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Health Informatics, A Tool for Effective National Health Insurance Scheme (NHIS) Implementation: Case Study of Borno State, Nigeria

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Abstract

Background: Health informatics in its simplest term is about getting the right information to the right person at the right time (National Health Services of America, 2015). It is a multidisciplinary field that uses health information technology (HIT) to improve health care especially in the health insurance industry via the combination of high quality, higher efficiency (spurring lower cost and thus greater availability), and new opportunities.

The specific objectives are to evaluate the level of awareness on health informatics to National Health Insurance Scheme in Nigeria; to find the challenges associated with application of health informatics by National Health Insurance Scheme; find the prospects of health informatics in National Health Insurance Scheme.

Methodology: the study uses primary source by administering a questionnaire to both the NHIS staff and enrollees /clients and about 200 completed and the returned the tool i.e. about 90% respond rate.

Some of the prospects includes assisting healthcare providers and system organize resources and records for decisions making and patient management; it tracks and keep patients records; it tracks of fund disbursement utilization and improve communication etc.

The challenges identified are, high cost of establishing the system; interconnected Health Informatics system requires leadership, organizational commitment, and multi-agency collaboration.

The finding recommends that government should fund for the establishment of the unit, trained professionals to handle the unit, sensitize the communities on the benefit.

Keywords: informatics, healthcare, evaluation, health insurance, technology.

Introduction

The introduction of information technology into the practice of health and medicine has been tumultuous for many reasons. Not only are new technologies expensive, but also physicians, nurses and other service providers are not adequately trained in using technology to generate or use information.

High quality health care provision depends on extensive and carefully planned information processing. Success of health information systems implementations does not only depend on the quality of hard- and software used but also on the quality of the operators of the health informatics, they need to be knowledgeable enough to be able to understand the needs and aspirations of user and decision makers.

Health informatics or application of information communication tools to health care has been touted as one of the possible means to improve the utility, access, safety and application of healthcare methods (Keepanasseril, 2011). (Murray, 2006) stated that informatics and information technology have the capability for being the stethoscope of the 21st century approach to care, in terms of its radical effect on care processes and its vital importance to delivering care.

Health informatics is applied to the area of nursing, clinical care, dentistry, pharmacy, public health, occupational therapy, physical therapy and (bio)medical research, and alternative medicine (called health care informatics, consumer health informatics, nursing informatics, clinical informatics, or biomedical informatics).

In its simplest term, health informatics is about getting the right information to the right person at the right time (National Health Services of America, 2015). It is a multidisciplinary field that uses health information technology (HIT) to improve health care especially in the health insurance industry via any
combination of higher quality, higher efficiency (spurring lower cost and thus greater availability), and new opportunities.

The disciplines involved include information science, computer science, social science, behavioral science, management science, and others. It deals with the resources, devices, and methods required optimizing acquisition, storage, retrieval, and use of information in health and biomedicine (Mettler & Raptis, 2012).

Health care informatics applications can be used to improve the quality of patient care, to increase productivity, and to provide access to knowledge (Mullner, & Chung, K 2006). Health informatics develops a sound understanding of healthcare and the role that information technology is playing in re-shaping the industry and improving people’s health is paramount, it is critical to the delivery of information to healthcare professionals so they can deliver the most appropriate care (NHS, 2015).

According to Oyelami, Okuboyejo, and Ebiye, (2013) the availability and utilization of information and communication technology for accessing health information by medical professionals revealed that medical professionals needed information continuously in the course of their clinical work. Clinical governance, care of patients and professional updating on the current medical practices were the main reasons for needing and seeking information. When the medical professionals needed clinical information, they turned to colleagues.

In Nigeria, in spite of the resource constraint, government seems committed to improving health care delivery in the country and the National health insurance scheme (NHIS) is one of the government efforts in this regard.

Insurance is defined by (Boateng 1981), “as a system whereby compensation can be paid for losses. All those people who are in a position to suffer a loss or losses and who participate in the scheme by contributing to it, have the right to claim from the fund, in the event insured against occurs. It is often referred to as the “pooling of risks”. It is also important in the diagnosis, patient tracking and decision making regarding the patient and health service delivery in general.

Health informatics incorporates the following

1. The design and optimization of information system that support clinical practices, public health and research.
2. The modeling, organizing, standardizing, processing, analyzing, communicating and searching health and biomedical data
3. The understanding and optimizing the way in which biomedical data and information are used for decision making
4. The use of communication and computing technology to better educate health care providers and consumers.

The fast unfolding nature of the world and the burning desire to meet the health needs of population especially through health insurance with relative ease is always an issue in the health care industry. Execution of quality services to meet the health needs is achieved through evidence-based practices and this only comes out of proper health information management system.

However, knowledge and utilization of health informatics is paramount in catching up all the needed facets. This prompts the researcher to conduct this study on the prospect and challenges of Health Informatics to National Health Insurance Scheme in Nigeria.

Basically, the National health insurance scheme (NHIS) is aimed at providing the opportunities to achieve the following goals

1. to ensure that every Nigerian have access to health care services at an affordable cost
2. to protect families from the financial hardship of medical bills.
3. to limit the rise in cost of health care services
4. to distribute health care cost equitably among different income group.
5. to set and monitor standards of health care delivery services.
6. to eventually cover the whole nation, and for efficient health care services.
7. to establish health care system that adapts easily to local conditions and changing technology.
Objectives

The aim of this research work is to find out the prospects and challenges in the use of health informatics among implementers of National Health Insurance Scheme (NHIS) in Nigeria, case study of Borno state.

The specific objectives of the study include

1. To evaluate the level of awareness on health informatics to National Health Insurance Scheme in Nigeria
2. To assess the application of health informatics by National Health Insurance Scheme in Nigeria
3. To find the challenges associated with the application of health informatics by National Health Insurance Scheme
4. To find out the prospects of health informatics in National Health Insurance Scheme

Research questions

The major aimed of this work is to understand the prospect of health informatics in the operation of the scheme, its significance and problems and proffer solutions for a successful implementation in the Nigeria.

1. What is the level of awareness of Health informatics application by National Health Insurance Scheme?
2. What are the prospects of health informatics application by National Health insurance scheme?
3. What are the challenges associated with the application of health informatics by National Health Insurance Scheme?

Concept and significance of health informatics

Health informatics could be regarded as the signs that underline the academics investigation and practical application of computing and communication technology to health care, health education and biomedical research. (Dr. M. Kamba, 2015).

Health informatics (also called health care informatics, healthcare informatics, medical informatics, nursing informatics, clinical informatics, or biomedical informatics). It is a multidisciplinary field that uses health information technology (HIT) to improve health care via any combination of higher quality, higher efficiency (spurring lower cost and thus greater availability), and new opportunities. The disciplines involved include information science, computer science, social science, behavioral science, management science, and others. It deals with the resources, devices, and methods required to optimize the acquisition, storage, retrieval, and use of information in health and biomedicine. Health informatics tools include amongst others computers, clinical guidelines, formal medical terminologies, and information and communication systems. It is applied to the areas of nursing, clinical care, dentistry, pharmacy, public health, occupational therapy, physical therapy and (bio)medical research, and alternative medicine too.

Informatics is the science of computer information systems. As an academic field it involves the practice of information processing, and the engineering of information systems. It studies the structure, algorithms, behavior, and interactions of natural and artificial systems which store, process, access, and communicate information. The field considers the interaction between humans and information systems alongside the construction of computer interfaces. It also develops its own conceptual and theoretical foundations and utilizes foundations developed in other fields. As such, the field of informatics has great breadth and encompasses many individual specializations including the more particular discipline of computing science. Since the advent of computers, individuals and organizations increasingly process information digitally. This has led to the study of informatics with computational, mathematical, biological, cognitive and social aspects, including study of the social impact of information technologies. However, it is important to note that Informatics as an academic field is not explicitly dependent upon technological aspects of information, while information technology is.
Material and methods

The methodology of the study which gave information on how the study was conducted. Research design, a descriptive cross-sectional research design was used in the study. Research design of this study uses the expose-facto design. This is because the study does not require experimentation in which manipulation and treatment of control groups is involved. This design was suitable for collection of data from a large population across the area. Thus, the information required for the study exists naturally without manipulation.

Study population, a sample size of 250 was used for the study. This is based on sample size selection chart by Isaac, Michael & Smith who reveals that for a population of 500 – 1000, a sample size of 250 is sufficient for generalization.

The study location was conducted in Borno state; the tool was administered to both the staff of National Health Insurance Scheme NHIS staff.

The population understudy was made up of the health professionals and personnel who are working under the scheme at both state office and health facilities. They are all included for accuracy and precision.

Research instruments, the researcher utilized closed-ended questionnaires as data collection instruments for the research. The instrument consists of three sections including socio-demographic characteristics of the respondents; section 2, level of awareness of Health informatics application; section 3, the prospects of health informatics; section 4, the challenges associated with the application of health informatics by National Health Insurance Scheme.

The scope of the study was the Borno State NHIS office staff, the office was responsible for the provision of insurance cover to about 4.5million residing in Borno. The variables used includes their understanding of the scheme, importance or role of health informatics, how can the health informatics be used in managing the huge number of clients etc.

Data analysis, descriptive statistics is used to analyze the data collected from the study. Measures of central tendency using frequency, percentage and mean is used in the analysis. The reason for the selection of this method is because the tool is fashion using the method.

Validity and reliability of the research instruments, the instruments were modified by a team of expert in the field after reviewing relevant literature. The instrument was found to be reliable with a Cronbach alpha of 0.96.

Ethical clearance was south from Planning department of SMOH with reference No: BO/SMOH/HREC/125/4/129 and with strict compliance with the stated guidelines on human subject research taking in cognizance of Helsinki declaration, Nuremberg code and Belmont report.

Results

The analysis presentation in this section are the results of the completed questionnaires distributed to the health care providers and out of the two hundred and sixty questionnaires distributed, after sorting, about two hundred completed questionnaires were found worthy, signifying 76.9% responses.

Relevant information’s derived from the questionnaires was used in the analysis. In order to substantiate the information gathered from respondents, statistical devices were used for the analysis i.e. frequency distribution and percentages.

| Table 1. Categories of the respondents

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>NHIS Staff</td>
<td>20</td>
<td>10%</td>
</tr>
<tr>
<td>Health facility staff</td>
<td>30</td>
<td>15%</td>
</tr>
<tr>
<td>Clients or enrollees</td>
<td>115</td>
<td>57.5%</td>
</tr>
<tr>
<td>Others</td>
<td>35</td>
<td>17.5%</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>100%</td>
</tr>
</tbody>
</table>

57.5% of the respondents are the NHIS enrollees, while 17.5% are other members of the society.
Table 2. To identify if the respondents is aware of health informatics

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>45</td>
<td>22.5%</td>
</tr>
<tr>
<td>No</td>
<td>155</td>
<td>77.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>200</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

77.5% of the respondents are not aware of health informatics

Table 3. What health informatics is all about?

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health record keeping</td>
<td>100</td>
<td>50%</td>
</tr>
<tr>
<td>Providing information about the patient to the doctor</td>
<td>25</td>
<td>17%</td>
</tr>
<tr>
<td>Health management information</td>
<td>75</td>
<td>33%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>200</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

33% says health informatics is all about health management information.

Table 4. To find the importance of health informatics to health care delivery

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very important</td>
<td>25</td>
<td>17%</td>
</tr>
<tr>
<td>Important</td>
<td>50</td>
<td>33%</td>
</tr>
<tr>
<td>Not sure</td>
<td>135</td>
<td>50%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>200</strong></td>
<td><strong>100%</strong></td>
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</tbody>
</table>

50% of the respondents are not sure of the importance of health informatics

Table 5. What are the prospects of health informatics by NHIS?

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Nigerians will access to quality health care services</td>
<td>65</td>
<td>32.5%</td>
</tr>
<tr>
<td>Sharing of health information</td>
<td>50</td>
<td>25%</td>
</tr>
<tr>
<td>Improvement in quality of care</td>
<td>35</td>
<td>17.5%</td>
</tr>
<tr>
<td>Health emergencies can be handled quickly</td>
<td>25</td>
<td>12.5%</td>
</tr>
<tr>
<td>Not sure</td>
<td>25</td>
<td>12.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>200</strong></td>
<td><strong>100%</strong></td>
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17.5% are of the view that the health informatics will help improve quality of care

Table 6. The challenges faced in the implementation of health informatics

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inadequate knowledge</td>
<td>30</td>
<td>13%</td>
</tr>
<tr>
<td>Lack of equipment e.g. I.C.T.</td>
<td>35</td>
<td>17%</td>
</tr>
<tr>
<td>Inadequate government support</td>
<td>70</td>
<td>40%</td>
</tr>
<tr>
<td>Poor record taking and keeping</td>
<td>25</td>
<td>10%</td>
</tr>
<tr>
<td>Non-existence of the health informatics units</td>
<td>40</td>
<td>20%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>200</strong></td>
<td><strong>100%</strong></td>
</tr>
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</table>

40% of the respondents believed that the major challenge is inadequate government support

Discussion of findings

Improving the implementation effectiveness using the health informatics by the national health insurance scheme is an activity that will greatly enhance their performance.

Concerning the characteristics of the response in table 1, this survey reveals that, more than one third of the responded (57.7% are those that have enrolled into the scheme or are client reached while accessing health services at the facility levels, 10% and 15% are those that are officials of the scheme
or those that managed the scheme at the facility level. This indicates that because of the number of staff running the programme, they are mostly overwhelmed by the work that they hardly have time to use the computer, let a lot the use of health informatics to generate information for decision making.

The findings in the table 2 tries to find out whether the respondents are aware of health informatics. 30% said they are familiar with health informatics while 70% said no, they are not familiar with the health informatics. This indicates that health informatics is a new concept and therefore needs more publicity.

Table 3, seeks to find out what health informatics is all about. 50% of the respondents said it all about record keeping i.e. writing patients medical information as he attends health facility. 17% said it’s about providing information about the patient to the doctor for treatment while 33% is about health management information. This shows the low level of knowledge about the significance of health informatics to the extent that they are comparing it with conventional record keeping or all those secretariat works. This shows that the NHIS staff and the client’s needs to be educated on the importance and they be sensitized to provide the required information into the health informatics data based so as to help them effectively.

The 4th table seeks to know from the respondents the importance of health informatics to the health care delivery. 17% said it’s very important, 33% said its important while 50% of the respondents are not sure of its importance to the health care delivery. This means few people know or understand the importance of health informatics to the health care delivery; therefore, there is the need for more education of the people on the importance of health informatics.

Table 5 seek to find what challenges faced in the implementation of the health informatics, majority of the respondents said it due to lack of government support and funding (40%). 20% said its due to lack of a functional unit designated as Health informatics units. 17% said its due to lack of ICT equipment. Other issues are lack of adequate knowledge of uses of the informatics. This means there is the need for government support and fund the full implementation of health informatics.

In table 6, the study revealed that majority of the respondent says they know what health insurance is. Their opinion is sought to find out what health insurance is all about. 37% of the respondents say that health insurance is about all Nigerians having access to quality health care services; 27% say it all about sharing of health care cost among the contributors of the scheme and 17% are of the opinion that health insurance is about insuring one’s life with an insurance company and 10% say that they are not sure of what health insurance scheme is all about. This indicates that majority of the responded needs to be educated on the importance of health insurance scheme so as to enable understand the modus operandi and the benefits of the scheme towards the socio-economic development of their families and the country at large.

Summary

This research is conducted on the topic, Prospects and challenges of Health informatics to effective implementation of the National Health Insurance Scheme in Nigeria: Case of Borno state. Quite a number of factors have been identified which are responsible for the increase challenges of health informatics to the implementation of the national Health insurance Scheme in Nigeria, thus: Poor understanding on the relevance of health informatics on patient management especially by the National Health Insurance Scheme; Non utilization of the health informatics in the various health facilities across the country; Lack of establishment of the units in most of the health facilities; Lack of ICT equipment necessary for the full functioning of the unit; Inadequate professionals to support the unit in our various health facilities; Lack of training and re-training of the HMIS staff.

The prospect of Health Informatics applications potentially has effects on health care organizations, health care delivery and outcomes, therefore a Health Informatics application may not directly affect the medical condition of the patient – as drugs do – but it will generally have an indirect effect by assisting the care givers in their decisions and their patient management. IT is an intervention that can largely affect quality, efficiency, costs and outcome of health care.

The major challenges of health informatics in Nigeria are: The public health system faces many challenges in its efforts to produce useful, timely population health data; Federal, state, and local agencies maintain information systems for health surveillance.
Most of these systems were designed separately and often cannot share data, which limits the ability to communicate across systems. Health departments must adopt national data and technical standards; the cost of establishing and maintaining informatics technology is very expensive, particularly in light of shrinking public health budgets and expanding community needs. Consumers—policymakers and the public alike—are concerned about the impact of information technology on confidentiality and privacy and the need to assure secure systems that safeguard information and citizen privacy. Health departments must establish uniform policies and practices to assure confidentiality and security. It is generally known that the above problems cannot be solved without adequate finance and commitment by the government. Adequate fund made available for the establishment of the units in all health facilities running NHIS, educate the health workers and the general public on the relevance or importance of health informatics and application to the health care industry and the populace.

Similarly, relevant literatures were reviewed concerning the topics i.e. health informatics; definitions from various scholars, its evolution and developments, problems, challenges, significance and importance of health informatics to National Health Insurance Scheme in Nigeria.

Conclusion

It is a known fact that the Health Informatics is designed to improve patient’s outcome and response to emergencies as well as electronic store request and inventory. However, its application to the present-day health care is at its rudimentary stage in almost all health facilities, especially the health facilities under the National Health Insurance Scheme in Nigeria.

This research work identified the expected problems as enunciated in the statement of problems, which includes; lack of understanding of the concept of health informatics, inadequate government support/funding, lack of public awareness or education, lack of unit specifically designated as health informatics units; inadequate personnel/professionals to man the unit; lack of health care facilities willing to operationalize the system at all levels of health care delivery. At the end, various recommendations were proffered.

Recommendations

Based on the findings made the research has the following recommendations, thus:

The Health Informatics is fashioned out to provide timely, quality information about the patient or the health system for decision making. It also helps in timely response to emergencies and requests especially those that are life savings. It is the view of the above; the following recommendations if implemented will enhance the effective implementation of Health Informatics in the National Health Insurance Scheme and the achievement of the scheme’s overall objectives

1. There is need for government to invest in the establishment of Health Informatics units fully equipped with all the ICT and inter-connectivity in all health facilities especially NHIS accredited health facilities across the country.
2. Qualified health informatics professionals should be engaged to operate the health informatics
3. The NHIS management should be sensitized on the advantages of health informatics to the success of the scheme
4. The general public should be educated on the importance and the need to provide adequate information to the health informatics unit on their health conditions

Finally, the researcher is of the candid belief that, if these recommendations are fully implemented to the core, it will eliminate double registration of enrollee or client, also enrollees and client will have easy access to health facilities across the country because of the establishment of the network via the health informatics portal and therefore, National Health Insurance Scheme implementation is going to be very effective in Nigeria.

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Research on the Role of Communication in a Diverse Workforce

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Abstract

The study reviews the role of communication in a diverse workforce. The objectives were: to identify communication strategies used, establish what constitutes effective communication, establish communication challenges encountered and propose strategies aimed at enhancing communication in a diverse workforce.

The study employed an in-depth descriptive design. Data was collected using interview guides and semi-structured interviews. The sample comprised 20 employees and 3 supervisors. Purposive sampling was used to select all the necessary respondents. Data was analyzed by content analysis and presented in descriptions and narratives. Verbatim relevant to the findings were also included.

The findings showed that a number of communication strategies are used in diverse workforce. It also found that using correct varying methods of communication constitutes effective communication. The challenges included lack of technology skills for some employees; differences in age leading to miscommunication; heavy reliance on emails which may promote misinterpretation of information; delayed dissemination of information and bureaucratic tendencies which frustrate staff especially the millennials who values quick feedback. The study recommends managers to encourage training in Technology to improve employee communication skills. Managers should encourage interactions among all staff. Management to be open and honest with all staff to promote mutual respect. Varying of methods of communication will make all staff to feel included and valued. The study will inform organization about the impact of communication in a diverse workforce. More research needs to be done on how different diversities as an emerging issue, impact organizational performance.

