can play in eradicating poverty from the African countries. This qualitative study cites examples from various countries that can be replicated in Africa.

INTRODUCTION

In modern economics, and particularly in theories adopting a systems approach, the term infrastructure is widely used. There is a reference to various kind of infrastructure like physical infrastructure, institutional infrastructure, knowledge infrastructure, and so on. But the characteristics of such infrastructure are unclear -- often, 'infrastructure' seems to be a kind of shorthand reference for a wide range of framework conditions, institutional set-ups, collective inputs, public utilities, and so on or it can be defined as basic essential services that should be put in place to enable development to occur. Infrastructure underpins the well being of society by enabling activities that provide public benefit. Whether it is ensuring public access to safe drinking water, or facilitating the transportation of goods and people, public infrastructure serves to create the conditions necessary for a proper functioning economy. Infrastructure also plays a conditioning and transformative role on the economy, which is revealed by its impact on productivity.

Socio-economic development can be facilitated and accelerated by the presence of social and economic infrastructures. If these facilities and services are not in place, development will be very difficult and in fact can be likened to a very scarce commodity that can only be secured at a very high price and cost. The availability of infrastructure facilities is imperative for the overall development. The econometric evidence shows that it influences positively either growth or growth convergence. The strongest impact comes from the telecom sector, followed by roads and electricity. One of the latest studies by OECD shows that over the last 30 years, infrastructure investments has accelerated the annual growth convergence rate by over 13% in the Africa region. Africa’s high population growth and rising urbanization rates are fueling the infrastructure demand. But the investment in infrastructure is poor and has led to a growing mismatch between the demand and the supply for infrastructure in the region. By the end of the 2000’s, the gap had grown so significantly that some estimates suggest that to meet the Millennium Development Goals (MDGs), the average annual infrastructure expenditures in Africa (the sum of investment and maintenance expenditures) need to be around 9% of GDP between 2005 to 2015—(see the table below) for some more specific data. This is much more than twice what Africa has spent on the sector over the last 40 years or so.

In a recent study, Lumbila (2005) shows that African countries with larger infrastructure stocks see significantly more FDI and domestic investments than countries with low level stocks. This shows that not only can a lack of infrastructure be an impediment to more investment, but it can also be one of the dimensions of the property trap argument since it seems that a critical mass of infrastructure is needed to convince investors to make the decisions leading to growth.
Africa's expenditure needs to meet the MDG's

<table>
<thead>
<tr>
<th>Needs</th>
<th>Electricity</th>
<th>Telecom</th>
<th>Road</th>
<th>Rail</th>
<th>Water</th>
<th>Sanitation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment</td>
<td>1.20%</td>
<td>0.70%</td>
<td>2.20%</td>
<td>0.00%</td>
<td>0.40%</td>
<td>0.50%</td>
<td>5.00%</td>
</tr>
<tr>
<td>Operation and</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintenance</td>
<td>0.70%</td>
<td>0.50%</td>
<td>1.70%</td>
<td>0.20%</td>
<td>0.30%</td>
<td>0.60%</td>
<td>4.00%</td>
</tr>
<tr>
<td>Total Expenditure</td>
<td>1.90%</td>
<td>1.20%</td>
<td>3.90%</td>
<td>0.20%</td>
<td>0.70%</td>
<td>1.10%</td>
<td>9.00%</td>
</tr>
</tbody>
</table>

ECONOMIC EFFECTS

Reliable, efficient infrastructure is crucial to economic and social development that promotes pro-poor growth. By raising labor productivity and lowering production and transaction costs, economic infrastructure – transport, energy, information and communication technology, and drinking water, sanitation and irrigation – enhances economic activity and thus contributes to growth, which is essential for poverty reduction. Not only these services are the building block of the economy but they also have a multiplier effect which catalyses growth in other sectors. Infrastructure services like roads, highways, safe drinking water etc. requires huge investment and have long gestation period. Therefore there has to be good enough economic effects to justify the huge investment. E.g. improved transportation services promotes trade, accessibility to new markets, promotes tourism and thus catalyses growth of the other sectors. Aigbokhan submits that studies have found that as an economy grows, its infrastructural capacity grows. That is, infrastructure capacity grows step by step with economic output”. The *World Development Report* published in 1994 cited that “a 1 percent increase in the stock of infrastructure is associated with a 1 percent increase in the Gross Domestic Product across all countries. And as countries develop, infrastructure must adapt to support changing pattern of demand, as the shares of power, roads, and telecommunications in the total stock of infrastructure increase. As the economy develops, an increasing proportion of the country would need to be opened up by the construction of roads, there would be increased demand for power supply for industrial and domestic consumption, and telecommunications facilities”. Studies have therefore found that poor countries record low stock of infrastructure.