Keywords: Communication, diverse, effective, generation, organization, performance

Introduction

With increased globalization, it has become very challenging for organizations to deal with a diverse workforce emanating from different backgrounds with diverse cultures, beliefs, aspirations and attitudes than ever before. To mitigate such challenges, it has been realized that there is greater need for healthy interactions between management and employees in organizations. It is now common-sense knowledge that in order to survive the 21st Century business terrain, an organization’s Human Resource Manager must possess skills of dealing with such a workforce. Beyond their strict definitions, diversity and multiculturalism essentially relate to differences among people.

Therefore, because organizations today are becoming more diverse and multicultural, it is important that all managers understand the major trends and dimensions of diversity and multiculturalism (Griffin, 2013).

Communication which is the process by which we exchange meanings, facts, ideas opinions or emotions with other people is at the center of any organization. It is an essential condition of our existence and our most important activity (Bhatia, 2013). People need to communicate for survival either at individual or organizational level. In this competitive world effective communication plays a very critical role in ensuring organizations perform effectively and maintain their market share. Communication skills are important in all human endeavors, including business. Even though communication is so important to success in the work place, there are many individuals who find that there is a limit to their communication skills that they seem to have reached a stumbling block in their progress (Shonubi and Ankintaro, 2016).
Theoretical framework

The study was guided by Abraham Maslow’s theory of human needs states that humans are never completely satisfied, that they crave satisfaction and that needs can be classified into a hierarchy based on importance. At the lowest level, people need their physical needs satisfied, such as hunger and thirst. Then, they need basic security and stability. After physical and safety needs are satisfied, individuals need to belong to a group and have meaningful relationships. Once this need is fulfilled, an individual strives for self-confidence and personal achievement.

Finally, an individual must realize his or her potential or he or she becomes dissatisfied and discontent. This theory helps managers to motivate subordinates in a diverse workplace by ensuring low-level needs get met first. Then, management can pursue overseeing employees as they complete more complex tasks (Brooks, 2006).

Motivation as a process induces people to work hard and enthusiastically to achieve organizational goals. It creates an atmosphere of security, trust and mutual cooperation essential for this purpose. To achieve this, communication is needed because it is a very effective means of building a friendly and trusting environment. The contents of communication, tone, context and timing exercise a significant influence on motivation. Employees need to be kept well informed about the organization and its progress. Personal meetings, company magazines, providing information on the company website are used to create a sense of mutual trust (Bhatia 2013).

Griffin adds that “Belongingness needs relate to social processes. They include the need for love and affection and the need to be accepted by one’s peers. These needs are satisfied for most people by family and community relationships outside of work and by friendships on the job. A manager can help satisfy these needs by allowing social interaction and by making employees feel like part of a team or work group” (Griffin, 2013, pg. 240). In a work place, social interactions are enhanced through communication and so without communication an organization is dead.

Review of literature

Communication is essentially the process by which views and information are exchanged between individuals or groups. It involves the transmission-exchange or sharing of information between individuals or groups through a communication process. The process includes the sender and receiver of the message and the feedback. The sender produces the meaning using pictures, symbols, actions and word processes which the receiver consumes through the five senses namely seeing, touching, smelling, feeling and tasting. Thus, the communication process comprises five basic elements: sender, medium of communication, receiver, message and feedback and the effectiveness of communication is dependent on these factors (Bhatia, 2013).

Diversity exists among people when its members differ from one another along one or more important dimensions. The differences are what obviously reflect the multicultural composition of a community. In the business world, the term diversity is more generally used to refer to demographic differences among people within a culture—differences in gender, age, ethnicity, and so forth. Diversity is not an absolute phenomenon that specifies that a group or organization is or is not diverse. Instead, diversity can be conceptualized as a continuum. (Griffin, 2013).

Griffin adds that diversity is not an abstract concept. It is made tangible every day in every organization wherever two people come together to perform an organizational activity. Dealing with diversity can be complex and frustrating and so to deal with such complexity, managers must have an organized methodology that provides a clear roadmap of navigating through these complexities. The complexity of diversity lies in the fact that no matter how homogeneous a group might be. For example, with all black employees, there still manifests an array of differences for example skills possessed, marital status and geographic region (Griffin, 2013).

Gupta (2013: 36) asserts that diversity in a work place poses great challenges in communication. He stresses: “People no longer live and work in an insular marketplace; they are now part of a worldwide economy with competition coming from nearly every continent. For this reason, profit and non-profit organizations need diversity to become more effective and open to change.”

The importance of interpersonal communication and intercultural sensitivity, business practice differences and non-verbal competence are essential for effective organizational communication. They
further stressed that effective human performance in groups or team-oriented environments depends largely on the understanding of messages the sharing of meanings, interpersonal adjustments and adaptations. Clearly, the productivity of a diverse workforce would be almost impossible to increase without effective communication and other forms of human interactions (Okoro, and Melvin (2012).

**Objectives of the study**

1. Identify communication strategies used in a diverse workforce in two organizations in Lusaka district
2. Establish what constitutes effective communication in a diverse workforce in two organizations in Lusaka district
3. Establish communication challenges encountered in a diverse workforce in two organizations in Lusaka district
4. Propose strategies aimed at enhancing communication in a diverse workforce in two organizations in Lusaka district.

**Methodology**

The study employed an in-depth descriptive design. Data was collected using interview guides and semi-structured interviews. The sample comprised 20 employees and 3 supervisors. Purposive sampling was used to select all the necessary respondents. Purposive sampling was employed with a conviction that the selected respondents would help in achieving the set objectives. The data was collected from 20 employees and 3 managers using the stated method. Data was analyzed by content analysis and presented in descriptions and narratives. Verbatim which were also relevant to the findings were also included.

**Findings of the study**

**Demographic characteristics of respondents**

**Sex of employee respondents**

There was a total of 20 employee respondents. Table 1 below shows their sex.

<table>
<thead>
<tr>
<th>Sex</th>
<th>Frequency (f)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>6</td>
<td>30</td>
</tr>
<tr>
<td>Male</td>
<td>14</td>
<td>70</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 1 reveals that there were more male respondents in the organizations at 70% while 30% was the female employees.

**Age of employee respondents**

<table>
<thead>
<tr>
<th>Age bracket</th>
<th>Frequency (f)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>25-35</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>35-45</td>
<td>10</td>
<td>50</td>
</tr>
<tr>
<td>45-55</td>
<td>6</td>
<td>30</td>
</tr>
<tr>
<td>55 and above</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>No response</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 2 shows that 3 (15%) of the respondents fell within the age bracket of 25-35, while 10 (50%) of the respondents fell within the age bracket of 35-45, 6 (30%) of the respondents falls within the age bracket of 45-55 and 1 (5%) did not indicate their age.
In addition to the 20 employee respondents, 3 employees at management level (supervisors) also participated in the study. Two were from the human resources department while one was a deputy Head teacher at a diverse school.

**Communication strategies used in a diverse workforce**

The first objective of the study was to identify communication strategies used in a diverse workforce in Lusaka district. This objective was guided by the research question

*What communication strategies are used in a diverse workforce in two organizations in Lusaka district?*

The study revealed that diverse organizations in Lusaka district used a variety of communication strategies. The first strategy, according to the respondents, was holding of face-to-face meeting with employees. Supervisors indicated that face-to face meeting were very effective as feedback was immediate. One supervisor stated that

*In case of slow processors of information, we have an open- door policy where those who did not understand what was being communicated in the meeting can easily go to the supervisor and get clarifications.*

Employees agreed with supervisors that the most used communication strategy was face-to-face but also pointed that it had its own limitations. For example, one of them asserted that

*Although face-to-face strategy of communication is the common and most preferred method, sometimes there is inconsistency in the times of meeting thereby causing a break in the flow of information.*

The second strategy was the use of written information in form of notices, leaflets, newsletters and memoranda. Another supervisor added that

*We ensure to include the traditional method of written information so that the older generation is also include*

**What constitutes effective communication in a diverse workforce**

The second objective of the study sought to find out what constituted effective communication in a diverse workforce. This was addressed by answering the following question

*What constitutes effective communication in a diverse workforce in two organizations in Lusaka district?*

The study found that using varied methods and channels of communication in a timely manner and consistent manner constituted effective communication in a diverse work force. One employee asserted

*Promoting staff participation in decision making to a certain aggregable level in order for staff to own the organizational goals is another indication of effective communication. Managers should promote an open-door policy in order to reach out to all staff across the age diversity.*

*Effective communication with the use of proper channels of communication to enable staff to be receptive to both positive and negative feedback.*

One supervisor added

*Communication is a two-way thing and this means transfer of information from one person to another hence the need to involve both the managers and staff member, therefore both employer and employee need to communicate constantly.*

The study further revealed that the use of technology through emails and other network-based channels of communication quickens flow of information throughout the organization. One employee pointed out that

*Communication is quicker when technology is used but the disadvantage is that not all employees have the technology skills.*

A supervisor explained that

*Communication was effective when staff in the organization operate as one unit and everybody worked towards achieving a common goal.*

Another manager respondent asserted

*We use the open-door policy to help talk to employees on a one-on-one basis for purposes of clarifying issues.*
Communication challenges encountered in a diverse workforce

The third objective sought to establish communication challenges faced in a diverse workforce by answering the following question

What communication challenges are encountered in a diverse workforce in Lusaka district?

The study indicated that there were several communication challenges that were faced in diverse workforce. These included lack of technology skills, age differences or generational gaps, which brought about variation in the rate at which employees absorbed, interpreted and utilized information and delegated dissemination of information by management.

One supervisor stated

Lack of technology skills especially among the older generation is a major challenge and it affects their speed to respond to communication. In other instances, others do not respond to information at all due to miscommunication.

He added

The other challenge is age differences since different people look at things differently hence delayed feedback.

Another supervisor stated that

Most older employees are used to the traditional methods of communication that is reading and writing and so are not so conversant with e-mails.

One employee pointed out

Heavy reliance on emails as opposed to the face-to-face communication has sometimes led to miscommunication and misinterpretation of information.

Some employees indicated that there is delayed dissemination of vital information in organizations which creates a vacuum between management and the staff thereby fueling speculation and grapevine communication. One employee said

Delays in information dissemination encourages grapevine which may be true or not and this in the end confuses employees who do not know what to believe.

Strategies aimed at enhancing communication in a diverse workforce

The fourth objective aimed at finding out proposed strategies aimed at enhancing communication in diverse organizations in Lusaka district. It was tackled by answering the following research question

What strategies aimed at enhancing communication in a diverse workforce can be put in place?

The study revealed strategies that could be used to enhance communication in a diverse workforce as proposed by the respondents were varied. They included training of all personnel in information communication technology to enable them effectively use modern technological gadgets and accessories, encouraging constant interaction between management and subordinates and using diverse methods of communication.

One supervisor indicated that

There is need for organizations to encourage more training in information and communication technology so that all employees of different generations including those that are not conversant with computer skills acquire skills to better deal with communication in the organization.

Another supervisor added

This is a digital age. Therefore, people need to move with the age. We have a deliberate program to help people who are completely computer illiterate to acquire skills.

Employee respondents indicated that managers should encourage interactions between management and staff paying particular attention to non-verbal cues.

One employee said that

The other strategy is for management to be open and honest with all staff regardless of the age bracket in order to promote mutual respect.

The other proposed strategy was that using a variety of methods of communication besides face-to-face meetings with all staff so that they could feel included and valued.

One supervisor said
We encourage face-to-face meeting with individual employees to allow them to seek clarifications on matters they did not understand well through the emails. This is to take into consideration the different literacy levels of people.

The other proposed strategy was that management needed to share information with all the staff concerning any changes in the organization so that everybody is aware of the happenings in the organization stating that this would create mutual respect and trust in the organization and makes all employees comfortable to discuss matters openly.

Summary

The insights of the findings pertaining to the role of communication in a diverse workforce in two organizations in Lusaka district are summarized as follows

The findings were that diverse organization in Lusaka district used a variety of communication strategies which included face-to-face meetings use of emails, WhatsApp and short messaging systems (SMS).

The study further revealed that using varied methods and channels of communication and consistently constituted effective communication in a diverse workforce. It was further revealed that the use of technology through emails and other network-based channels of communication quickens flow of information throughout the organization. Communication challenges were also as well as strategies aimed at enhancing communication were highlighted.

Results and Discussion

Communication strategies used in a diverse workforce

The study established that organizations in Lusaka district used a number of strategies to communicate with employees. The use of a variety of communication methods which included face-to-face, phone calls, social media and newsletters was seen as a way of reaching out to different and diverse employees. This is in line with what Luthans writes

“A variety of communication methods will be needed: spoken and written, direct and indirect. Face-to-face communication to individuals or groups is both direct and swift and it provides an opportunity to gauge the reactions of people who can respond on the spot and ask questions. But it should be supplemented by written material or intranet communications where the information is particularly important or complex” (Luthans, 2011, pg. 256).

The world is rapidly changing bringing on board a lot of advancement in technology. This means that there must be proper communication between managers and subordinates. The varied communication strategies are also cardinal in fostering relationships that spur positive attitudes in organizations.

What constitutes effective communication in a diverse workforce

The study established that using correct but varying method and channels of communication in a timely manner and consistently constitutes effective communication in a diverse workforce. The use of different channels of communication ensures that communication is achieved simply because people respond to methods of communication differently. The more methods the managers employ, the more effective communication becomes.

The business community all over the world knows the values of time and so all communication is meant to be suitably timed. This is supported by Armstrong who mentioned that “One important approach to communication is that, to be effective, communication needs to be clear, easily understood and concise. Information should be presented systematically on a regular basis and be as relevant, local and timely as possible” (Armstrong, 2012, Pg. 246).

In addition, the study has found that promoting staff participation in decision making to a certain aggregable level in order for staff to own the organizational goals is another indication of effective communication.

Managers promoting an open-door policy in order to reach out to all staff across the age diversity. Effective communication with the use of proper channels of communication to enable staff to be receptive to both positive and negative feedback. This is supported by Palmer and Hartley who write
“Open door policies for example encourage employees to air out their grievances and to make suggestions directly to their superiors. The aim is to make management accessible and ‘employee friendly’; team briefings are a system of communication within the organization where the leader of a group provides group members (up to about 20) with management-derived information. The rationale behind is encourage commitment to and identification with the organization. Ideally, they should result in information cascading down through the organization; Quality circles are small groups of employees that meet with the supervisor or group leader in an attempt to discuss their work in terms of production and quality. For success the leader must be willing to listen and act upon issues raised by QC members and members must feel their participation is real and effective. The communication therefore is two-way”. (Palmer and Hartley 2012, pg. 333)

Open-door policy should be promoted as it encourages employees to approach higher level management on any matters that concerns the organization and other employees. It bridges the gaps among different employees and managers.

**Communication challenges encountered in a diverse workforce**

Communication is very significant in every organization. It is the engine that makes organization parts to work in harmony. However, in the quest to champion communication with or among employees there are challenges that are encountered. The study established that lack of technology skills among some staff hampers communication. In addition, the study established that differences in age also pose communication problems since different people look at things differently hence delayed feedback.

The study further found that other challenges included heavy reliance on emails as opposed to the face-to-face communication which sometimes led to misconception and misinterpretation of information. Delayed dissemination of information and inconsistency in the times of meeting staff are more challenges established by the study and these create a vacuum between management and the staff thereby breaking communication. At times there is no sense of urgency in relaying information by managers sometimes resulting from bureaucracy tendencies frustrates staff especially the millennials who values quick feedback.

**Strategies aimed at enhancing communication in a diverse workforce**

The findings of the study revealed the strategies that can be used to enhance communication in a diverse workforce. Some respondents indicated the need to encourage more training in Information and Communication Technology so that all employees of different generations including those that are not conversant with computer skills acquire skills to better deal with communication in the organization.

Managers encouraging interactions between management and the staff paying particular attention to non-verbal cues was also seen as an enhancer to effective communication.

Management to be open and honest with all staff regardless of the age bracket and promote mutual respect. As supported by ACAS Guide (2005) which states: Effective communication generates trust as organizations take the trouble to explain what they are doing and why. It should be emphasized, however, that these three benefits of good communications will only be realized in full if employees are given a voice – the opportunity to comment and respond to the information they obtain from management.

Sharing information with all the staff concerning any changes in the organization so that everybody is aware of the happenings in the organization. This is modified by Brooks (2006) who said: Every manager in an organization must take employee relations seriously as these are a vital part of any change management program. If any change is proposed in terms and conditions of employment, HR processes such as contingent pay, working methods, or organization (including mergers and acquisitions), employees need to know what is proposed and how it will affect them. Failure to communicate effectively breeds employee resistance to change which often arises as a consequent of people not knowing the organizational happenings and what the introduced change implies for them.

Using a variety of methods of communication and having face-to-face meetings with all staff so that all staff can feel included and valued as well as creating mutual respect and trust in the organization in order that all employees are comfortable to discuss matters openly.

According to Maslow’s motivation theory, management through effective communication can induce people to work hard and enthusiastically achieve organizational goals. Application of the theory
can help management to realize the employees’ communication needs in order to create an atmosphere of security, trust and mutual cooperation essential for this purpose. To achieve this, communication is needed because it is a very effective means of building a friendly and trusting environment. The contents of communication, tone, context and timing exercise a significant influence on motivation. This is supported by Bhatia (2013) who mentioned that employees need to be kept well informed about the organization and its progress. Personal meetings, company magazines, providing information on the company website are used to create a sense of mutual trust.

Viewing this theory from the perspective of age diversity, employees’ self-confidence and personal achievement come with effective communication. It is assumed that people of different age groups value communication dependent on the mode, context, timing and value attached to the particular message.

The role of communication in a diverse workforce in organizations appears to be positively significant. The objectives of the study have been achieved and the research questions have been fully answered by the analyses conducted. The answers to the research questions are in the affirmative, confirming that communication plays a very significant role in organization. For instance, age diversity has an effect on employee performance; a young employee can be more productive because of the strength, being up to date with new technology and skills to carry out tasks. On the other hand, an older employee can perform his task well because of the accumulated experience over the years of service and the skills to perform. From findings it is discovered that organizations that have generational diversity enhance their performance due to the young and older generation complimenting each other’s strengths and weaknesses.

Conclusion

The findings showed that a number of communication strategies are used by supervisors in diverse workforce and these are face-to-face and use of technology like phones and computers. The study also found that using correct but varying method and channels of communication in a timely manner and consistently promoting staff participation in decision making to a certain aggregable level constitutes effective communication in a diverse work force.

References

A Study on Ownership Concentration by Family Members and Financial Performance: Evidence from India

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Abstract

Ownership concentration is stated by the number of large-block shareholders and if the percentage of firm’s shares owned by the family members then that makes them as Family owned firms. They form the backbone of Indian economies, as they contribute towards GDP of country. Therefore, family business management is an emerging area of academic interest. In this regard, this empirical research deals with the analysis of relationship between concentrated ownership by the family members and its impact on financial performance, measured by the Return on Asset (ROA) and Return on Equity (ROE). The present study analyses the performance of Indian family businesses for firms listed on BSE 500 Index for a period of 2016-2018. An equity ownership above 20% by family members, also the family member as a chairman of the board and multiple generations or multiple members actively involved in business has been identified as family owned business. Using a representative sample of 375 Indian family owned businesses out of BSE 500 Index. Statistical analysis of collected data includes descriptive statistics, determination of the correlation coefficient between ownership concentration and financial performance, multiple OLS regression analysis to determine the impact of ownership concentration on financial performance. The results show that there is a U-shaped relationship between ownership concentration and performance, which indicates that the increase in ownership concentration to a certain limit of 55% positively affects financial performance. When ownership concentration exceeds 55%, financial performance deteriorates.

Keywords: Ownership Concentration, Family owned Business, Corporate Governance, Shareholders, Equity and Financial Performance.

Introduction

Ownership concentration is the ownership share (votes) of the largest owner in percentage (Pathirawasam, 2013). Hill and Snell (1998) found good relationship between ownership structure and firm performance which is measured by profitability.

Ownership concentration is stated by the number of large-block shareholders and if the percentage of firm’s shares owned by the family members then that makes them as Family owned firms. They form the backbone of Indian economies, as they contribute towards GDP of country.

“A Business is Family-owned Business when it is an enterprise growing out of needs, built on a family’s abilities, guided by its moral values, sustained by the family’s commitment and passed down to its sons & daughters as a legacy as precious as the family’s name.”

Conducting business in India has never been more exciting and daunting at the same time. Paradigm shifts on the regulatory, operational and technological fronts are driving business heads to continuously innovate their products or services and become more perceptive and agile in order to stay relevant.

Amidst all the change taking place within and across borders, there is one segment to which markets remain attractive – family businesses.

The contribution of family businesses to wealth creation, wealth preservation and wealth distribution in the nation is commendable, and their unique approach of looking at their businesses over generations and as an investment for the future ensures a long-term perspective with respect to decision making and provides stability to the economy.
The obvious importance of Family Business in India is the Indian Economy is majorly driven by entrepreneurial capitalism. The list of 50 most lucrative family-owned businesses in Asia was made up of 12 Indian Listed Companies. A significant portion of public listed firms in India are Family-owned, thus the performance of such Family-owned Business has direct relevance for financial market efficiency.

**Identification of family-owned business**

Identifies a firm as family firm if the first condition of significant ownership is met and any one of the other two conditions are met

a) An Equity ownership above 20% by family members as on date (2018) or the last shareholding data available.
b) Family member as a Chairman of the Board, or two or more family members in the Board of the firm.

Once it was established that a Family has more than 20% shareholding in a company, it was determined if the family also exerts management control on the company. Wherever the Chairman of the Board, the Chief Executive Officer (CEO), the Managing Director, or a person in the board of directors was also a promoter and member of the family holding more than 20% stake in the company, that company is considered to be a Family Business.

a) Multiple Generations or multiple members of same generations, actively involved in business.

The above criteria have been primarily used to classify companies into Family and Non-Family Businesses. The aim of this research is to examine the effects of ownership concentration on financial performance of selected companies. Empirical Research is conducted on the basis of data collected for the period of 2016-2018.

Statistical data analysis was performed using descriptive statistics, correlation coefficient between independent and dependent variables, and multiple OLS regression analysis to determine the impact of independent variable on the dependent. Statistical data processing was performed using SPSS and MS Excel.

**Literature review and hypothesis development**

**Ownership concentration**

With substantial ownership concentration by family members has both the potential benefits as well as potential costs involved.

Large concentrated shareholders however, may derive greater benefits from pursuing objectives such as firm growth, form survival and enhancing shareholder’s value. Barclay and Holderness (1989) note that large ownership stakes also reduce the profitability of bidding by other agents, thereby reducing the value of the firm.

Shleifer and Vishny (1997) suggest that one of the greatest costs that large shareholders can impose is remaining active in management even if they are no longer competent or qualified to run the firm.

But there were some researches who found benefits for concentrated ownership by family members in Business. Demsetz and lehn (1985) note that concentrated investors have substantial economic incentives to diminish agency conflicts and maximize firm value. Stein (1988, 1989) shows that firms that have shareholders with longer investment horizons suffer less managerial myopia and are therefore less likely to forgo good investments to boost current earnings.

James (1999) demonstrates how family ownership provides incentives to invest according to the market rule and suggests that family firms invest more efficiently than non-family firms because the family intends to pass the firm onto succeeding generations.

In sum, large, concentrated ownership by family members in firm have substantial economic incentives to maximize firm performance and the influence and power to cause it to happen.

Considering that the ownership structure of modern corporations consists of a large number of shareholders, the question arises as to which is the best and most effective mechanism for supervision and control of managers.
Corporate governance

Corporate Governance systematically regulates relationships between management, employees and all other internal and external stakeholders (Jensen & Meckling, 1976). Corporate Governance can be defined as a set of clearly defined rules and procedures that regulate relationships between different stakeholders in and outside of the company, with the aim of creating adequate conditions for the proper function of a company and improving business performance.

The effectiveness of corporate governance mechanisms are determined by two important factors. Firstly, the existence and implementation of laws and by-laws in the country that protect the ownership rights of shareholders. Secondly, the ownership structure, primarily the degree of ownership concentration as a percentage of shares held by majority shareholders.

Performance of family businesses

Families often value activities and products, such as firm value, profits, equity or asset returns (Adams et al., 2004; Chua et al., 2003).

Extant performance research has considered only financial metrics. Empirical studies on publicly listed firms, however, have yielded mixed results. Some studies find that family influence is an effective form of control providing greater financial performance of family businesses (Anderson & Reeb, 2003; Lee, 2004; Maury, 2006). On the other hand, there is empirical evidence pointing negative effects of family influence in terms of nepotism, entrenchment and expropriation of minority shareholders leading to lower performance of family businesses (Miller, Le Breton-Miller, Lester, & Cannella, 2007).

The ownership structure of the company is made up of a small number of major shareholders who take over the role of controllers over the activities of management. The concentration of ownership in these countries prevents the emergence principal-agent problem, but the increase in ownership concentration above a certain level can lead to the emergence of the aforementioned problem in relation to majority-minority shareholders (Babić & Nikolić, 2011). Hamdouni (2010) was examined the effects of concentrated ownership on financial performance over a sample of 106 companies in France.

High concentration of ownership has a negative effect on ROA, and positive effects on ROE. The results of the survey carried out by Alimehmeti & Paletta (2012) over listed companies in Italy confirm the positive implications of ownership concentration on ROA. The effects of concentrated ownership on financial performance measured by ROA and ROE in the Netherlands show the existence of a positive correlation (Scholten, 2014; Boerkamp, 2016). In a research conducted by Arosa, Iturralde & Maseda (2007) for over 586 unlisted companies in Spain, there are positive effects of ownership concentration on financial performance. In the same country, the research conducted by Cabeza & Gomez (2011) confirms the positive effects. Kapopoulos & Lazaretou (2006), by researching over 175 listed companies in Greece, confirms the positive impact of concentration of ownership on financial performance. The results of conducted empirical studies show that ownership concentration has positive effects on financial performance of companies in the EU developed countries.

A research which was conducted in over 60 privatized companies in Macedonia shows that ROA (Abazi-Allili, 2013) increases with the increase in ownership concentration. In the paper Balsmeier & Czarnitzki (2010), the effects of concentrated ownership on financial performance in 29 transition economies for the period 2002-2009 were tested.

The findings indicate that there is a U-shaped connection between concentration of ownership and performance, indicating that the rise in concentration of ownership to a certain 55 percent limit has a positive effect on economic performance. When the concentration of ownership exceeds 55%, financial performance deteriorates.

Hypothesis

Ha. High ownership concentration has a negative impact on ROA.
Hb. High ownership concentration has a negative impact on ROE.
Research methodology

In family business management research, two branches of studies are common. One branch studies the different performance of family and non-family companies and the second branch studies the particular features of family companies that affect the output of the business.

This Research basically focuses on second branch of study in detail.

Sample and statistical methods

Empirical research was conducted on the database for 2016-2018. In the context of the importance of shareholding pattern to the strategic choices and processes of a firm, it studies the shareholding pattern of top 500 firms listed on the Bombay Stock Exchange (BSE 500) of India. This study presents and analyses the trends in equity ownership by various classes of shareholders for the period of 2016-2018 across different ownership categories. Firms listed on BSE 500 into family and non-family on the basis of a minimum of 20% equity shares by the family members and management control or succession/business continuity.

Our sample comprised of BSE 500 with around 75% of them being family firms. Of this representative sample of 375 family-owned companies, 90 family-owned companies are more than 55% owned. Rest receiving less than 55 percent concentration of family members' ownership of the firm's equity.

All data necessary for statistical analysis were collected from secondary sources. The data on shareholding is submitted by the companies to the exchanges and is compiled by Prowess database, Centre for Monitoring Indian Economy (CMIE). For the calculation of ROA and ROE, the data contained in the financial reports are available on the website of the Bombay Stock Exchange.

Statistical analysis of collected data includes descriptive statistics, determination of the correlation coefficient between ownership concentration and financial performance, multiple OLS regression analysis to determine the impact of ownership concentration on financial performance. The entire statistical data processing was performed in the software SPSS and MS Excel.

Independent and dependent variables

Independent variable: ownership concentration. Degree of ownership concentration is measured as a percent of shares owned by largest shareholders, who own more than 55% of total shares.

Dependent variable: financial performance. Financial performance have many indicators but in this research, two financial indicators have taken as dependent variable that is ROA (Return on Assets) and ROE (Return on Equity).

ROA = Net Profit / Total Assets
ROA is a profitability ratio that shows the ability of a company to create profit by using its assets.

ROE = Net Profit / Total Equity
ROE is a profitability ratio that measures company’s ability to earn profits by engaging capital.

Control variables

This analysis includes three control variables: Company’s Liquidity, Activity and Financial Leverage.

Liquidity = Current Assets / Short-term Liabilities
Liquidity of the company, as the ability to execute maturity obligations, also contributes to improving financial performance.

Activity = Sales Revenue / Total Assets
The company’s Activity is an important profitable factor and is defined as the ratio between sales revenue and total assets.

Financial Leverage = Long-term Debt / Total Assets
Financial Leverage is the ratio that divides Long-term Debt by Total Assets.
Results and Discussion

Table 1. Descriptive Statistics

<table>
<thead>
<tr>
<th>Variables</th>
<th>N</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership Concentration</td>
<td>90</td>
<td>67.69%</td>
<td>1075869</td>
<td>55.15</td>
<td>80.25</td>
</tr>
<tr>
<td>Liquidity</td>
<td>90</td>
<td>6.16</td>
<td>8.1043179</td>
<td>0.3487</td>
<td>54.6879</td>
</tr>
<tr>
<td>Activity</td>
<td>90</td>
<td>1.41</td>
<td>1.7282872</td>
<td>0.0000</td>
<td>8.8781</td>
</tr>
<tr>
<td>Financial Leverage</td>
<td>90</td>
<td>5.12</td>
<td>7.1346250</td>
<td>0.2274</td>
<td>42.5478</td>
</tr>
<tr>
<td>ROA</td>
<td>90</td>
<td>-0.86</td>
<td>6773132</td>
<td>-2.3549</td>
<td>3.0225</td>
</tr>
<tr>
<td>ROE</td>
<td>90</td>
<td>-0.07</td>
<td>6705100</td>
<td>-2.0762</td>
<td>3.2257</td>
</tr>
</tbody>
</table>

The Arithmetic Mean, Standard Deviation, Minimum and Maximum values are shown in Table 1. The Average Value for ROA is -0.85574, for ROE = -0.007074. The Lowest ROA is -2.3549, while the Maximum Value is 3.0225. The Minimum ROE Value is -2.0762 and the Maximum is 3.2257. Ownership Concentration in the observed sample ranges from 55.15% to 80.25%, while the average value of ownership concentration is 67.69%.

Table 2. Correlation Matrix

<table>
<thead>
<tr>
<th>Variables</th>
<th>Ownership Concentration</th>
<th>Liquidity</th>
<th>Activity</th>
<th>Financial Leverage</th>
<th>ROA</th>
<th>ROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership Concentration</td>
<td>1.000</td>
<td>-112</td>
<td>-102</td>
<td>-0.75</td>
<td>-0.411**</td>
<td>-0.251*</td>
</tr>
<tr>
<td>Liquidity</td>
<td>-112</td>
<td>1.000</td>
<td>-0.025</td>
<td>4.51</td>
<td>0.225</td>
<td>0.057</td>
</tr>
<tr>
<td>Activity</td>
<td>-102</td>
<td>-0.025</td>
<td>1.000</td>
<td>0.347</td>
<td>-0.042</td>
<td>-0.078</td>
</tr>
<tr>
<td>Financial Leverage</td>
<td>-0.75</td>
<td>4.51</td>
<td>0.347</td>
<td>1.000</td>
<td>0.173</td>
<td>0.067</td>
</tr>
<tr>
<td>ROA</td>
<td>-0.411**</td>
<td>0.225</td>
<td>-0.042</td>
<td>0.173</td>
<td>1.000</td>
<td>0.552**</td>
</tr>
<tr>
<td>ROE</td>
<td>-0.251*</td>
<td>0.057</td>
<td>-0.078</td>
<td>0.067</td>
<td>0.552**</td>
<td>1.000</td>
</tr>
</tbody>
</table>

*p<0.01, *p<0.05.

In order to test the research hypothesis, a correlation analysis was first performed, results are shown in Table 2. There is a significant and negative correlation between ownership concentration and ROA, with the coefficient of correlation -0.411 (sig < 0.01). The statistically significant, negative association between ownership concentration and ROE, as the coefficient correlation is -0.251 (sig < 0.05).

Table 3. Multiple OLS Regression (dependent variables: ROA and ROE)

<table>
<thead>
<tr>
<th>Variables</th>
<th>ROA R Square</th>
<th>ROA Sig</th>
<th>ROA B</th>
<th>ROA VIF</th>
<th>ROE R Square</th>
<th>ROE Sig</th>
<th>ROE B</th>
<th>ROE VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership Concentration</td>
<td>0.07</td>
<td>-312**</td>
<td>1.010</td>
<td>1.010</td>
<td>0.03</td>
<td>-257*</td>
<td>1.010</td>
<td></td>
</tr>
<tr>
<td>Liquidity</td>
<td>0.130</td>
<td>311</td>
<td>1.59</td>
<td>1.006</td>
<td>0.084</td>
<td>0.55</td>
<td>1.006</td>
<td></td>
</tr>
<tr>
<td>Activity</td>
<td>0.620</td>
<td>-0.062</td>
<td>1.006</td>
<td>1.006</td>
<td>0.554</td>
<td>-0.067</td>
<td>1.006</td>
<td></td>
</tr>
<tr>
<td>Financial Leverage</td>
<td>0.557</td>
<td>0.032</td>
<td>1.021</td>
<td>1.021</td>
<td>0.345</td>
<td>0.020</td>
<td>1.021</td>
<td></td>
</tr>
</tbody>
</table>

*p<0.01, *p<0.05.

Significant Results obtained by correlation analysis are the basis for conducting statistical analysis using multiple OLS Regression. Concentrated Ownership has a significant and negative impact on ROA (B = -0.312, Sig = .007).

Liquidity has an insignificant and positive impact on ROA (B = .159, Sig = .311).
Activity has an insignificant and negative impact on ROA (B = -.062, Sig = .620). Financial Leverage has an insignificant and positive impact on ROA (B = .032, Sig = .557). The determination coefficient for this model is R Square = .130, which implies that only 13% of the ROA variability is determined by the changes in the ownership concentration. This model does not have a problem with multicolinearity (VIF <10). Concentrated ownership has a significant and negative impact on ROE (B = -.257, Sig = .035). Liquidity has an insignificant and positive impact on ROE (B = .055, Sig = .657). Activity has an insignificant and negative impact on ROE (B = -.067, Sig = .554). Financial Leverage also has an insignificant and positive impact on ROE (B = .020, Sig = .345). This Model is fairly low quality, because ownership concentration explains only 8.4% (R Square = .084) changes in ROE. This Model also does not have a problem with muticolinearity (VIF <10).

Conclusions


Balsmeier & Czarnitzki (2010) report the existence of a U-shaped relationship between ownership concentration and financial performance, which is also in line with the results of this study. Therefore, a moderate ownership concentration will be in the function of improving financial performance, while the increase in the concentration of ownership above the level that is determined as moderate, will negatively reflect on the financial performance.

The results of the conducted research show that increasing the ownership concentration over 55% has a negative impact on financial performance. Concentrated ownership negatively affects ROA, which accepted the research hypothesis Ha. Concentrated ownership has significant and negative impact on ROE, which implies that the hypothesis Hb is accepted.

References


Integrated Reporting: A Structured Analysis of Application and Gaps in India

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Abstract

In India and globally corporate reporting structure is evolving significantly and becoming more and more transparent, compact, relevant and providing information to wider set of users. Integrated reporting was introduced in 2004 by A4S, but formally it started taking shape when in 2010 when IIRC (International Integrated Reporting Council) was established. It announced number of changes in the reporting in November 2011. In India, Companies Act 2013, SEBI Corporate Social Responsibility Legislation and Business Responsibility Reporting (BRR) are few regulators which regulate and control quality reporting ad help in increasing business accountability towards social issues. SEBI, in February 2017, took a step in encouraging top 500 companies to adopt the integrated reporting framework. The main objective of this paper is to assess the status of Integrated Reporting in India. This paper uses a theoretical and empirical model to investigate the adoption of Integrated Reporting in India. In the paper Content analysis has been used to analyses the level of adoption of the framework as a strategic choice to signal equity investors and intellectual capital.

Keywords: Integrated Reporting, IIRC, SEBI, Sustainability Reporting, Intellectual Capital

JEL Code: M10, M40, O50, F60

Introduction

The framework

Integrated Reporting <IR> promotes a more consistent and efficient approach to corporate reporting and aims to improve the quality of information presented to users of financial report and to investors, to enable a more competent and effective allocation of capital. The primary objective of an integrated report is to provide all investors with information as how the organisation is using capital to create value in short, medium and long term. <IR> will benefit not only the investors but also other stakeholders like employees, government, business partners, suppliers, customers, policy makers and regulators. IIRC has released a Framework for the <IR>, the International <IR> Framework is a principle based approach. IIRC has kept it principle based intently to keep a balance between prescription and flexibility. The intention was to enable any type of organisation adopt it easily. It does not tell any specific type of measurement method or disclosure method but it gives a broad requirement that can apply to any kind of organisation.

An Integrated Report <IR> may be prepared with some alteration in the existing report or it may be a standalone report. The main idea is that it should provide insights about the resources that are used and should disclose “the Capital”. It should also explain how the internal factors of organisation interact with the external factors which eventually creates value in short, medium and long term

The Framework gives us the Guiding Principle and the Content Element and this governs the whole <IR>. The Framework identifies some very prominent issue like it identifies information to be included in the <IR> but it does not set benchmark for such things as the quality of organisation’s strategy or its performance. It is primarily made for the Profit making organisation but its flexibly makes it possible that it can be adopted by a non-profit organisation also.
The guiding principle

The Guiding Principle as defined by IIRC in the Framework is the backbone of <IR>. It defines and explain the main principles required for preparation of <IR>.

a) **Strategic Focus and Future orientation.** It is required that the organisation provides insight into the organisation’s strategies and must relate it with its future endeavours to create value.
b) **Connectivity of Information.** The report should show the complete picture of interrelated factors which will affect the company’s value creation.
c) **Stakeholder relationships.** The report should show the extent to which the organisation is related to its key stakeholders and also to what extent organisation understand or take into account the need and interest of stakeholders
d) **Materiality.** The <IR> should disclose information about matters that fundamentally affect the organization’s aptitude to create value over the short, medium and long term.
e) **Conciseness.** An <IR> should be brief and to the point.
f) **Reliability and completeness.** With a conscious report the report must contain all material information whether positive or negative
g) **Consistency and comparability.** Like all other reporting system <IR> also requires a consistent reporting so that it can be compared with other organisations.

The content element

The second most important element of the <IR> is the eight-content element

a) Organisational overview and external environment which basically tells us the purpose of organisation and its operational style
b) Governance which tells us the way company supports its value system in short, medium and long term
c) Business Model which should focus on the unique business model of the company
d) Risk and opportunities which focuses on the risk faced by the company and the unique way in which it deals with it. Also the opportunities it has in its bucket
e) Strategy and Recourse allocation should tell what the company want to attain in future
f) Performance, this shows to what extent has the company attained its objective
g) Outlook shows the uncertainties and challenges that a company faces and how the business model will perform in this future performance
h) Basis of presentation tells how the company what should be included in the report, what is material for the company and what not.