The empirical evidence shows that infrastructure stocks expand with output growth; that infrastructure coverage and performance increase with income level; and that performance indicators also improve with income level. Telephone main lines per thousand persons, households with access to safe water, and households with electricity were used as indicators of coverage of infrastructure while the performance indicators used are diesel locomotives unavailable, unaccounted for water, paved roads not in good condition, power system losses and GNP per capita. The *World Development Report* cited by Aigbokhan clearly shows that on all these coverage and performance indicators, middle income economies did better than low income economies while the high growth economies did better than the middle income economies. Likewise, the OECD countries did better than the high growth economies. This shows a significant positive correlation between infrastructural coverage and performance and income level.

Countries such as Singapore, Malaysia, China, and India improved their Information and Communications (ICT) infrastructure aggressively and are now the leaders in attracting foreign direct investment (Grace et al. 2001). In a survey conducted by Grace, he found that investments in ICTs allows both manufacturing and service firms to reduce the cost of trade, including transactions costs, “spreading component manufacturing across a wider range of countries, increasing the variety of service related activities that can be outsourced”, thus fostering “efficient supply chain management and diversification” and “creating new opportunities for large and small firms from developing countries to increase their sales range and tap into the global market for goods and services.”. While empirical data measuring efficiency and productivity related to e-commerce are scarce, but it is clear that the B2B linkages promote
better intra-firm communications, cost savings (e.g. through the use of electronic markets for procurement and sales), and decreasing inventory costs. ICTs promote capital accumulation, whether through foreign direct investment, portfolio flows, or domestic savings mobilization. ICTs not only improve the ability of the poor to access financial services, but are also central in attracting investment including hi-tech investment, to economies investing in them. There is a close relationship between income per capita and the number of telephone lines per capita, or tele-density.

Road Infrastructure has been found by Cesar Queiroz and Surhid Gautam to be a significant factor of economic growth and development. In their 1992 World Bank study, they employed “an empirical approach to explore the association between road infrastructure and economic development. Different regression analyses were carried out using GNP/Capita as dependent variable and selected indicators of magnitude and condition of road networks as independent variable. Independent variables used in the analyses included: (i) spatial road density (i.e., road length per land area) of paved and unpaved roads classified in good, fair or poor condition; and (ii) road density or per capita length (km/million population) of paved and unpaved roads in good, fair or poor condition. The authors, in their conclusion, also submit that there is “a clear contrast between road infrastructure and income in low and middle-income economies in Africa: while the difference in average per capita GNP between the two country groups is 220 percent, the density of paved roads in good condition varies by about 370 percent from one group to the other, using 1989 data. United Nations report on Millennium Development Goals identified high transportation as one of the main reasons which has left Africa in the persistent poverty trap. A very large population of Africa lives in the interior and face enormous transportation costs in shipping goods from costal ports to where they live and work. Recent evidence confirms the extremely high transport costs in Sub-Saharan Africa and their severe impact on trade. One study estimates that halving transport costs could increase the volume of transport by a factor of five (Limao and Venables 1999). Before high-intensity modern trade can get started, Africa needs an extensive road system from the coast to the interior— and within the interior, where the highest population concentrations are found. These roads, however, are very expensive to build and maintain, particularly on a per capita basis in areas of low population density.

Similarly port development has positive employment and revenue effects. The facilitation of international trade has multiplier effects on the national economy and increases supply elasticities. Short-run and temporary domestic shortages of developmental inputs can be met through importation; thus moderating domestic inflation and stabilizing the domestic price level. The positive balance of trade and balance of payments effects of good ports and harbors cannot be denied. The beehive of activities in seaports all over the world shows that ports have significant economic impact both locally, regionally and nationally.

Similarly Air transport contributes to sustainable development. By facilitating tourism and trade, it generates economic growth, provides jobs, increases revenues from taxes, and fosters the conservation of protected areas. Africa has so much natural and scenic tourist places. It can only tap this potential revenue generating sector through improved air connectivity. It may provide the only transportation means in remote areas, thus promoting social inclusion. The air transport industry contributes around US$ 880 billion a year to world GDP, taking into account direct, indirect and induced impacts – equivalent to 2.4% of global GDP. Its direct impact on GDP is US$ 330 billion. The air transport industry has a substantial economic impact, both through its own activities and as an enabler of other industries. Its contribution includes direct, indirect and induced impacts, which are related to the total revenues of the air transport industry. It provides jobs and other economic benefits. In Africa alone it supports 170,000 jobs. It is one of the biggest contributors to GDP in North America and Europe. However its most economic contribution is through its impacts on the performance and as the facilitator of their growth. It affects the performance of the world economy, improving the efficiency of other industries across the whole spectrum of economic activity – referred to as catalytic or “spin-off” benefits. LDC countries in Africa can greatly benefit from the air transport services by becoming tourist hub for the rest of the world. Air transport is indispensable for tourism especially for distant and remote areas. This would not only provide
jobs to the locals but would also provide valuable foreign currency. For example, in Kenya, exports by air of agricultural products (e.g. fresh vegetables and cut flowers), largely to Europe, already constitute one of the country’s largest industries and the second biggest earner of foreign exchange. Ghana’s World Bank-sponsored Trade and Investment Gateway Project aims to attract export-orientated investors and to place the country as a hub in West Africa for trade and passenger flows through measures such as creating free-trade zones with labor-intensive export industries deregulation of the air transport industry and investments in Kotoka International Airport.

SOCIAL EFFECTS
The synergistic role is relatively straightforward in the case of social infrastructure. Education and health services play critical role in raising the productivity of poor people and in enabling them to participate in the growth process. In the case of India, recent research points to the notable role of literacy in enabling the poor to benefit from an expanding non-farm economy. The differential performance of Indian provinces in reducing rural poverty by expanding the non-farm economy is substantially explained by differences in literacy rates.

In a different area, concerted efforts at domestic skill formation strengthen a country's competitive position in the global economy. Such investments in human resources increase domestic value-added and at the same time contribute to raising productivity and thus wages of the domestic labor force. For many of the developing countries, well-thought strategies for upgrading the domestic skill base are a key element of their poverty reduction strategies.

Social infrastructure has enormous externalities. Education and health are social goods in which social marginal productivity (SMP) exceeds private marginal productivity (PMP). Therefore, private investment capital in such social infrastructure is likely to fall far short of what is needed. In that case, it is imperative for the state to provide the finance and other complementary resources for the take-off of such social infrastructural projects. The state does not necessarily have to operate or manage a social infrastructure, but it is necessary for the state to provide guidelines for and monitor its operation. Education is a very important source of economic growth as the Denison study shows. Even though education may be a social investment, it is also an economic investment since it enhances the stock of human capital. Denison’s conclusions on the economic contribution of education may be summarized in his own words:

Despite the controversies surrounding the contribution of human resource development to economic growth, it is clear that “programs of human resource development must be designed to provide the knowledge, the skills, and the incentives required by a productive economy”

Human resource development is a major and reliable indicator of modernization or development than any other single measure. It is one of the necessary conditions for all kinds of growth – social, political, cultural or economic. Thus, economic development is not possible without education and investment in human capital which is highly productive.

Health, like education, is another very important argument in the socio-economic production function. Health is one of the major determinants of labour productivity and efficiency which in turn determines the wealth of the economy. Again, since health as a social good provides externalities, large-scale health facilities can only be provided with public resources. Public health deals with the environment in which economic activities take place. If that environment were conducive, it would be permissive of accelerated growth and development. Public health measures include the improvement of environmental sanitation both in rural and urban areas, removal of stagnant and polluted water, slum clearance, better housing, clean water supply, better sewage facilities, control of communicable diseases, provision of medical and health services especially in maternal and child welfare, health education, family planning and above all, for the training of health and medical personnel.
The Human Development Index (HDI) of the United Nations Development Programme (UNDP) was devised in the early 1990s to measure the level of human deprivation and development. The HDI ranges between 0 and 1. An HDI of less than 0.5 implies a low level of human development while 0.5 < HDI < 0.8 implies medium level of development. An HDI > 0.8 implies a high level of development. The HDI is an average or aggregative index concealing a great deal of regional, gender, ethnic and social disparities. This means that human conditions in some regions of the country are worse than that painted above. In Africa the challenge of human development is enormous. This requires a lot of policy focus and attention and an application of a significant and rising proportion of the country’s national expenditures to the formation of social infrastructural capital.

ROLE OF INFRASTRUCTURE IN POVERTY REDUCTION

The central objective of development policy is twofold: enhancing an economy's potential for long-term sustainable growth and building up the capacity of the poor to benefit from and contribute to that growth. The provision of infrastructure is a key instrument for achieving this central objective of development policy. Infrastructure raises productivity and thus income levels of the poor by enabling them to share in the growth and dynamism of a market economy. The four important guiding principles that are cited by OECD study for using infrastructure to reduce poverty are

- Use partner country-led frameworks as the basis for coordinated donor support.
- Enhance infrastructure’s impact on poor people.
- Improve management of infrastructure investment, to achieve sustainable outcomes.
- Increase infrastructure financing and use all financial resources efficiently