The capital

Capital, yet another concept of The Framework has been categorised in six parts and understanding of each element is important

a) Financial Capital
b) Manufacturing Capital
c) Intellectual Capital
d) Human Capital
e) Natural Capital
f) Social and Relationship Capital

All the capitals focused in <IR> are interrelated and few of the were reported in the traditional <IR> also, but the addition of Natural, Intellectual and Human Capital is important to understand. It is important not only for companies but also for the auditors and the users of the report.

Need of study

Today the world is witnessing a change in the way business operates and the way value is created. These changes are part of impact of globalization, increased expectation of transparency in reporting, increased accountability, reducing resources, increasing environmental concerns.
Integrated reporting <IR> is the latest advancement in a long line of proposed reporting innovations that will improve corporate reporting. For example, <IR> would include the relationships between a company’s operating and functional units, the financial and non-financial capitals that a company uses and its impact, and the relevance of those factors in demonstrating how value is created. Conceptually, <IR> allows companies to narrate its value creation story in a holistic manner and connect it with better efficiency. It is aimed at providing a complete picture of a company, including how it demonstrates stewardship and how it creates and sustains value. Actually the cornerstone of the “integrated thinking” was the integrated approach of “three pillar theory” (three “P” s: People, Planet and Profit). This theory has significantly contributed to the initiative of sustainability and “green” economy (Elkington, 1997).

In India, corporate reporting has evolved a lot through Company Act 2013, BRR & CSR report. SEBI has taken a step ahead in <IR> on 6th Feb 2017 by encouraging top 500 listed companies to adopt the <IR> framework in the corporate reporting. SEBI has given one-year time to these companies to adopt <IR> and it therefore it would be interesting to know that after one year how many companies have actually adopted it and what is their quality of reporting. The guidelines provided by International Integrated Reporting Framework has definitely helped the companies in preparing <IR>, but several organizations are and are still evolving with no unified description of the concept, process and outcome (Cheng, Green, Condie, Konishi & Romi, 2014).

**Literature review**

The first publication related to <IR> was done in June 2005 by co-founder of GRI, Allen White, where he concluded that <IR> is the future of Corporate Reporting. The Literature Review reveals that mostly studies have been done on integrated reporting concentrates on the Current Status of Social Responsibility (Sabina. D 2015, Kundeliene, K. &Leitoniene 2015, Morros, J. 2015) or deals with the theoretical and empirical relevance of the topic (Thaigarajan.A, Baul.U 2014, Robert G Eccles & George Serafeuim 2011, Velliers de Charl 2014). Many researchers have worked on comparative literature review of traditional and integrated reporting or Sustainability reporting (Jensen & Berg 2012, Krongkaew, Arreya & Setthasakka,2013, Bratu, A. 2017). <IR> is a solution to many problems in corporate reporting. It has been proven by studies also (Pavlopoulos, A, Magnis, C, Enmanuel, G. 2019) that more effective use of <IR> has resulted in positive stock returns. And few studies (Cortesi, A & Viena, L. 2019) point out that there is increase in the quality of reported earnings per share by following <IR>. Also many studies highlight the confusion about difference between sustainability and integrated reporting (Morros J, 2016). In India Sustainability Report is part of reporting system and is also shown in company’s website, however the linkage between financial and non-financial information in these reports are low as highlighted by Athma.P, Rajyalaxm.N (2018). Although awareness has increased regarding the roles and responsibilities for reporting to the shareholders but companies still require confirmations regarding the usefulness of the Corporate Sustainable Reporting Practices (Caraiani et al. 2015). One more issue which has been highlighted by researchers is that all the companies will have the tendency to include more management related issues than the performance insights and can present data which can easily be manipulated or is of very less relevance to the company. Companies would prefer to include only positive aspects in the report and highlight strengths of the company (Dima, Popa and Farcane 2015).

**Research methodology**

In order to conduct this study top 500 Indian companies listed by Economic Times have been taken. The latest list of 2018-19 has been taken as base for the study. The companies who are not trading for minimum stipulated time has been excluded for the study. Also Banks are not part of the study. All companies other than Banks which are listed in top 500 companies are analysed with respect to their adoption of <IR>.

By querying the database, using Capitaline, annual report of all the companies are analysed. Total 33 companies in the top 500(excluding banks) are found to follow <IR>. Descriptive analysis and Content Analysis has been conducted on the companies to find out the compliance level of the company report with the IIRC Framework (2013b) with respect to content and guiding principles. The guiding principle as highlighted in the IIRC Framework (2013b) have been compared with each content of the
Annual Report of the companies following the <IR>. Ruiz and Tirado (2016) also used same method to analyse the guiding principles followed by industries. The six guiding principles as stated in the earlier part of the paper have been taken as base for the analysis of companies.

The content has been analysed with respect to, Strategic Focus and Future orientation, Connectivity of information, Stakeholder relationship, Materiality, Conciseness and Reliability. Each item was scored, if the company is not following then the lowest score of 0 is given and if they are following then the companies are given score of 1. Finally, total score was calculated for each company and an average score for each guiding principle.

**Result and discussion**

The initial descriptive study conducted in the paper to achieve the result was done on the annual report of the companies which are listed by ET in top 500. It was found that total 33 companies are following the <IR>. A table and chart showing their sector is shown below.

<table>
<thead>
<tr>
<th>Economic Sector</th>
<th>Number of Companies</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobile</td>
<td>4</td>
<td>12.12%</td>
</tr>
<tr>
<td>Consumer Goods</td>
<td>5</td>
<td>15.15%</td>
</tr>
<tr>
<td>Utilities</td>
<td>3</td>
<td>9.09%</td>
</tr>
<tr>
<td>Oil and Gas</td>
<td>2</td>
<td>6.06%</td>
</tr>
<tr>
<td>Software Service</td>
<td>4</td>
<td>12.12%</td>
</tr>
<tr>
<td>Metal and Mining</td>
<td>5</td>
<td>15.15%</td>
</tr>
<tr>
<td>Others</td>
<td>10</td>
<td>30.30%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>33</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source- Author’s calculation

![Division of company sector-wise](image)

**Figure 1**

The other category highlighted here is the category which consist of companies like Cipla, or Indian Hotel or Voltas which are one in its sector and therefore categories in the others segment. If we keep aside others category, then it can be seen that the Consumer Goods sector and Metal and Mining sector are doing well in <IR> and have adopted <IR>. After finding out the companies who have adopted <IR>, the second objective of the paper was to find out the compliance level of these reports. Content analysis was adopted for the same and the result of the total score is as under.

<table>
<thead>
<tr>
<th>Range of Score of Companies</th>
<th>Number of Companies</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-10</td>
<td>12</td>
<td>36.36%</td>
</tr>
<tr>
<td>11-15</td>
<td>13</td>
<td>39.39%</td>
</tr>
<tr>
<td>16-20</td>
<td>8</td>
<td>24.24%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>33</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source – Author’s Calculation
The average score obtained by different companies with respect to Guiding Principles of IIRC Framework (2013b) is shown in the table above. Only 8 companies reached the highest scale of score. The highest score is 18. Maximum companies fall in the range of 11-15 which means that they are working for <IR> but the disclosures are neither insufficient nor they are par excellence. Approximately 40% of the companies following <IR> are placed in this range. Lastly a study was conducted to find out where the companies lag behind amongst the 6 guiding principle, scoring method was used to do that same. The score was calculated for Strategic Focus, Connectivity of Information, Stakeholder Relationship, Materiality, Conciseness and Reliability. The result is shown in the table below

**Table 3. Showing average score of company with respect to guiding principle**

<table>
<thead>
<tr>
<th>Guiding Principle</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Focus</td>
<td>2.43</td>
</tr>
<tr>
<td>Connectivity of Information</td>
<td>2.01</td>
</tr>
<tr>
<td>Stakeholder Relationship</td>
<td>2.16</td>
</tr>
<tr>
<td>Materiality</td>
<td>2.10</td>
</tr>
<tr>
<td>Conciseness</td>
<td>2.01</td>
</tr>
<tr>
<td>Reliability and Completeness</td>
<td>2.53</td>
</tr>
</tbody>
</table>

Source – Author’s Calculation

The table shows that Reliability and Completeness is the guiding principle which is focus the most by the Indian Companies. Strategic Focus being the second. The main reason which the author finds for the higher score of Reliability and Completeness is that mostly all companies have presented and focused on providing assurance on the financial information by publishing an audited report. Also the companies show the ways of increasing the assurance and reliability level. The Internal audit and a complete audit process is highlighted. Second highest score is scored by Strategic Focus which has scored fairly good score. It was found that the companies are showing the potential risk, opportunities and the strategies which the company will adopt for overcoming it. The Main point which was missing in all annual report was the link between the strategic focus and future planning. Thirdly the score of Stakeholder Relationship is next. The score is fairly low because the financial disclosure is there in the <IR> but they are unable to relate it to the stakeholder interest.

Materiality has also scored low, but point which should be noted is that the average score is low and to its contract few companies are scoring highest in this and few very less and this is the reason that average score goes down.

Connectivity of information and Conciseness are the two Guiding Principle which stands 5th in line with same score. Mostly all companies fail in the Conciseness and the reason may be that the companies are over burdened by the number of regulations and requirement of the disclosures. The report shows same figures and facts again and again with similar overview. Also companies scored very less in connectivity of the information. The result has been shown by Bar Graph.
Conclusion and limitations

The objective of the study was to find out the level of implementation of <IR> in India specially after the SEBI latest guideline in 2017 where it has advised top 500 listed India companies to adopt <IR>. The study was conducted on Top 500 ET companies and the result shows that the level of adoption of <IR> in India is at its initial level but if we compare it pan Asia then the results are not disheartening. Srilanka, India and Bangladesh are doing really well in the field of <IR>. Companies are adopting <IR> and few companies adopted <IR> even before the SEBI Guidelines came. Kirloskar Brothers Ltd was first to adopt <IR> in 2013-2014 followed by Tata Steel in 2014-15. The sample used in the study was ET-500 companies and total 33 companies were analysed for the level of compliance in <IR>. Content analysis shows that the level of compliance is fairly good in these companies but only 8 companies reporting can be categorized in the high ranking. And if the analyses are done with respect to guiding principles, the guiding principle which shows best result is Reliability and Completeness. But author also conclude that the Guiding Principles are given fair disclosures because none of the Principle score is very low. The Reliability and Completeness has scored highest because mostly all companies are presenting audit final account and a good emphasis is given to the audit process. But the guiding principles which lag behind is the Connectivity of information and Conciseness. The reason identified by the author is that in India there are many regulations with respect to disclosures both financial and non-financial. Because of number of disclosures the report lack in connectivity of information, same information has been repeated in different forms and therefore the report is not concise. The study concludes that <IR> should be given more importance in India because it is that only way we can reduce the number of standalone report. The number of information provided in the Annual Report is very high, whether done voluntarily or by compulsion of some law or body. <IR> is the best solution to this problem and hence Indian companies should focus and take it in positive way and adopt the same.

The result of the study has a limitation that the study was conducted on small number of companies as number of companies adopting IIRC guidelines is less in India. But the positive aspect is that the number is increasing and India is showing positive signals towards adoption of <IR>. In conclusion, the current <IR> project is in a stage where there needs to be a debate about the possibility of harmonisation. Harmonisation may depend on the creation of international communities of practice, which bring together practitioners, policy makers and thought leaders from around the world as has happened in the GRI project over the past two decades. Lessons learnt from the GRI project would provide illustrations of how to institutionalise these communities of practice and provide an appropriate vehicle for facilitating debates, mediating knowledge and practice, and improving international collaborations and harmonisation. Further research should be undertaken into the theoretical and empirical underpinnings of these to gauge if it is possible to have one met integrated reporting framework.
References

A Study on Impact of Merger on Operating Performance of Acquiring Firms: Sectoral Analysis

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Abstract

In this tremendously exigent environment the markets all over the world have become more competitive. Merger and acquisition has become one of the important alternatives for corporate strategic expansion. It is a form of inorganic growth where the company purchases growth. This paper is an attempt to critically examine the financial strength of companies during pre and post-acquisition period. The study also attempts to analyze the impact of acquisition on the acquirer company. Different types of ratios were selected and paired t-test was applied to attain objectives of the study.

Data is collected from audited balance sheet, profit and loss account of the concerned companies, CMIE data base, BSE and NSE. It was hypothesized that acquirer companies show positive operating performance post M&A as compared to pre M&A performance. Additionally, it has also been attempted to analyze and test if the operating performance differs significantly as per industry type by analyzing sub-samples of different industry sectors. The results reveals that the operating performances are little diverged in different industry sectors in India following mergers. In the Agri-products sector, the profitability margins and return on assets and investments showed a significant decline following M&A. In Electrical Equipment sector, operating performance has declined marginally following M&A and in pharmaceutical sector, M&A results showed that profitability margins and return on assets and investments has slightly improved.

Keywords: Operating Performance, Merger and Acquisition, Sectors, Financial Ratios.

Introduction

In present regime, Corporate Restructuring has become a major instrument of financial and economic development all over the world. M&A are considered to be one of the most widely used form of corporate restructuring. Due to Globalization and Liberalization M&A has become major wave of growth strategy and has gained a lot of scrutiny in the field of strategic change. Traditionally M&A was considered to be an extraordinary business activity but now its use has been increased and has become common business development options. Merger and Acquisitions continue to be a highly popular form of corporate business development (Cartwright and Schoenberg, 2006) (1).

Mergers and acquisitions are used as instruments of momentous growth and are increasingly getting accepted by Indian firms as critical option of business strategy to accelerate competitiveness (Neelam Rani et al., 2011) (2). M&A has become a major driver/component as it creates synergies in companies by enhancing competitiveness through acquiring greater market share, by enlarging portfolio by minimizing the business risk for making move into new geographical areas, by gaining on economies of scale through redeploing resources and asset divestiture, by reducing tax liabilities, by acquiring competence.

According to the report published by BCG in July 2007 (3), in the early 1900s in the USA, the drivers that waves M&A were majorly six distinct, every driver has its own idiosyncratic and aftermaths. In the commencement of 20th era the first and foremost driver that is market share were followed for three decades and later on the companies fostered by an elongated and more magnificent waves as companies associated collectively the unparalleled components of the supply chain from natural resources to assembling to manufacturing to distribution. In 2004, the today’s wave began which leads to end of an era by driving internet bubble and the successive downturn leads to industrial consolidation, which is sixth M&A wave.

Definition and conceptual framework

Generally, Merger and Acquisitions are the terms used interchangeably and as synonyms whereas there are some authors which distinguishes between them.

Merger means a combination of two or more company into one company. The minor company loses its identity and get merged into major company which retains its identity. Merger is different from consolidation in which both the companies loses their identity and coadjutress to formulate a completely new company.

According to Investopedia (4), “A merger is an agreement that unites two existing companies into new company. There are several types of mergers and also several reasons why companies’ complete mergers.”

 Acquisition means in general means acquiring the shares of existing company. It means purchase of governing gain in the share capital of one company by another company. It is different from merger in the sense that in this both the companies retains their identity.

According to Investopedia (5), “An acquisition is a situation whereby one company purchases most or all of another company’s shares in order to take control. An acquisition occurs when a buying company obtains more than 50% ownership in a target company. As part of the exchange, the acquiring company often purchases the target company’s stock and other assets, which allows the acquiring company to make decisions regarding the newly acquired assets without the approval of the target company’s shareholders.”

Literature review

Merger and Acquisitions performance has been always a subject undergoing intense study. In a nutshell, abundance literature provides evidence on whether M&A magnifies shareholder’s wealth or reduces the value of company. Many of the corporate entities are adopting M&A as endurance strategy and to improve competitiveness and synergy over other corporate. Corporate M&A becomes popular due to liberalization, globalization and technological advancement in the intensely competitive market. M&A is not a limited phenomenon and it extends worldwide. To compete in a competitive business environment M&A plays an important role and it has been found that countries like India, China, Brazil etc., engaged in this consolidation to achieve greater market share and enhance its complete operating synergy during post M&A era (Zahid and Shah, 2011). The Empirical work on M&A observed two divergent approaches of evaluating M&A profitability related emolument viz. Share Price Analysis and Accounting Measure Analysis. Whereas Stock Price Analysis is examined through abnormal return behavior of shareholders around the announcement period of M&A deals using the Event study
methodology. This study analysis only short-term M&A gains, for evaluating long-term gains pre and post M&A accounting information is analyzed by calculating financial ratios by applying various statistical techniques viz. t-test, regression analysis, correlation analysis etc. It analyses how financial performance changes after M&A.

Ravenscraft and Scherer (1989) (6) have investigated manufacturing companies of US with 2732 lines of business. They analyzed target firm’s financial performance in the USA during 1957-1977. They examined that post mergers profitability have impacted significantly negative with 13.34 per cent and they bring out that mergers dismantle the value of company in terms of profitability.

In the analysis of acquisition of 50 companies in United States for the period of January 1970 to June 1984. They stated that the long-term performance of companies has been improved post-merger, on the other hand; study has faced criticism for applying industry median firm as a benchmark.

Healy et al. (1992) (7). Switzer (1996) (8) analyzed a performance of merged firms consisting large sample of 327 companies for the period of 1967-1987 in the USA by using the study of Healy et al. (1992). She noted a positive relation between the acquiring firms’ long term performance and the reaction of shareholder’s abnormal return around the announcement date. But she condemned the Healy et al. study for examining the mergers of 50 large companies and the frame of time used was categorized as “merger mania”. Muller (1980) (9) observed that the pattern of profitability was inconsistent as either improved or deteriorated, the study includes the sample area across the seven nations (German, France, The Netherlands, Belgium, the UK, Sweden, and the USA). A study of the 239 mergers in U.S. during the 1978-1987, it was revealed that the mean financial performance post-merger has been increased by 17%. Ghosh and Jain (2000) (10). Pawaskar (2001) (11) study examine the post-merger operating performance of acquiring firms for the period 1992-1995 by using the Cosh et al. (1998) and Muller (1986) methodology. He analyzed the performance of 36 mergers using the ratios of liquidity, profitability, leverage and growth and through regression analysis he observed that the corporate performance is not improved significantly. Ramakrishnan (2008) (12) analyzed the merged companies’ long-term performance in India during the period of 1996-2002. The sample of 87 domestic mergers were examined.

The findings state that the operating performance of merging companies in the post-merger period have been improved. Burner (2002) (13) had studied the acquiring companies’ financial performance post-merger and acquisition of fifteen studies, he concluded that out of fifteen studies, the negative performance has been reported by the four studies, significantly negative performance has been reported by three studies and non-significant change has been reported by eight studies. Gugler et al. (2003) (14) scrutinized the mergers impact on large panel data sample of 15 years around the world. They examined the impact on profitability and sales following mergers with non-merging firms as control groups. Their conclusions revealed that post-merger the profits of firms increased whereas it leads to decline in level of sales. They also examined that there is no difference between mergers of manufacturing and service sector. They also state that sales level reduced more in conglomerate mergers than the horizontal sector. Ramaswamy and Waegelein (2003) (15) examined the financial performance US firms with sample of 162 firms for the period 1975 to1990 of the acquired and acquiring firms both. The study findings show that the financial performance of merging companies have been improved in post-merger period. So far, the empirical testing and analysis of Indian companies are concerned the post-merger performance has shown an uncertain result and it is difficult to draw on any significant interpretation. The studies revealed that the manufacturing sector performance is highly skewed in favor of M&A and the only limitation is that for measuring the performance short time intervals were chosen.

Research methodology

In this paper the mergers and acquisitions through the period January 2011 to December 2017 has been considered. The operating ratios of years before the merger of only acquiring firms were taken into consideration. Post the merger, the combined firms operating ratios are considered.