Economic infrastructure has a capability to underpin poverty reduction by enhancing the productivity of the poor. It enhances the employment creation effects of economic growth. Its multiplier effect leads to the creation of jobs for both skilled as well as non skilled laborers. Even in countries where market institutions are well established, large groups of the poor are forced to work outside the formal market economy. What could the developing countries do to make markets work for the poor? The ADB financed Grameen village phone program of Bangladesh shows the way. It provided one telephone each to 10,000 villages, which previously had none. This produced two benefits: better flow of market information for farmers and jobs for the poor women providing the phone services. This scheme brought changes to the village economy and village life in general. The boundaries of the local village market expanded, access to ICT reduces isolation and fragmentation of local village economies, and new businesses started as a result of this. By reducing disadvantages of location and distance, the new information technologies offer fresh possibilities to isolated communities and countries to integrate with the broader national and global economy. Despite decades of efforts, rural electrification in many parts of Asia has done little more than keep pace with rural population growth. The access to electricity by rural areas in South Asia was estimated to be as low as 25 percent in 1990. The lack of access to electricity does not mean that rural households do not use energy for meeting household needs or for generating household income. They instead use traditional biomass fuels like cow dung, charcoal and firewood in ways that undermine productivity and health of rural households and with deleterious effects for environment. The costs of using traditional biomass fuels can be staggering. According to a recent estimate, indoor air pollution from burning such fuels causes as many as 2 million deaths per year in India, particularly among women. The urban households of the People's Republic of China - and these would include mostly poor households - annually lose nearly 20 percent of their potential economic output due to the adverse health effects of the inferior energy sources. One alternative is non-grid community-based generation of power using non-conventional sources. A recent review of ADB’s energy policy indicated that the economic viability of rural electrification could be enhanced "through decentralized small grids using "micropower," i.e., the generation of electricity by small-scale fuel cells, gas turbines, and photovoltaic solar cells." The Energy and Research Institute in India has shown the way in successfully mobilizing village entrepreneurs to bring electricity to villages using decentralized small
grids. Deficiencies in economic infrastructure create a wedge between realized growth and potential growth of an economy and often the victims are the poor.

CONCLUSIONS
Economic and Social infrastructure plays a crucial role in the development of nations, whether developed or still developing. They provide the basic foundation on which the superstructure of development and growth can be erected. Obviously if the foundation is weak and fragile, it is doubtful that any superstructure can be built on it. Annexure A provides the few social and economic effects of infrastructure. They have a capability to not only take out the countries from the poverty but also put them on the track of economic and sustainable progress. The investment in both these sectors are sometimes not justified when calculated on the basis of the financial return but its necessary to understand the economic returns of these investment to the society. It is necessary therefore that infrastructure growth is given the top priority in the economic policies and special provisions to be made to increase private participation in these sectors. Countries like Benin, Ghana have started moving in this direction by aggressively promoting private parties to take part in the infrastructure growth. Its necessary that other African countries also take active part in this direction for the overall development of African continent and then only it can achieve the Millennium Development Goals.

REFERENCES
Aigbokhan, op. cit., p.208
Aigbokhan, op. cit., p.208
World Bank (1999b). World Development Indicators World Bank, Washington, DC.
Infrastructure: A Key Challenge for Poverty Reduction in Asia
Pereira, A. M. and O Roca-Sagales (2003), ‘Spillover effects of public capital formation: evidence from the Spanish Regions,’ Journal of Urban economics Vol. 53 pp 238-256 (See Estache, Speciale and Veredas (2005) who compare the relevance of infrastructure stocks in an augmented Solow model with and without human capital variables. There are also a few studies looking at the importance of being landlocked for a country. They are reviewed in Ndulu (2004)

World Bank Development Report
Main Report Chapter-10 lowes
World Bank Economic Review
OECD Report on Pro-Poor Growth Infrastructure
Transport Infrastructure and Economic from Africa Using Dynamic Panel Estimates by Seetnatm Boopen
Africa Infrastructure: Challenges and opportunities

## Annex A

<table>
<thead>
<tr>
<th>Infrastructure</th>
<th>Social Effects</th>
<th>Economic Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation</td>
<td>Improves school enrolment and attendance, increase use of primary healthcare facilities</td>
<td>Reduces farmer’s transactions costs, opens new markets, new employment opportunities</td>
</tr>
<tr>
<td>Telecom</td>
<td>Promote better health better practices, enables efficient emergency treatment arrangements</td>
<td>Improves information accessibility, efficiency and has significant positive effects on the economic welfare</td>
</tr>
<tr>
<td>Water</td>
<td>Reduces child morality, improves maternal health and deliveries, important for disease treatment</td>
<td>Reduces morbidity and morality, improve nutrition and thus productivity</td>
</tr>
<tr>
<td>Energy (Electricity etc.)</td>
<td>Increases productivity &amp; school enrolment, improves medical services etc.</td>
<td>Vital for industrial development, increases rural income and non farm activity, increases competitiveness, multiplier effects</td>
</tr>
</tbody>
</table>