Only mergers where the consideration was given to the acquired firm (target) shareholders, is in the form of equity stock is taken into consideration, cash acquisitions are eliminated from the sample, to make the nature of sample homogenous. From the sample, mergers not approved by Government,
disavowal of news of deal successively, acquisition of less than controlling stake, sick or BIFR companies have been taken by companies and mergers and acquisitions made in other industry sector than the Chemicals, Textile and textile products and Pharmaceuticals were eliminated. In the defined time period the final sample frame of M&A consist of 70 number of cases.

The following hypothesis was formulated with a view to test the objectives mentioned above.

a) H1. To compare pre- and post-merger and acquisitions operating performance of sample firms.
b) H2. The post-merger operating performance of acquiring firms is not affected by type of industry.

**Data collection and analysis**

**Data collection**

The data for each acquiring company for ratio operating performance for up to three years prior and three years after the acquisition was extracted from the Prowess IQ database of CMIE, websites of National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). The data sample of company was divided into sub-samples of industry-wise to make the sample size significant.

**Data analysis**

The operating performance ratio of period prior to merger and period after the merger were evaluated by applying “paired two sample t-test” and the confidence level is 5%.

**Analysis and interpretation**

**Analyzing acquiring firms operating performance in different industries**

**Agri-products**

**Table 1. Impact on acquiring firms through mean ratio**

<table>
<thead>
<tr>
<th></th>
<th>Mean Ratio (Pre-M&amp;A)</th>
<th>Mean Ratio (Post-M&amp;A)</th>
<th>t(0.05 significance)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on Capital Employed</td>
<td>24.799</td>
<td>15.218</td>
<td>2.890</td>
</tr>
<tr>
<td>Return on Net Worth</td>
<td>15.025</td>
<td>8.410</td>
<td>2.099</td>
</tr>
<tr>
<td>Debt-Equity Ratio</td>
<td>0.850</td>
<td>0.505</td>
<td>1.517</td>
</tr>
<tr>
<td>Net Profit Margin</td>
<td>4.284</td>
<td>2.180</td>
<td>1.310</td>
</tr>
<tr>
<td>Operating Profit Margin</td>
<td>13.205</td>
<td>9.110</td>
<td>4.067</td>
</tr>
<tr>
<td>Gross Profit Margin</td>
<td>10.095</td>
<td>6.220</td>
<td>2.468</td>
</tr>
</tbody>
</table>

![Figure 2](Image)
The findings as revealed the mean of return on capital employed (from 24.799% to 15.218%) and mean return on net worth (15.025% to 8.410%) showed decline and the decrease was validated statistically with value of t-2.890 and 2.099 respectively. The debt-equity had declined marginally post-merger (0.850% to 0.505%) however, the decrease was insignificant statistically with t-value of 1.517.

Likewise, the ratio net profit margin (4.284% to 2.180%) had marginal decline in post-merger period but the decline was not statistically validated with t-value of 1.310. However, the operating profit margin (13.205% to 9.110%) and mean gross profit margin (10.095% to 6.220%) showed that in the post-merger period ratio has declined and the decline was statistically validated with high t-value of 4.067 and 2.468 respectively. The above result suggested that in the Agri-product Sector, mergers had leads to significant decline both into profit margins and returns on net worth and capital employed in the business.

**Electrical equipment**

**Table 2. Impact on acquiring firms through mean ratios**

<table>
<thead>
<tr>
<th></th>
<th>Mean Ratio (Pre-M&amp;A)</th>
<th>Mean Ratio (Post-M&amp;A)</th>
<th>t(0.05 significance)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on Capital Employed</td>
<td>19.510</td>
<td>10.223</td>
<td>2.234</td>
</tr>
<tr>
<td>Return on Net Worth</td>
<td>9.386</td>
<td>-5.197</td>
<td>1.298</td>
</tr>
<tr>
<td>Debt-Equity Ratio</td>
<td>1.499</td>
<td>1.492</td>
<td>0.011</td>
</tr>
<tr>
<td>Net Profit Margin</td>
<td>2.232</td>
<td>-0.899</td>
<td>1.165</td>
</tr>
<tr>
<td>Operating Profit Margin</td>
<td>13.397</td>
<td>11.594</td>
<td>1.099</td>
</tr>
<tr>
<td>Gross Profit Margin</td>
<td>8.528</td>
<td>5.322</td>
<td>1.499</td>
</tr>
</tbody>
</table>

**Electrical Equipments Mean Pre and Post Merger**

The findings as revealed by the first ratio (19.510% -10.223%) indicated substantial fall and decrease was significant statistically as t value going up to 2.234. In the same line, second ratio (9.386% to -5.197%) showed marginal decrease with t-value of 1.298, whereas the third ratio didn’t alter (1.499% to 1.492%) with statistically less “t” value of 0.011.

Likewise, the fourth ratio (2.232% to -0.899%) had decline but the decrease was statistically insignificant with value of t as 1.165. However, the operating profit margin had declined marginally (13.397% to 11.594%) and mean gross profit margin (8.528% to 5.322%) showed that ratio has not declined much from value of 1.099 to 1.499 respectively. Accordingly, it can be concluded that in electrical equipment sector, operating performance has not been much impacted by mergers, in respect of returns on capital employed and profitability margins.
Pharmaceuticals

Table 3. Impact on acquiring firms through mean ratios

<table>
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<tr>
<td><strong>Mean Ratio</strong></td>
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<tr>
<td><strong>(Pre-M&amp;A)</strong></td>
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</tr>
<tr>
<td>Operating Profit Margin</td>
</tr>
<tr>
<td>Gross Profit Margin</td>
</tr>
</tbody>
</table>

Figure 4

The findings as revealed by the return on capital employed mean (21.326% to 20.342%) revealed that the after the merger there was significant decrease although the decline was not statistically validated with value of t as 0.769. Correspondingly, return on net worth mean (31.174% to 11.326%) showed decline in the post-merger period and the decrease was just curtailed significant with t-value of 1.911 statistically. The fourth ratio debt-equity had decreased slightly after merger (1.317% to 2.195%) but the alteration was statistically insignificant with value of t (-1.941). Likewise, the ratio net profit margin (7.646% to 6.871%) had marginally decline in post-merger period but the decrease in value of t as 0.505 was statistically invalidated. Though, the operating profit margin had increased marginally (15.685% to 16.315%) but the improvement was statistically insignificant and this confirmed by low t-value of -0.199. Whereas, the mean gross profit margin (13.292% to 13.262%) showed no change in the post-merger period ratio and statistical low “t” value (0.009) confirmed the same. The above findings revealed that the for the Pharmaceuticals sector, mergers had caused an improvement in profit margins and returns on net worth, however not supported statistically. Simultaneously, the profit margin and return on capital employed had decreased slightly, though again statistically insignificant.

According to above results, the hypothesis **H2: The change in operating performance does not get affected by Type of Industry of acquiring companies after merger was rejected**, since different industry sectors revealed different results for merger samples in context of operating performance, also some results showed that differences are not statistically significant.

**Conclusions**

This research paper aims to examine whether the different industry sector has an impact on the operating performance post-merger of the merging companies, in respect of profitability and return on assets and investment. The results of pre-merger and post-merger operating performance revealed that the different industry sector has different results of mergers.

In the **Agri-Product Sector**, mergers lead to significant decline, both in terms of returns on assets, investment and profitability margins. Whereas, for the **Electrical Equipment Sectors**, mergers showed
an insignificant negative impact on operating performance both in terms of returns on assets, investment and profitability margins. In the **Pharmaceutical Sector**, the result shows financial position of the selected companies is significantly improving during the post-merger time. The operating performance of acquiring firm’s post-merger does seem to be get affected by the type of industry sector.

**References**


Assessing the Role of Performance Appraisal in Improving Employee Performance Secondary Schools of Zambia

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Abstract

Performance appraisal is the process of evaluating employee performance by comparing their present performance with the already established standards which the employees are aware of subsequently giving feedback to the employees about their performance level for the purpose of improving their performance as needed by the organization. The purpose of this article is to assess the role of performance appraisal in improving employee performance in secondary schools in Zambia. The objective of this paper is to explore the benefit of conducting employee performance appraisal and to identify the challenges in appraising employee performance in the secondary schools. The statement of the problem is the basis of the continued below standard performance of most Zambian organizations and this had been revealed through the failure of most organizations especially secondary schools to achieve their curriculum objectives. A descriptive research design was used in this study and data was analyzed using both quantitative and qualitative approaches. Primary data was collected using interviews and well-structured questionnaires while purpose random sampling was done and the study settled for a sample of 100 employees within ministry of education. Secondary data was collected from the internet and, journals of previous papers. Quantitative analysis was done through a survey in different secondary schools. Performance appraisal improves the work output of workers and generally improves the objective of an organization and that managers were able to gauge teachers who deserved awards and to also improve the quality of education. School managers lacked knowledge on performance appraisal and that knowledge of appraisers had great influence in the outcome of the appraising process.

Keywords: Performance appraisal, training, skills, performance, management

Introduction

Performance Appraisal is one important aspect that showed the output of employees in every organization. However, due to the performance of most organizations in Zambia, it could be claimed that there was little or no undertaking of Performance Appraisal in most organizations and that there was poor performance due to lack of performance appraisal. Performance Appraisal is seen as the ongoing process used for identifying, measuring and developing individual’s performance in accordance with the organization’s strategic goals and objectives of every workplace. This is because every organization has got its own ethos and therefore, all employees of every particular institution must abide to the institution’s ethics. Performance appraisal involves both formative and summative aspects that focus on either developing or evaluating the performance of employees in order to achieve effective performance. Performance appraisal system in the Ministry of Education is not well implemented. Performance is supposed to be done annually on all the employees especially in secondary schools because the government of the republic of Zambia is a majority employer in the country and the education sector is the largest number of employees of who are mostly teachers. As a teacher myself I have been to complied to write about the deficiencies caused by lack of performance appraisal and how the performance appraisal system can help improve the performance of secondary school teachers in Zambia. The schools lack effective performance appraisal systems therefore the teachers do not feel appreciated for their contribution in achieving the objectives of their workplace respectively. It is the wish of every employee to be appraised for different reasons such as opportunity for training, salary upgrade, promotion an even transfer to a different station.
Danielson and McGreal (2000) added that the performance appraisal that identifies and enhances employees’ working quality, development and career progression may be considered the ideal quality assurance mechanism especially when used for both accountability and instructional improvement. The Ministry of Education pointed out that this has more to do with having skills that enhance clear understanding of the various roles and responsibilities in the implementation of the performance appraisal and make informed decisions in the day-to-day running of the organizations. The skills and values that managers/supervisors exhibited in conducting the performance appraisal is what either supports or undermines its existence in their organizations.

It is therefore observed that, the important role performance appraisal plays on the employees’ performance cannot be emphasized. Performance appraisal is the key for making decision on promotion, demotion and transfer of the employees. In order to properly apply performance appraisal in organizations, new employees should be oriented to their job requirements in order to make them informed on how to do better on their duties and performance. In order to apply performance appraisal accordingly, managers or supervisors need to reflect on past performances, to identify major achievement and areas for further improvement. To ensure fairness, the appraisal interview should be a constructive, two-way exchange between the manager or supervisor and employee, with preparation for the interview done by both parties beforehand. Amidst the given scenario, most, if not all organizations are anchored on Policy documents that guide in the supervision, monitoring and evaluation of standards to ensure quality in the provision of quality employee performance to ensure organizational development.

**Purpose of the study**

The purpose of this study was to assess the role of performance appraisal in improving employee performance in secondary schools of Zambia. Therefore, I selected secondary schools in Livingstone because they made up the number of my sample size 100, although only 68 responded positively.

The objectives of this research study were to

1. Explore what managers and supervisors in selected secondary schools benefited from conducting employee performance appraisal.
2. Evaluate the skills managers and supervisors possessed in conducting the employee performance appraisal effectively.
3. Identify the challenges managers and supervisors faced in appraising employee performance in the selected secondary schools.

**Statement problem**

This research study endeavored to address the research problem that followed that despite the existence and high recognition of employment performance appraisal as a pivotal measure and requirement for quality employee performance, professional development and total organization development; its practical applicability in the selected secondary schools had not been established so as to appreciate its importance. The uncertainty was on the basis of the continued below standard performance of most Zambian organizations and this had been revealed through the failure of most organizations especially secondary schools to achieve their curriculum objectives. For example, lack of efficient performance appraisal demotivated the teachers and as such, effects such as late coming, ineffective teaching, absents and job migration were being experienced.

Arising from the above, the researcher in this study intended to carry out a research to assess the role of performance appraisal in improving employee performance in selected public secondary schools. Therefore, effective performance appraisal was connected to improving on the efficiency of the teachers to improve their performance, morale, increase turnover and job growth and job satisfaction at work.

**Existing solutions**

On the basis of the findings obtained and the conclusions drawn, the following recommendations were forwarded to improve effective undertaking of employee performance appraisal in secondary schools.
1. Performance appraisal is done once a year
2. The School Administrators should make strong efforts to improve the capacity of performance appraisal by conducting regular meetings with their teachers.
3. The Ministry of Education should organize in-service trainings for school managers in order to carry out their responsibilities more effectively.
4. The Ministry of Education should produce some literature to support the conducting effective performance appraisal in schools which should be made available to the entire all the interested parties in quality education.
5. The Public Service Management Division should make school teacher performance appraisal policy effective and workable.

Best option

1. The Ministry of Education should organize in-service trainings for school managers in order to carry out their responsibilities more effectively.
2. The Ministry of Education should produce some literature to support the conducting effective performance appraisal in schools which should be made available to the entire all the interested parties in quality education.

Limitations

Performance appraisal programs have often yielded unsatisfactory and disappointing results, as the growing body of critical literature attests. However, performance appraisal is often retrospective and is prone to biased ratings. Normally a typical traditional appraisal occurs once or twice a year as are extended time gaps of months between establishing goals and reviewing them, and objectives that were set upon in the beginning of the year are usually only dragged out during appraisal time. The most recent actions of employee appraisal and award points are basically on recent favorable or unfavorable events rather than whole years’ worth of activities. Therefore, most appraisers fall short of the challenge of bias rating in the selected institutions. Performance appraisal has a tendency to focus on the weaknesses instead of strengths, which creates conflicts between manager and staff as well as a negative work environment. Some of the common problems that occur during performance appraisal process include: bias, stereotyping, halo error, distributional errors, similarity error, the appraisal conflicts, proximity error, decency error, contrast error and attribution error. Furthermore, lack of communication is another challenge in Appraising Employee Performance in institutions. In this regard, employees may not know how they are rated due to lack of feedback from their employers thereby making the standards by which employees think they are being judged are sometimes different from those their superiors actually use. Lack of involvement in the process of performance appraisal is another challenge in appraising employee performance thus particularly damaging organizations that are attempting to maintain a more participative organizational climate.

However, standards and ratings tend to vary widely and, often, unfairly in appraising employee performance. In this sense, some raters are tough, while others are lenient. An appraiser may not lack standards, but the standards used are sometimes wrong. More often, however, outright bias dictates favored treatment for some employees.

Achievements

A secondary school staff member is still not satisfied with the ineffective process of performance appraisal. However, with the due to technology advancement system human resource is now being put in place at school have level, district level, provincial and to national where data is now easily accessible. Head counts have been done in different schools, for example at Linda secondary school, the log in and out system of registration at work is being used to monitor the times employees report for work. The payroll systems at district level are being update including the establishments of every secondary school. Performance Appraisal Standard can be very effective for management decisions, organization development, or any other purpose until the people being appraised, know what is expected of them and by what criteria they are being judged on.
Methods

The study undertook a survey in 5 secondary schools in southern Zambia. Qualitative and quantitative data was collected based on informal interviews of key respondents and structured interviews of secondary school teachers, Education standard officers and school managers. Therefore, the school managers are given the task to conduct performance appraisal on secondary school teachers while the managers’ report to the education standard officers.

Primary data collection

Primary data was collected using interviews and well-structured questionnaires from 100 respondents who are all working at the Ministry of Education. Purpose random sampling was done and the study settled for a sample of 100. Individual interviews were done from the sample to establish the benefits of performance appraisal in secondary schools.

Secondary data collection

Secondary data was collected from the Ministry of Education. Books and the internet.

Quantitative analysis

Quantitative analysis was done through collecting data through a survey from employees of different secondary and other members of staff who work directly with the secondary schools. The researcher prepared bio data of respondent by gender i.e. table 1. The objectives of performance appraisal conducted by school managers, in figure 1.0.

Results

After the interviews it was found that each group of participants had particular results.

Benefit of conducting employee performance appraisal to managers and supervisors

1. There is poor status of performance appraisal in schools.
2. Zambian policy guidelines are clear and explain how performance appraisal is supposed to be done (methods annually).
3. Zambian policy has guidelines as to when performance appraisal is supposed to be conducted and by whom.
4. Performance appraisal was done for promotion, salary reward and to identify gaps in work efficiency.
5. Performance appraisal was also done to identify the gaps the employees have in doing their work.
6. 50% indicated that they did not have performance appraisal policy in their schools.
7. Evaluation of skills school managers and supervisors possess in conducting employee performance appraisal effectively.
8. The ministry of education is yet to come up with a system where performance appraisal may be done quarterly to ensure that the performance of secondary school teachers is improved or strengthened.
9. The majority of teachers did not benefit from performance appraisal because it was not consistently done and the results were unsatisfactory.
10. Performance appraisal requires many skills from appraisers and the most important skill is that of planning and proper techniques to be used in the process

Discussion

The one of the objectives of this study sought to establish the benefits of conducting employee performance appraisal to managers and supervisors and to ascertain that, the researcher first deemed it imperative to assess whether respondents had performance appraisal policy in their schools. According to table 1.1 indicated that they had performance appraisal policy. This was because of the poor status of Performance Appraisal in most schools, it was stated that in the Zambian case, Zambian policy and guidelines is clear when it explains how the Performance Appraisal is supposed to be conducted.
Though the policy is general in its requirement, it requires that managers and supervisors should become more competent in conducting the performance appraisal. Therefore, it can be stated that without clear policy at organizational level, it would be difficult for school managers to have the full benefits of Performance Appraisal because it can be loosely practiced. One important benefit managers and supervisors gain in conducting Performance Appraisal is the concept of Management by Objectives (MBO). It is believed that employee performance is gauged against organizational requirements. Therefore, Management by Objectives is the method that aims at improving performance of an organization by clearly defining objectives that are agreed upon by both management and employees (Taylor, 2014). The benefits of conducting performance appraisal in schools is not just for promotion or to be confirmed in the teaching service as many perceive it but to check if teachers contribute to quality teaching and pupil achievement.

Performance appraisal is about monitoring a teacher’s teaching performance, identifying his/her strengths and weaknesses towards lesson preparations and delivery. Every day, people retire and death is right in the palms of our hands, hence, need to replace those that have left work in such a manner. It is through performance appraisal that we promote those that performing according to the teaching service standard to occupy managerial positions.

In agreement with the field data above, chapter two pointed out that the basic need for conducting performance appraisal is to disclose how well an employee is performing and how much he should be compensated by way of salary increase. However, beyond that, Performance Appraisal carried out against the job or organizational requirements.

One of the objectives of the study was to evaluate the skills managers and supervisors possess in conducting employee Performance Appraisal effectively. In view of this, the basic question was asked to teachers regarding whether assessors were trained in appraisal techniques.

No wonder sometimes we are forced to argue especially when they do the rating on our performance and pupil achievement. It is not just about rating teachers’ performance but when it comes to giving awards to those that are performing well in terms of service delivery, we wonder how our bosses choose those to be given awards, only those they are in good books with are privileged to receive what they don’t deserve. This is unprofessional of our bosses, lack of proper training and unfair.

In order for appraisers to undertake the task of employee Performance Appraisal properly, they should have full and deeper knowledge on the organizational objectives and the job requirements of their employees (Bretz and Judge, 1994). Therefore, in reacting to the literature and the above findings, it can be argued that from the class teacher’s view, most school managers did not have the appropriate skills to undertake Performance Appraisal in order to improve employee performance.

Therefore, it was clear that, the knowledge and skill school administrators had in conducting Performance Appraisal had effects on the final results of the whole process. In view of this, it is clear that the knowledge of appraisers has a deeper influence into the final results of the whole process of Performance Appraisal. To support this view, the literature review in the second chapter of this study alluded that Performance Appraisal is the process that constitutes the way and manner in which the performance of an employee is evaluated Otley (2003). To even be more precise, Otley further argued that normally, Performance Appraisal compares quality, quantity, cost and time, and all these aspects have to be outlined clearly in the organization ethos by managers or superiors so as to ascertain the level of performance of their employees. Therefore, in order for managers and supervisors to satisfy their employees, they should follow the stipulated outlines and stick to the knowledge on how to establish quality, quantity, time and cost on how to ensure that employees are meeting such standards.

Most of our assessors are chosen based on experience not really on knowledge in performance appraisal. You know if a junior seem to be more knowledgeable compared to appraiser, they tend to be emotional which affect the final result of the interview. Sometimes we just agree to their ratings for the sake of maintaining a good relationship with them, otherwise their knowledge on an employee affect the final result of the interview. However, the knowledge of the assessors on employees affects the final result of the interview especially when there is competition in knowledge between the assessors and the assessed.
In the literature review, it was pointed out that in the Ministry of Educational; Standard Officers are taught in specific areas on how to appraise teachers and school managers in line with educational requirements. In the same vein, Roberts (2002) observed that training for head teachers in order to acquire necessary training skills and competences to appraise teachers’ performance is very important. Contrary to the above, the findings in the previous chapter clearly showed that school administrators are not taught on how to undertake performance appraisal and this was more clearly in the statement above by the head teacher who mentioned that sometimes they tend to be rough so as to control the situation. Therefore, this implies that the skill of school administrators affected the results of performance appraisal.

On the other hand, one educational standard officer mentioned that it was a bit tricky to pinpoint the position of performance appraisal and he observed that the activity was fairly done while the other Educational Standard Officer pointed out that she considered that performance appraisal was poorly done. A year or more would elapse without undertaking performance appraisal and that most school administrators were relaxed towards conducting the activity because sometimes they perceived the process to be of no value.

it was clear that most school managers concentrated on the weaknesses of their teachers rather than being fair in their ratings. Similarly, Porter (2008) indicated that performance appraisal interviews tend to emphasize the superior position by placing him in the role of judge, thus countering his equally important role of teacher and coach.

sought to assess the role of performance appraisal in improving employee performance in secondary schools was to establish challenges managers and supervisors faced in conducting employee performance appraisal since this study asserted that effective teacher performance appraisal was cardinal for improving employee performance especially the end result is quality teaching and learning. To establish the concern given above, the researcher deemed it cardinal to first inquire whether appraisers faced communication challenges in conducting employee performance appraisal for improving employees’ performance and in regard to such a question, clearly indicates that all the teachers mentioned that there was no communication barrier between the teachers and the school administrators.

In the same manner, just as it was stated by the teachers in reference to the table indicated above, the class teachers, educational standard officers and school administrators indicated that language was not a barrier towards performance appraisal as English is the official language used and therefore, every participant was conversant with the language. In this regard, he emphasized that employees may not know how they are rated due to lack of communication during the process. He further amplified that the standards by which employees think they are being judged are sometimes different from those their superiors actually use

Furthermore, in an endeavor to extract more challenges that performance appraisal encountered in the selected secondary schools, respondents were requested to offer other challenges managers and supervisors faced in appraising employee performance. In the similar vein, Education Standard Officers were equally asked to state their views concerning what they perceived to be the challenges appraisers faced and one of the stated that one of the common challenges that head teachers have regarding performance appraisal is limited time. The case is that just like the rest of the teachers, head teachers also have their own classes that they need to teach and therefore, sometimes it becomes difficult to balance up time between the need to carry out performance and teaching. In the same line, one head teacher pointed out that for sure we face a lot of challenges when undertaking performance appraisal and this is sometimes caused by the resistance we face from other teachers. This is because there are some teachers who think that we do not have the necessary skills in carrying out performance.

In the case of performance appraisal, the Ministry of Education does not provide the necessary resources for effective undertaking of performance appraisal. In the developed countries, performance appraisal is easily undertaken using necessary technology which makes the activity simple and less time consuming. In view of this concern, this research study established that there are certain resources that appraisers need in order to carry out the process of performance appraisal effectively and currently, such resources are not provided.
Conclusion

From the data collected regarding the first objective which endeavored to explore what managers and supervisors in selected secondary schools benefited from conducting employee performance appraisal, the study concluded that managers had many benefits when they undertake performance. Through performance appraisal, managers were able to gauge teachers who deserved awards and to also improve the quality of education. In the same vein, teachers also obtained benefits by appraising them because it motivated them to work hard and to be promoted. Generally, the study concluded that performance appraisal improves the work output of workers and generally improves the objective of an organization. On the other hand; the study also established the fact that some teachers did not see the benefits of performance appraisal and most of these perceived performance appraisals not to have benefits are those that considered appraisers to be biased.

The second objective of this study was to evaluate the skills managers and supervisors possessed in conducting the employee performance appraisal effectively and concerning this objective, the study concluded that majority of school managers did not receive specific training in performance appraisal. In the similar vein, was also evident that the knowledge of appraisers had great influence in the outcome of the appraising process. Meanwhile, it was also clear that due to the perceived biasness of appraisers, some employees were demoralized after being appraised. It was also concluded that good skills of appraising encouraged better work out.

The conclusion drawn from the third objective was that mostly, teachers did not freely accept the ratings from the appraisal systems, some appraisers did not receive specific trainings on how to conduct performance appraisal, negative perception by teachers and that some teachers did not co-operate in being appraised. In the same vein, appraiser also complained of having limited time for appraising teachers and also that there are no resources for conducting the task effectively.

In view, this study achieved its objectives as it was able to ascertain the fact that performance appraisal improved the quality of work input and output of teachers as they are able to improve their skills. However, though that was the case, the study has demonstrated that given the poor rate at which performance appraisal is being performed in schools, it is difficult to for the teacher to the gaps in knowledge and skill to improve the quality of effective teaching.

Table 1.0. Bio data of respondents by gender

<table>
<thead>
<tr>
<th>Education Standard Officers</th>
<th>School Administrators</th>
<th>Teachers</th>
<th>Heads of Departments</th>
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</tr>
<tr>
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<td>100</td>
<td>10</td>
</tr>
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</table>

Figure 1.0 The objectives of performance appraisals conducted by school managers

Source. Field data
Figure 1.1 Whether objectives were achieved

Source: Field data

Figure 1.2 below shows that 56 respondents represented by 82.4% indicated that objectives regarding performance appraisal were achieved while 12 of them represented by 17.6 indicated that the objectives were not achieved.

Figure 1.2. Respondents’ views towards the current appraisal in your organization

References

Investigating Project Management Practices in the NSW Public Sector

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Abstract

This paper reviews the position of public-funded projects and project management practices within the New South Wales (NSW) public sector in Australia. It focuses on evaluating project delivery; however, identifies project management challenges while identifying strategies for overcoming these hurdles in the NSW public sector. This paper will discuss the process of project implementation within the NSW government. It will identify and examine project management related issues that may occur during the project implementation of public-funded projects within the NSW government. It will discuss the measures, procedures, and strategies employed to overcome these challenges and scrutinize the effectiveness of these measures to achieve the project goals. It will conclude with recommendations on a way forward to increase project performance, implementing project management best practices and measuring project efficiency within the NSW government. However, this paper is based on a review of a single government department, the NSW Department of Communities and Justice; it will explore concepts that can provide guidance and can be applied more broadly on other public-funded project and within other government agencies.

Keywords: NSW Government, NSW Public Sector, Project Management, Project Manager

Introduction

The nature of project management can be defined as the achievement of project objectives through people and involving the organization, planning and control of resources assigned to the project (Harrison 2017). Project management is the practice of initiating, planning, executing, controlling, and closing the work of a team to achieve specific goals and meet specific success criteria at the specified time (Phillips 2003). According to the Association of Project Management UK (APM), “Project management is the application of processes, methods, skills, knowledge and experience to achieve specific project objectives according to the project acceptance criteria within agreed parameters” The projects implemented in New South Wales (NSW) public sector makes a unique and important contribution to the state as it implements the policies of the elected government and provides a broad range of essential services to the community. The primary challenge of project management is to achieve all the project goals within the given constraints. Project management in the NSW public sector has been introduced as a way of growing the opportunity of on-time and within-budget delivery. The NSW public sector seeks to deploy innovative technologies to provide services to its residents. However, the NSW government is embarking on elaborate and costly public sector projects and they are depending on project management to ensure that these are delivered effectively and efficiently. However, the application of project management practices is not always even and does not always deliver the benefits formerly intended. This maybe for several reasons including when implementation is not handled as a project itself with attention being paid to the definition of goal and objectives; the establishment of project governance and careful examination of the NSW public sector environment in which it is being rolled out. Successful project implementations can only be the result of a formal project management practices. Managing projects in the NSW public sector has always been a challenge, especially when those projects involve multiple stakeholders (the government, trade unions, the political structures, the general public), new or unproven technology, shifting or unclear project requirements, and constrained resources. These project challenges multiply in the public sector, which depends on successful projects to make the changes necessary to cope with a fast-changing world.
The state of new south wales (NSW)

New South Wales (NSW) is a state on the east coast of Australia. It borders Queensland to the north, Victoria to the south, and South Australia to the west. Its coast borders the Tasman Sea to the east. The Australian Capital Territory is an enclave within the state. New South Wales’ state capital is Sydney, which is also Australia’s most populous city. In March 2019, the population of New South Wales was over 8 million, making it Australia’s most populous state (Australian Bureau of Statistics 2019). According to the Australian Bureau of Statistics (2019), just under two-thirds of the state’s population, 5.1 million, lives in the Greater Sydney area. Inhabitants of New South Wales are referred to as New South Welshmen.

The Colony of New South Wales was founded as a penal colony in 1788. It originally comprised more than half of the Australian mainland with its western boundary set at 129th meridian east in 1825. The colony also included the island territories of New Zealand, Van Diemen's Land, Lord Howe Island, and Norfolk Island. During the 19th century, most of the colony's area was detached to form separate British colonies that eventually became New Zealand and the various states and territories of Australia. However, the Swan River Colony has never been administered as part of New South Wales. Lord Howe Island remains part of New South Wales, while Norfolk Island has become a federal territory, as have the areas now known as the Australian Capital Territory and the Jervis Bay Territory.

The Executive authority is vested in the Governor of New South Wales, who represents and is appointed by Elizabeth II, Queen of Australia. The current Governor is Margaret Beazley. The Governor commissions as Premier the leader of the parliamentary political party that can command a simple majority of votes in the Legislative Assembly. The Premier then recommends the appointment of other Members of the two Houses to the Ministry, under the principle of responsible or Westminster government. As in other Westminster systems, there is no constitutional requirement in NSW for the Government to be formed from the Parliament—merely convention. The Premier is Gladys Berejiklian of the Liberal Party.

According to the Australian Bureau of Statistics (2018), the estimated population of New South Wales at the end of September 2018 was 8,023,700 people, representing approximately 31.96% of nationwide population. In June 2017 Sydney was home to almost two-thirds (65.3%) of the NSW population.

The NSW public sector

The New South Wales (NSW) public sector delivers a wide range of services and regulatory functions to the community, such as education, health services, roads, public transport, law enforcement and environmental protection. As of 1 July 2019, there are eight clusters that deliver the work of the government.

1. Premier and Cabinet
2. Treasury
3. Customer Service
4. Planning, Industry and Environment
5. Transport
6. Health
7. Education
8. Stronger Communities

In 2018–19, the NSW public sector had a net worth of $262.0 billion. Employee-related costs were the single largest expense, accounting for 46.2% of general government expenditure in 2019–20. ‘NSW Public sector’ is a broader title encompassing both the Government Sector and the independent offices that sit outside of it (e.g. the Independent Commission Against Corruption, Judicial Commission, Audit Office etc.).

Almost 330,000 full-time employees make up the NSW public sector workforce and they support vital services such as health, education, housing, public transport, agriculture, environment, fire and emergency services as well as the police force, prisons and courts.
New South Wales is a major global and Asia-Pacific cultural hub. Home to a diverse population of 7.7 million people, NSW is Australia’s oldest, largest and most cosmopolitan state. In addition to its cultural and economic strengths, the global status of NSW is underpinned by its international transport links, with over 1000 flights operating per week.

**Project management practice in the NSW public sector**

The New South Wales (NSW) public sector is structured as pyramids. There are policies and decisions that are formulated at the highest hierarchy, responsibilities and tasks are also decided at the upper level of the pyramid and assigned to the lower levels through a hierarchical chain of command. The NSW public sector departments are different than their private sector counterpart because of the complex organizational environment, goals, structure and managerial values (Boyne 2002). The NSW public sector advocates the implementation of project management techniques which have demonstrated value as seen in the private sector. The use of project management is one of those techniques which have recently attracted a lot of attention in the NSW public sector. Through project management, the NSW government has put in place a systematic system through which its government agencies can achieve its goals effectively and efficiently.

The implementation and delivery of projects in the NSW public sector continues to evolve as a practice due to greater demand for innovative, citizen-focused delivery models. The demands in the NSW public sector are increasing and projects becoming gradually challenging. Managing a project in the NSW public sector is a complex activity, in particular when it involves many people working over long periods of time and many multiple stakeholders.

This increasing complexity requires project management practices and tools that assure an efficient use of resources. Project managers play a crucial role in all kinds of projects and influence projects’ success (Crawford 2005). David Wirick (2009) highlights that project managers in public sector face team management challenges such as: the inability to clearly link performance and reward, compensation systems that are biased towards longevity, the inability to select project team members based on their expertise. Project managers are now required to understand the overall responsibility for the successful initiation, planning, design, execution, monitoring, controlling and closure of a project. They must embrace digital engagement as a means of encouraging real-time feedback. They need to learn quickly. Program management in the NSW public sector now calls for agility and adaptability.

**Challenges of NSW public sector projects**

There has always been a challenge managing projects in the New South Wales (NSW) public sector especially when there are changes to government policies and the needs of the end users for the final product can be difficult to assess within varying political influences. The NSW Premier, Gladys Berejiklian started her new term with significant changes to the NSW public sector. Government departments were disbanded, and offices being closed, merged or rebranded with new names. Power also being concentrated within ministers and ministries. Berejiklian’s spokesman said: The changes are designed to ensure the structures of the NSW government are fit for purpose well into the 2020s, in particular, to provide for a greater focus on improved service delivery, less red tape and government priorities (Saulwick, Hannam & Sullivan 2019).

The overall project environment in NSW involves stakeholders from external and internal with conflicting agendas. There are fewer risks that can be taken in public projects with all the regulations in place. The level of effort spent on stakeholder management, risk management and scope management might be greater for such projects, but the basic process remains the same. What is more challenging is that the primary drivers for many public sector projects may not encourage alignment as easily as in private sector projects where the profit motive can be a powerful catalyst.

Every project explores new terrain, and uncertainty and risk are a part of the environment from project conceptualization. Government project managers can expect to encounter additional circumstances that add complexity and challenge to their mission. NSW projects drive the government’s economic success providing the ability to grow and become more viable and competitive in Australian markets.
Fundamental shift for NSW public sector

The NSW government wants a fundamental shift in the way the public sector goes about implementing its projects. This amounts to embedding a focus on effectiveness, efficiency, and innovation as a priority, and developing an expectation that achieving value for money in the public sector is business as usual and not an exception or a one-off objective. The NSW government has been looking at improving public sector productivity by doing the same tasks in new ways, learning from the private sector and international experience. A collection of initiatives designed to improve the efficiency of public expenditure is under way. This includes structural changes to public sector agencies (including merging some agencies), preparing and implementing alternative approaches to delivering services (such as providing single points of entry projects), as well as making greater use of the private sector and the not-for-profit sector, such as using public-private partnerships.

Political interference

In NSW public sector, political interference is a major hindrance for the smooth execution and delivery of development projects. The geopolitical context of NSW has greatly influenced the progress of public-funded projects by making it more complicated and slow-moving due to political interferences. The nexus of the elected parliamentary representatives, executing agencies, and stakeholders were the major cause of nepotism and exploitation. Usually, these intrusions were found during the conceptualization and project design phase of the projects. In most of the cases, the executing agencies had designed the project based on political affiliations rather than a performance-based system.

Sub-standard project design

There have been cases in the NSW public sector that projects have been designed inappropriate to local conditions, needs and capacities. In those instances, resource needs have been underestimated, incorrect amortization obligations, insufficient allowance for resource demands of other on-going projects, leading to heavy additional unplanned spending. Insufficiently detailed project designs create the need for frequent design changes in subsequent stages of project planning and to unplanned additions to or expansions of the project.

Lack of contingency planning to meet emergencies or unanticipated delays have also resulted to delays in delivery of projects. Most public projects are implemented without adequate baseline data and developmental indicators during design to allow monitoring, control and post-evaluation. Lack of interaction between project planners and, clients and beneficiaries during project design has been a major setback in implementing projects in NSW.

Project management skills storage

According to the Project Management Institute (2005) “Project and program management are best viewed as placed on a continuum of complexity: a practitioner progresses from over-sighting simple to more challenging projects and then goes on to develop a more strategic approach to integrating a diversity of longer-term management objectives”. Project managers in the top echelon in NSW public sector are likely to have years of experience, tertiary education, a commitment to continued professional development, demonstrated leadership and a track record of success. Their role is unique in public sector projects, since public projects always deal with multiple, different stakeholders whose opinions can strongly influence the project. Bowman, West, Berman & Wart (2004) argue that successful public manager must possess ‘skills triangle’, which comprises of three different types of competences: technical, leadership and ethical. This set of competences combines the key skills, knowledge and attitudes that should be possessed by a successful Project manager, who is working in NSW public sector.

However, in the NSW public sector, there are project managers who do not have the required key skills, knowledge and attitudes. Technical capabilities aside, the difference between a good and a bad project manager often come down to how effectively they manage the people that have influence over their project—or on its perception, i.e. stakeholders (Holloway 2016).
Project management methodologies

Choosing the right project management methodology is the first step to implementing successful projects. But with so many different and in some cases, overlapping approaches to managing the complexities of any given project seem problematic. Having a single point of accountability is a cornerstone of project management methodologies (Kerzner, 2015). An individual need to be accountable for the end-to-end delivery of a project or program, within agreed timeframes and conditions, through an implementing government agency. Single point accountability is not about greater bureaucratic proceduralism or endless layers of reporting. Indeed, bureaucratic concerns about probity and agency have, traditionally, hindered exactly the kind of collaboration and flexibility required between the NSW public sector and the non-government entities involved in the co-production of public policy outcomes. Emerging forms of governance, such as ‘network governance’ offer the promise of more ‘joined up’ services without a concomitant reduction in the accountability of all the actors involved.

Project governance

The project governance structure may at first glance appear to have blurred lines of accountability, with multiple stakeholders being responsible for aspects of implementation at different stages of the project. The establishment of project governance structures are lacking in most NSW public projects. Project governance structures can engage both formal and informal stakeholder consultation, is a useful way of formalizing channels of advice from diverse perspectives. However, the project managers remain accountable for ensuring that the job gets done well. Many competent project managers work in the NSW public service sector. They oversee the multitude of projects which abound throughout government. Surprisingly however, there appears to be a decline in the number of high-quality, experienced and qualified practitioners at the very time that the complexity of government projects is increasing. The emerging capability gaps related to working within the project governance structures are being filled by public servants who have fallen (or been pushed) into these roles. Often, they have limited experience and qualifications and are given insufficient support from management.

Training and development

The importance of formal qualifications should not be underestimated. One of the best levers to mitigate risks associated with program delivery is to have properly trained and certified practitioners. It seems inconceivable that a government agency would put an ‘unqualified’ project manager in charge of any public-funded project, but in fact this occurs regularly. Formal qualifications and demonstrated proficiency are a prerequisite for many professions that are given authority for financial and administrative risks inside and outside of the NSW public sector. Professional occupations have long-standing educational requirements which provide a degree of assurance to employers of the competency of the practitioner. The more senior the practitioner, the higher the level of qualification that is expected. So, too, should it be expected with project and program managers. The need for project management professional certification has been recognized by industry associations and training institutions in NSW and across Australia. This is not to suggest that pursuit of formal recognition of specialist skills should detract from the value placed on experience. NSW agencies need to identify and encourage talented project managers and then support them to map out a career path to more senior program management roles. Program managers need to be prepared for an evolving public sector environment. Setting minimum competencies, subject to the operational requirements of each agency, would increase the professional standing of project and program management skills within the public service. It would significantly strengthen NSW public service delivery capability.

Unclear mandate and authority

Positioning of staff to a specific project would operate best at the authority and expense of the relevant government agency head, though from time to time it may be necessary to have the Secretaries of government agencies, exerting their influence on behalf of cross-agency collaboration.
This has resulted to government agencies and individuals knocking heads together. In the most cases, the project team faces significant cultural difficulties gaining traction in the agencies they join. They have to wrestle with agency-specific practices and cultural norms. However, success will depend on having a clear mandate and authority from within the agency, strong leadership and the ability to deliver high-quality projects and programs under intense financial, time and political pressures. It is a model which will only work when the teams have unambiguous support to get the job done.

**The right skill and mindset**

Policy skills are generally viewed as a ‘creative’ or ‘strategic’ while implementation skills are often perceived as ‘corporate’ or ‘operational.’ This outdated assumption can result in a bias towards promoting the former at the expense of the latter. It is premised on a falsehood. Most leadership positions require a variety of expertise and experience across policy advice, program design, service delivery, regulatory impact, and procurement practice or resource administration. This is not an argument for more generalists. Senior leaders can be specialists in more than one area, and their professional background often continues to influence their managerial capacity. Regardless of background, the key to success is that leaders have the capability not only to provide strategic advice but to oversee its execution. They must understand that these skills are two sides of the same coin. They should have a depth of understanding in both. Changing the recruitment criteria for senior executives would be a means of driving change over the medium term.

**Overcoming project challenges within the NSW public sector**

Controlling and managing issues on any public-funded project can feel like a round-the-clock assignment. And for project managers within the NSW public sector, it often is. Several project managers within the NSW public sector have experienced it and transitioned through it. NSW public sector has a series of small, medium and large-sized projects. However, there are a lot of small projects within the NSW public sector. Whilst not as complex and high profile, small projects can be just as challenging to manage than very large projects because, requiring project managers and their teams to scale down their methods without losing control over quality and other deliverables. This paper will help put things in perspective; here is an overview of how to overcome project challenges within the NSW public sector.

**Effective project controls system**

Several NSW public sector projects are more complex, uncertain and risky, either because the methodological domain is more obscure, the impact of the project is greater, the scale of the team is larger or because there are more users and stakeholders. In order to manage this added complexity, there is a need for the project manager to utilize a mature project management method so that they can exercise a greater level of control. The more complex and uncertain the project, the more control and structure required. Project controls are all-encompassing for project definition, planning, execution, and completion; assisting in the entire lifecycle of your project.

**Choosing the right project team**

Choosing the right experts or team to deliver public funded projects for the NSW government is essential to its future growth and success. Public projects are an essential part of the government and its program for its people because NSW public projects are designed to develop new products, services or processes, it’s vital that they are managed by experts or teams that have the right level of skills, experience, and expertise. The ideal project manager needs financial, scheduling and management skills to keep projects on time and on budget. An underlying factor that can determine the success of a project is the team of people working on the project. It is the collaboration and teamwork among the project team members, performing their varied functions that make them a successful project team, thus, contributing to the success of the project.
Conducting a project baseline assessment

The project baseline defines the original scope, cost and schedule. The project baseline should always come in-between the planning phase and the start of the project. A new baseline should be conducted when there are major changes in the project such as: delays, overrun of budget or loss of key resources. The right time to do the first baseline is when the initial planning is completed, and the budget is approved. It is important that every NSW public project have a baseline because it helps in tracking the project progress against the original project plan. A project baseline is a reference point for the project schedule. However, it has been observed that some NSW public projects are executed without any baseline. Once the project starts execution, the project baseline is put under change control to help in evaluating and assessing any further change and its impact on the project. Frequent requests for changes to the project requirements may indicate that there was an incomplete initial requirements analysis or the lack of meaningful communication with users and customers early in the project initiation phase.

Undertaking community needs assessment

Most NSW public projects start with thoughts or a felt needs that takes place not in the community or in consultation with stakeholders but with the initiator. All NSW public projects should start with community needs assessment. A community needs assessment provides community stakeholders with a snapshot of government policy, systems, and environmental change strategies currently in place and helps to identify areas for improvement. A community needs assessment identifies the strengths and resources available in the community to meet the needs of children, youth, and families. The assessment focuses on the capabilities of the community, including its citizens, agencies, and organizations. It provides a framework for developing, identifying services and solutions and building communities that support and nurture children and families. A community assessment may be limited to a compilation of demographic data from census records, results of surveys conducted by others, and informal feedback from community stakeholders and may be expanded to include focus group discussions, town meetings, interviews with stakeholders, and telephone or mailed surveys to partnership members and the community.

Formal project governance

Project governance is a critical element of any public funded project. Project governance frameworks should be based around several core principles in order to ensure their effectiveness. Governance of projects is linked to the governance structures in the organization overall. Project governance should fit seamlessly into each NSW government agencies current organizational processes. In general terms, governance relates to “all processes of governing, whether undertaken by a government, market or network, whether over a family, tribe, formal or informal organization or territory and whether through the laws, norms, power or language” (Bevir, 2013, p. 1). A project without a clear understanding of who assumes accountability for its success has no clear leadership. The concept of a single point of accountability is the first principle of effective project governance. Projects have many stakeholders and an effective project governance framework must address their needs. The application of good governance minimizes risks arising from change and maximizes the benefits. It also assures the continued development of the profession and disciplines of project, program, and portfolio management.

Project risk management

Project risk management is the process of identifying, analyzing and then responding to any risk that arises over the life cycle of a project to help the project remain on track and meet its goal. Risk management is not reactive only; it should be part of the planning process to figure out risk that might happen in the project and how to control that risk if it in fact occurs. All projects, programs and portfolios are inherently risky because they are unique, constrained, based on assumptions, performed by people and subject to external influences. Risks can affect the achievement of objectives either positively or negatively. Risk includes both opportunities and threats, and both should be managed through the risk management process. The reason why project risk management is important is that
risks can throw a project off course. Risk planning will provide structure to a project, ensuring you mitigate risk at every corner. Looking at risks do not just happen during project initiation or on a reactive basis. Risk management at project level is most often focused on individual risks that, should they occur, will affect the project’s objectives. It is, however, also important for the project manager to understand the overall risk exposure of the project, so that this can be reported to the project sponsor and other stakeholders. Risk management must be closely aligned to schedule management. Cost, time and resource estimates should always take risks into account. The project manager is accountable for ensuring that risk management takes place. Depending on the size and complexity of the project, a specialist risk manager may be appointed to oversee and facilitate the risk management process.

References

An Assessment of Factors Influencing Expatriate Mobility in Namibia – A Case Study of the International University of Management – Dorado Campus

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Abstract

The purpose of this study is to assess the factors influencing expatriate mobility in Namibia specifically for The International University of Management (IUM). It proposes a theoretical framework that explain the importance of using expatriates. The study surveyed ten (10) expatriate lecturers at IUM – Dorado Campus, Khomas region to determine the key factors that significantly influence expatriate mobility. This study has used a mixed approach that made use of qualitative and quantitative research to assess the factors influencing expatriate’s mobility in Namibia (IUM), primary data was used to test hypotheses and the positivist research strategy was employed for the descriptive study that entails the gathering and analysis of qualitative data. The study gave indication of the importance of expatriates, as few studies have explored over the years regarding this matter, but this is a relatively still new issue that need to be discovered by researchers. The findings may yield a purpose for those who wish to take up the position of an expatriate whether it is an assigned expatriate or a self-initiated expatriate.

Keywords: Expatriate, Mobility, Assess, Factors, IUM

Introduction

An “expatriate” (often shortened to expat) is an individual living in a country other than their country of citizenship, often temporarily and for work reasons. An expatriate is an employee who is sent to live and work abroad for a defined time period, expected to relocate abroad, with or without family, for as short as a period of six months to a year and typical expat assignment however are from two to five years long. Expatriates play a positive and vital role in our highly international businesses. There are major factors that are pulling expatriates to Namibia. It has been observed that expatriates are coming to Namibia for the reasons of knowledge and skill transfer because their specialized skills are not present in the local workforce and are therefore employed due to lack of available skills in the local market to carry out certain functions.

In general expatriate is someone who has skills, that a country does not have and that person come to work for such a country. Any individual who relocates from his or her home base to an international location for business or work purpose and sets up a temporary residence in the host country. This is simply all about sending and hiring the experts. Expatriates are well known because of specific knowledge and skill transfer, gaining international experience and also for maintaining relationships. International assignments don’t come cheap.

Expatriates are quite expensive, they can be difficult to manage because of the problems associated with adapting to and working in unfamiliar environments and cultures, concerns about their development and careers, difficulties encountered when they re-enter their parent company after a foreign assignment and questions about how they should be remunerated. In Namibia, there are laws and regulations that are in place regarding the matters of employing an expatriate and some of the laws are The Affirmative Action Policy, A Namibia employment work permits and visas law and also the Foreign Affairs Policy Law. [The Affirmative Action (Employment) (AA) Act], 2007 section 19 is talking about preferential treatment of designated group, subsection (3) Subject to subsection (4), further more states that: a relevant employer shall, with due regards to purposes of this Act, train a Namibian citizen as the understudy of every non-Namibian citizen employed by him or her or it.
Expatriates have core strategic values to transfer business and technological know-how, to facilitate and upgrade communications, to develop employees, to further a unified organizational policy (Altman & Baruch: 2012). Expatriates are appointed because they are likely to have tacit knowledge of global operations and help the local employees to identify and meet the company’s objectives. They are the means of applying the strategic control over the subsidiary (Phillips & Fox 2003). The Immigration Control Act, 1993, No.7 of 1993 aims “to regulate and control the entry of persons into, and their residence in Namibia.

Therefore, it is against this background that this study was aiming to assess factors influencing expatriate mobility in Namibia. By factors, the researcher means the advantages and disadvantages influencing expatriate’s mobility in Namibia. The main purpose of the study was to assess factors that are influencing expatriate’s mobility in Namibia. Specifically, the study aimed to achieve the following objectives:

**Research objectives**

1. To find out the true mission of expatriates (lecturers) in Namibia, at IUM - Dorado Campus.
2. To find out if expatriates comply with A Namibia Employment Work Permit/Visa Law and Foreign Affairs Policy Law in Namibia at IUM, Dorado Campus.
3. To investigate systems used in monitoring the work of expatriates in Namibia, at IUM - Dorado Campus.
4. To investigate how Affirmative Action (AA) is being implemented on expatriates at IUM - Dorado Campus.

**Research hypotheses**

The following hypotheses was tested

1. H1. There are factors influencing expatriate mobility in Namibia
2. H0. There are no factors influencing expatriate’s mobility in Namibia

**Literature review**

**Empirical literature**

A review of related empirical literature on assessment of factors influencing expatriate mobility. There are several factors that are examined by many researchers such as: the importance of expatriates, the advantages and pitfalls of expatriates, the process of managing expatriates, resourcing policies, recruitment and selection policies, preparation policy, performance management, pay and allowances policies, culture shock was done to assist the researcher to establish the general trend and findings from previous researches (secondary data).

**Theoretical framework**

The globalization of our world economy has evolved significantly over recent decades as organizations have sought opportunities to perpetuate and remain competitive (Lowe et al, 2002). One of the most obvious implications has been the tremendous increase in the number of US workers who are being transferred to foreign countries. In fact, current estimates suggest that over two million Americans are working abroad for US companies at any given time (McCallum and Olson, 2004; Peterson et al, 1996).

Previously being sent on an overseas assignment was an indicator of a career in Corporations (MNCs), consider an overseas assignment a prerequisite for advancing one’s career (Chen et al, 2002). The increasing economic globalization has spurred the expansion of multinational corporations and has increased the numbers of employees moving across the globe to gain international experience and to maintain relationships.

The study studied the factors (good or bad) that had influenced the expatriate mobility. There is an extensive literature on the use of expatriation and why organizations and individuals use it. At the organizational level there are reasons like: knowledge transfer, management development, creation of organizational culture, and for business information networks Tung (1981, quoted in Harzing & Van
At the individual level, Stahl, Miller & Tung (2002: 217) argued that relatively little is known about why expatriate move across the globe. Expatriates are employed to transfer knowledge, skills and technology and to fill temporary shortages (http://www.thevillager.com.na/articles/9935/600-expatriates-in-Govt/). They are well known for gaining international experience and also for maintaining relationships. International assignments don’t come cheap.

Expatriates are quite expensive, they can be difficult to manage because of the problems associated with adapting to and working in unfamiliar environments and cultures, concerns about their development and careers, difficulties encountered when they re-enter their parent company after a foreign assignment and questions about how they should be remunerated. All of the mentioned reasons lead to expatriate’s mobility.

In Namibia, there are laws and regulations that are in place regarding the matters of employing an expatriate and some of the laws are The Affirmative Action Policy, A Namibia employment work permits and visas law and also the Foreign Affairs Policy Law. [The Affirmative Action (Employment) (AA) Act], 2007 section 19 is talking about preferential treatment of designated group, subsection (3) Subject to subsection (4), further more states that: a relevant employer shall, with due regards to purposes of this Act, train a Namibian citizen as the understudy of every non-Namibian citizen employed by him or her or it. In Namibia, The Immigration Control Act, 1993, No.7 of 1993 aims “to regulate and control the entry of persons into, and their residence in, Namibia; to provide for the removal from Namibia of certain immigrants; and to provide for matters incidental thereto.”

Importance of expatriates

When it comes to building up subsidiaries in a host country, locals may lack the specific skills required by the multinational Companies (MNCs). Therefore, the companies should send expatriates to conduct business in order to ensure themselves against failure (Ronen, 1986). In order to staff their subsidiaries, the MNCs can use three staffing approaches: ethnocentric, polycentric and geocentric approach.

The expatriates are used both in ethnocentric approach and geocentric approach (Wild, Wild & Han, 2000). Dowling, Schuler and Welch (1999) cited by Qi & Lange (2005) use a short but precise explanation of ethnocentric approach. It means that subsidiaries abroad are managed by expatriate from home country. Geocentric approach is used when MNCs choose the best qualified employees to lead subsidiaries abroad irrespective of nationality (Wild et al., 2000). Expatriates are more familiar with management techniques and methods than local employees. Thus, the expatriates may guarantee a good job performance and follow company policy which is used in every part of MNCs (Ronen, 1986).

Advantages and pitfalls

According to Qi & Lange (2005) keeping management techniques or know-how- in-house is not the only concern which makes the assignment of expatriates important for the company. Posting of expatriates gives MNCs the opportunity to control and coordinate their subsidiaries better. Moreover, a host country may totally differ from the home country in people’s attitude and behavior.

Dealing only with locals can be unsolvable and costly for MNCs. By having an expatriate on site, difficulties concerning culture can more or less avoided. Headquarters have contact persons in the host country who think and behave in the same way as the parent company does. In addition, subsidiaries are dispersed around the world. Not every country has the same security and quality standard. With the help of expatriates, companies are able to respond to problems earlier and also directly.

Eventually, expatriates share the aims of the parent company, and can interpret its policies and organizational culture. Headquarters can put them in key positions around the world to coordinate and control the business (Black, Gregersen & Mendenhall, 1992). Some of the pitfalls exist when sending expatriates abroad, although the advantages outweigh. Pitfalls which the company has to face, are for instance that the local people get little possibility to manage the subsidiaries.
Furthermore, an expatriate can misunderstand the local political situation, which may increase political risks. In addition, the expatriate has to build up local connections again and ask about local market demands.

Factors affecting expatriate performance

The performance of expatriates is negatively affected by factors such as culture shock and cross-cultural adjustment. Socio-cultural adjustment and psychological well-being of expatriates and their families for their success, while evidence collected by Armstrong (2007) indicated that expatriate failure is largely due to firms’ overemphasis on selection based on technical expertise rather than cross-cultural competence. (Armstrong: 2007). And Dickmann (2008) provided evidence that organizations seem to overestimate financial and family motives and undervalue career and work-life balance considerations favoured by expatriates. Kim & Froese (2012) indicated that ‘The individuals’ reluctance to accept an assignment might have influenced their efforts to adjust, their satisfaction with the assignment and eventually might pull out. In contrast, individuals seeking or willing to accept an assignment are perhaps more satisfied with the assignment and show intentions to remain until the end of the assignment.’

Culture as an influence on expatriates

Culture is becoming a popular topic in the research area today. In the early 1870s, Tylor gave the definition of the culture “that complex whole which includes knowledge, belief, art, morals, law, custom and other capabilities and habits acquired by man as a member of society” (Tylor, 1871 cited by Hill, 2005, p. 91). Until now, one of the most influential culture theories is proposed by the Dutch social scientist Hofstede. He (1984 cited by Hill, 2005, p.91) defines the culture as “the collective mental programming which distinguishing people in one group from people in other groups”.

Culture shock

Oberg (1960) a well-known American anthropologist, defines this phenomenon as the “occupational disease” the sojourners experience because of the constant interaction with the new environment and the different situations the host country offers. It indicates that people will feel lost, confused and anxious because of the unfamiliar situations and different culture norms and values (Neuliep, 2003).

Dancing, singing, food preferences and many others also remain different form culture to culture. In Namibia, the Oshiwambo speaking tribes eat mahangu porridge and drink oshikundu as their staple food, while the Hereros and Himba tribes eat too much cattle meat, drink cow milk (omaere) and the Damara/Nama like goat meat. The san tribe depend on hunting as a main source of their daily food. When people move to a country and experience a new culture, they always take values, beliefs and behaviours based on their own culture shock. It is a psychological and social process in which people feel homesick, confounded, depressed, irritable, stressed and furious (Wild et al.,2000).

Stages of culture shock

Culture shock often begins when people arrive in a new place. It has four stages, but not every person experiences every stage (Wild et al., 2000)

Figure 3.1 shows how the expatriates experience four stages in the host country when they face culture shock, which appears as a U-shaped curved. The detailed information of X-coordinate and Y-coordinate is omitted, which otherwise would have represented the expatriate’ degree of adjustment, and the duration of the assignment.

The reasons are that not every expatriate has the same degree of adjustment, and they do not finish the whole process of culture shock in the same period (Black & Mendenhall, 1991 cited by Mendenhall, Punnett & Ricks, 1995).
The initial stage. honeymoon

Expatriates may feel curious, excited and fascinated by the host country when they go into a totally new environment. This period often lasts a couple of weeks to half a year. Expatriates always have an expectation of the nice life and working in a foreign country before they leave for there (Winkelman, 1994 cited by Neuliep, 2003; Chaney, 2004; Qi & Lange, 2005).

The second stage. culture shock

After the honeymoon, expatriates will have senses of disappointment, frustration, confusion and anxiety, because of different life styles, customs, values and beliefs between the two countries. Ordinarily, this stage also goes on for a few weeks or months (Winkelman, 1994 cited by Neuliep, 2003; Chaney, 2004).

The third stage. adjustment

At this stage, expatriates’ recovery begins from the emotional bottom. They gradually know the importance of learning the norms and approaches of doing things in the new culture and in the new job.

Therefore, they try to change the attitudes toward the host culture, adapt to the new environment, find an effective way to deal with the new culture, know more about the local language, foods, and custom, as well as increasing contacts with local people (Winkelman, 1994 cited by Neuliep, 2003; Chaney, 2004).
The final stage: mastery

Mastery is also called adaptation. Expatriates enter into this stage when they can adapt to the new culture, local custom, and get along with locals. They can understand why some aspects of the host country are so different from theirs and try to absorb these aspects to their own mental system (Winkelman, 1994 cited by Neuliep, 2003; Black & Mendenhall 1991 by Mendenhall et al., 1995; Chaney, 2004).

Alleviation of expatriate’s culture shock

With more expatriates working abroad, the culture shock is becoming a current debate. Because of the inability to adapt to the new culture, expatriate failure rate is still high (Chew, 2004). Therefore, alleviating culture shock is crucial for a successful international assignment. It can be eased by selecting people who have certain required qualifications and by providing necessary training programs for them before the relocation abroad (Krapels, 1993 cited by Chaney, 2004).

Research methodology

Research design

Mixed method which comprises of quantitative and qualitative, descriptive, as well as primary and secondary data was used. Additionally, a survey was conducted for collection, analysis as well as interpretation of observation. It was simpler and easier for the researcher to gather data which could be analyzed, interpreted and used as a basis for finding out the factors influencing expatriate mobility in Namibia at IUM – Dorado Campus (Khomas Region).

Quantitative research

According to Flick (2006), Dobrovolny & Fuentes (2008) quantitative (fixed) research- is a formal, objectives, systematic process in which numerical data are used to obtain information about the world. Qualitative research generates statistics through the use of large-scale survey research, using methods such as questionnaires or structured interviews. This type of research reaches many people and the contact with those people is also much quicker. Quantitative, as the name suggests, this approach is concerned with quantitative data (Flick, 2011). Although this research approach is informed by a positivist philosophy, it can be used to investigate a wide range of social phenomena, including feelings and subjective viewpoints. It is more effective.

Qualitative research

A qualitative study design is defined by Creswell (1994) as “an inquiry process of understanding a social or human problem based on building or complex, or holistic picture, formed with words, reporting detailed views of respondents or informants, and conducted in a natural setting”. Qualitative (flexible) research explores attitudes, behavior and experiences through such methods as interviews or focus groups. It attempts to get an in-depth opinion from participants. As it is attitudes, behavior and experiences which are important, fewer people take part in the research, but the contact with these people tends to last a lot longer.

Target population

Best & Khan (1993) defines population as any group of individuals that have one or more characteristics in common that are of interest to the researcher. The target population was composed of The International University of Management’s foreign lecturers through using a predetermined random sampling method, and at the same time they were the respondents. The target population size for interviews will be determined by rationalization of the total number of departments (Newman, 1998). Approximately IUM has 180 lecturers, of which 50 are expatriates and majority of the expatriate lecturers are males.

Sampling techniques

A sample is a subset of population (Sekaran, 2003). It is drawn from the population and by studying it the researcher should be able to draw conclusions that would be generalizable to the
population of interest. Probability sampling is used when representativeness of the sample is of importance in the interests of wider generalizability (Sekaran, 2003). This study used probability sampling technique.

**Sample size**

A total of 20 respondents (expatriate lecturers) from IUM, Dorado Campus were selected randomly. The sampling method chosen was therefore stratified randomly. Out of 20 only 10 responded and others who did not respond it was never communicated to the researcher the reason why they did not respond. Below is the table of sampling and the response rate.

<table>
<thead>
<tr>
<th>Institution</th>
<th>No. of Expatriates</th>
<th>Sample</th>
<th>Response Rate</th>
<th>Non Response Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>IUM, Dorado Campus</td>
<td>50</td>
<td>20</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>20</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

IUM has branches (campuses) in 4 regions but only one region and one campus used for this study which is Khomas region, Dorado Campus. A survey was conducted for this study.

**Limitations of the study**

According to Price & Murnan (2004) the limitations of the study are those characteristics of design or methodology that impacted or influenced the interpretation of the findings from your research. The researcher aims to cover all branches (campuses) of IUM in the country but time was not adequate at all, and also the difficulties of accessing useful information from those campuses was not there because expatriate lecturers are ever busy. The whole IUM branches (campuses) could not be covered due to some logistical reasons and long distances to travel to and fro to get answers from respondents. The behavior and reactions from respondents were another limitation in data collection process. Another limitation was that the researcher relied much on questionnaires since telephone interviews were not possible to some of expatriate lecturers who had no telephone. Furthermore, an analysis of scores might reveal that seemingly different instrument rank order or classify expatriate lecturers roughly equivalently. On the same note, observations and interviews with expatriate lecturers as they answered questionnaire, an approach that is sometimes used during the interview development process, could result in somewhat different interpretations of a questionnaire’s reasoning requirements. This study focused only on IUM (Dorado Campus) expatriate lecturers, only 1 out of 4 regions where IUM has branches or campuses. For logistical reasons, it was not possible to cover all the four (4) regions. In some instances, where the response rate was low or zero, time was the main hindrance as expatriates are ever busy.

**Data collection instruments**

Data collection is a “systematic way of gathering information, which is relevant to the research purpose or questions” (Burns & Grove 1997:383).

Primary and secondary data was collected by using structured questionnaires (open ended and closed ended) (Kothari, 2004). The researcher used questionnaire and interview as the main research instruments. Interviews can be structured, unstructured or semi-structured. Telephonic interview was conducted only with expatriates who had access to office telephone. The researcher also uses this type of questionnaire, and it was possible to find out how many people received request for work permit extension and how they felt about it. A structured questionnaire was used to record demographic data which includes: sex, age, duration of stay within the institution and individual expatriate’s observations on the subject of study. A questionnaire was designed for this research to answer the research questions. It was divided into 4 sections reads as follows

- Section A. Demographic data
- Section B. Expatriates personal evaluation
- Section C. Expatriates personal view
- Section D. General additional information
For the background understanding of the subject secondary sources were used and the questionnaire were attached as appendices. There are many ways of collecting data through personal or face to face interviews, telephone interviews, personally administered questionnaires, electronic questionnaire and also mail questionnaire but the researcher decided to make use of personally administered questionnaires. The researcher conducted respondents and managed to distribute questionnaires to some of them. The language the researcher use was appropriate to the vocabulary of the group of all those that were studied because most of the respondents are lecturers they are educated and know what to say and how to answer questions. Some of the respondents were given questionnaire to complete at their own pace where they feel more comfortable.

**Data analysis**

Data Collected was analyzed and computed in Excel Spreadsheet to produce graphs and tables and then findings (or analyzed data) are presented using descriptive statistical techniques such as tables, percentages, graphs and charts. The researcher believed that this seems to be the easiest and simplest method of quantifying data collection. The descriptive statistics was done to analyze demographic data of the respondents with other information on expatriates and compute scores for the various factors under consideration. Data are presented using bar graphs, bar charts, tables and pie-charts. It was also a dilemma to the researcher to come up with proper methods that would produce exact data to measure things like behaviors, attitudes and feelings of respondents.

**Ethical considerations**

The International University of Management, School of Postgraduate Studies permit the researcher to carry out the study. Respondents were informed of the intention or the purpose of the research before completing questionnaires and those who agreed were used in this study.

**Results and discussion**

Out of the 20 questionnaires distributed to expatriate lecturers, 10 were completed and the remaining 10 were returned unanswered. Concentration was more on expatriate demographic data such as gender, marital status, ages, ethnicity & qualifications; Expatriates personal evaluation; Expatriates personal views as well as general additional information.

**Demographic data of expatriate lecturers**

This was about the collection of expatriate’s demographic data; such as gender, marital status, ages, ethnicity and qualifications.

![Gender Chart](chart.png)

Figure 2. Shows gender (male/female)
The results show that 20% of the respondents are females and 80% of respondents are males. The majority of the respondents are males because they can easily move from their country to another. Female respondents are fewer because it is not easy to convince a woman to take up the work of an expat.

**Table 2. Ethnic origin of expatriates**

<table>
<thead>
<tr>
<th>Ethnic origin</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Black-African</td>
<td>7</td>
<td>70%</td>
</tr>
<tr>
<td>Black-Caribbean</td>
<td>1</td>
<td>10%</td>
</tr>
<tr>
<td>Black-Other</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Brown-African</td>
<td>2</td>
<td>20%</td>
</tr>
<tr>
<td>Bangladeshi</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Chinese</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Indian</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Pakistani</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>10</td>
<td>100%</td>
</tr>
</tbody>
</table>

The table shows the percentages of ethnic origin. The 90% of expatriates (Black-African and Brown-African) were from Africa continent, and this is because expatriate's countries are near Namibia and it will be easy for them to go and visit their country any time they feel like. Only 10% was made up of Black-Caribbean.

**Figure 3. Highest qualification**

The results show that 80% of the respondents have master degrees, they are very well equipped to teach students. The 20% was made up of those with PhD, very educated with numbers of experience. Among all the respondents none of the lecturer with an undergraduate degree or below.

**Expatriates personal evaluation**

This section was meant for expatriate personal evaluation; how long they had been working or employed at IUM?
Figure 4. Number of years in employment

The results show that 40% had been employed as an expatriate at IUM, followed by 20% and 10% respectively. None of the respondents have been employed as an expatriate at IUM for less than a year.

Table 3. Show the problems encountered by expatriates when they started working at IUM, Dorado campus

<table>
<thead>
<tr>
<th>Problem</th>
<th>Number of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>The employees who transferred to a foreign country for employment often lose the social networks and extended family that are readily available in an employee’s home country (culture shock)</td>
<td>6 respondents</td>
<td>60%</td>
</tr>
<tr>
<td>Difficult with international assignments</td>
<td>0 respondents</td>
<td>0%</td>
</tr>
<tr>
<td>Lack of support such as language classes or relocation assistance</td>
<td>4 respondents</td>
<td>40%</td>
</tr>
<tr>
<td>General concern for expatriate’s health, well-being and balance between work and personal life</td>
<td>0 respondents</td>
<td>0%</td>
</tr>
</tbody>
</table>

Among the problems that expatriates encountered when they started working at IUM, Dorado Campus, 60% opted for the problem of losing the social networks and extended family (culture shock), while the 40% opted for the problem of lack of support. The remaining problems were not experienced by expatriates or were not a problem to them.

Expatriates personal views

This section dealt with the respondents’ views on factors (advantages and disadvantages) that are associated with them.

Table 4. Show the advantages that are associated with expatriates

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Total % Scores</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expatriates are well known because of specific knowledge and skill transfer</td>
<td>Total %</td>
<td>0/10x100 =0%</td>
<td>0/10x100 =0%</td>
<td>2/10x100 =20%</td>
<td>4/10x100 =40%</td>
<td>4/10x100 =40%</td>
<td>10</td>
</tr>
</tbody>
</table>
Expatriates are gaining international experience and maintaining relationships

| Expatriates offer services at a much cheaper prices than locals | Total % score of | 0/10x100 =0% | 0/10x100 =0% | 2/10x100 =20% | 3/10x100 =30% | 4/10x100 =40% | 10 | 100% |
| Expatriates offer quick and efficient services | Total % score of | 0/10x100 =10% | 0/10x100 =0% | 4/10x100 =40% | 1/10x100 =10% | 5/10x100 =50% | 10 | 100% |
| Expatriates are more educated and can communicate well in English | Total % score of | 0/10x100 =10% | 0/10x100 =0% | 3/10x100 =30% | 2/10x100 =20% | 3/10x100 =30% | 10 | 100% |

The results show that some of advantages like: expatriates are well known because of specific knowledge and skill, expatriates are gaining international experience and maintaining relationships, and expatriates offer quick and efficient services; respondents strongly disagree and it is an advantage to the respondents. The other advantages respondents agreed and strongly agreed with the highest scores as shown in the table. All total percentage (%) scores are added up to the numbers of respondents (10) and are summed up to give 100% total. Example: 0+0+2+4+4=10 respondents, and converted to percentages 0%+0%+20%+40%+40%=100%. The main advantage was that of: Expatriates of quick and efficient services, with 50% and the least was that of: Expatriates offer services at a much cheaper prices than locals.

**Table 5.** Show the disadvantages that are associated with expatriates

<table>
<thead>
<tr>
<th>Disadvantages</th>
<th>Total % Scores</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expatriates are very expensive</td>
<td>Total % score of</td>
<td>1/10x10 =10%</td>
<td>1/10x100 =10%</td>
<td>2/10x100 =20%</td>
<td>2/10x100 =20%</td>
<td>4/10x100 =40%</td>
<td>10</td>
</tr>
<tr>
<td>Expatriates are treated special ahead of Namibian citizens and are represented by the law and regulations of the country</td>
<td>Total % score of</td>
<td>3/10x10 =30%</td>
<td>1/10x100 =10%</td>
<td>3/10x100 =30%</td>
<td>2/10x100 =20%</td>
<td>1/10x100 =10%</td>
<td>10</td>
</tr>
<tr>
<td>Expatriates marry in their country and again re-marry in Namibia</td>
<td>Total % score of</td>
<td>2/10x10 =20%</td>
<td>2/10x100 =20%</td>
<td>2/10x100 =20%</td>
<td>4/10x100 =40%</td>
<td>0/10x100 =0%</td>
<td>10</td>
</tr>
<tr>
<td>Expatriates can be difficult to manage because of the problems associated with adapting to and working in unfamiliar environments and cultures</td>
<td>Total % score of</td>
<td>2/10x10 =20%</td>
<td>2/10x100 =20%</td>
<td>3/10x100 =30%</td>
<td>2/10x100 =20%</td>
<td>1/10x100 =10%</td>
<td>10</td>
</tr>
<tr>
<td>Expatriates are taking up jobs for Namibians and some are participating in illegal businesses</td>
<td>Total % score of</td>
<td>4/10x10 =40%</td>
<td>3/10x100 =30%</td>
<td>2/10x100 =20%</td>
<td>1/10x100 =10%</td>
<td>0/10x100 =0%</td>
<td>10</td>
</tr>
</tbody>
</table>
The results show that all total percentages (%) scores are added up to the numbers of respondents (10) and are summed up to give 100% total.

Example: 1+1+2+2+4=10 respondents, and converted to percentages, 10%+10%+20%+20%+40%=100%

The main disadvantage was that of: Expatriates are very expensive, with 40% while Expatriates marry in their country and again re-marry in Namibia and Expatriates are taking up the jobs for Namibians and some are participating in illegal business were regarded as not disadvantages to those who strongly agreed.

Conclusion and recommendations

This study focused on the assessment of factors influencing expatriate mobility in Namibia at IUM, Dorado Campus. An assessment was conducted on factors influencing expatriate mobility, targeting the IUM Dorado Campus expatriate lecturers. Most of expatriate’s studies reviewed did not tackle the issues of expatriate mobility and the factors that influence it. Expatriate lecturers at IUM Dorado Campus (Khomas Region) should have enough skills and knowledge to be able to carry out their duties and responsibilities as educators (for instance a PhD holder qualify to teach at the university like IUM but not a degree holder).

Expatriate lecturers at IUM Dorado Campus (Khomas Region) need to understand and familiarize themselves with the concept of culture shock. Some of the expatriate lecturers were in doubt and denial and lack the expatriate roles and responsibilities in the host/foreign country (Namibian Employment Work Permit/Visa Law) and also how they should be treated. Systems that are used to identify expatriate works should be in place and made readily available for all expatriate’s lecturers. Expatriate lecturers should stick to their true mission and not to participate in any other activities. Various stakeholders such as government ministries, embassies and other institutions should improve and introduce more ways of assisting expatriate’s lecturers reaching their goals and objectives. Expatriate lecturers should stick to the laws that govern expatriates and they should read more about The Namibian Affirmative Action Act on expatriates at IUM, Dorado Campus. The ministry of Home Affairs & Immigration (Namibia) should extend/renew the work permits of expatriate lecturers at IUM-Dorado Campus (Khomas Region) if expires, depending on the behaviour /manners and expertise.

Area for further study

Further research is recommended

1. On the attainment of other objectives of the expatriate monitoring strategy & evaluation
2. On this topic in other regions (campuses) of IUM which then could be compared with the findings of this research (few suggestions for further research, in connection to the assessment of factors influencing expatriate mobility in Namibia can be made. A research with samples mostly from all the IUM Campuses and other universities in the country can be made to draw several comparisons and conclusions).
3. On the experience and ideas of the amendment of the Affirmative Action Act when it comes to employing an expatriate.
4. Similar studies may be conducted in areas not covered by this research, but new methodology and population be considered for further research.
5. This study has a vital contributory point to IUM in terms of expatriate mobility and also to other universities that might want expatriates’ services.

References


Implication of 2005 Recapitalization of Banks in Nigeria on the Nation’s Well Being from 2006-2018

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Introduction

The global economic crisis has contributed to the economic struggling in most developing countries. This is visible in the challenges’ combating their financial systems as evidence among most African countries including Nigeria. It has also exposed weaknesses in the functioning of their economy and led to calls for reform of the financial architecture. The crisis presents inconsistency in the economic growth of most developing nations, most especially among African countries because it is happening at a time when the region is making progress in economic performance and management (Benjamin-Addy, 2012). Therefore, present dwindling states of Nigeria economy has place a question on effectiveness and efficiency of the Nigeria financial system (Abiola&Olausi, 2014). This is due to the present financial instability ravaging the country’s economy, with some financial analyst clamouring for recapitalization of banks. They opine that, recapitalization of banks in Nigeria is one of the right steps towards building a vibrant, competent and diversified economy in the present time. The clamour for recapitalization was based on the need to increase the capital based on banks to enable effectiveness.

Financial system of any country plays a significant role in the development and sustainability of its economy. The total financial system of a country encapsulates responsibilities such as regulating, coordinating, adjudicating and circulating funds. By implication, the failure of financial institutions in a country may disrupt the developmental process of such country’s economy, which in turns may lead to recession and economic meltdown- if not properly handled (Das and Ghosh, 2007). For this reason, the government over time have regularized the activities of the financial institution through the apex bank- central bank so as to improve the financial performance of the system.

The Nigerian Central Bank governor in 2005, set out the recapitalization of financial institutions among which, increase in the capital base of banks from two billion naira to twenty-five billion naira was enforced. The reform was based on indicators such as weakly in the regulatory and supervisory framework; weak management practices; and the tolerance of deficiencies in the corporate governance behaviour of banks among other (Jeroh&Okoye, 2015). The recapitalization was done to strengthen banks with regards to providing larger credit facilities to clients, attracts investors as well as encourage merger where necessary for conglomeration of financial activities. The recapitalization however provides both positive and negative effects on the country economy. Benjamin-Addy (2012) opines that, it is believed that, the increase in the capital base will go a long way to salvage the banking sector, reduce constant bank failures and enhanced economic development. However, when the good number of operating banks was eliminated; many people inadvertently got affected in a negative way as many staff members lost their jobs and level of poor people then increases. By implication, recapitalization of banks in Nigeria does not only affect Nigeria banking system, it thus affects the entire financial system of the country, staff of banks and indirectly affects the people. In another study Chidolue (2012) noted that, that recapitalization of banks increases their performance on local and international level.

The recent proposition made by the governor of central bank on another recapitalization of banks have sparked up various debates as to whether, the country is ready for another recapitalization. This was due to the experiences from the 2005 recapitalization exercise. While a school of thought affirmed that, indicators that preceded the financial crisis that led to the 2005 recapitalization have not been evidence in this present time, another have held the opinion that, the country is facing one of its toughest time economically and that, the responsibility lies in reform of the financial system. Yet, it is important to understand the advantage this reform would have on the economy. Since, Nigerian economy bank performance is determined by a number of factors, namely lending rates, deposit rate,
management effect, ownership and control, market structure among others (Somayo&Illo, 2008). In order to have an effective and efficient financial system both the banks and the regulatory institutions such as CBN should exert concerted efforts to harmonize financial stability in the country, through formulation of recapitalization policies that is all inclusive. It is in the light of the above, that this study examines implication of 2005 recapitalization of commercial banks in Nigeria on the nation’s economy, banking businesses and welfare of Nigerian people between 2006-2018.

**Objectives of the study**


**Research hypotheses**

1. There is no significant relationship between recapitalization and state of Nigeria economy growth between 2006-2018.
2. There is no significant relationship between recapitalization and banking business in Nigeria between 2006-2018.
3. There is no significant relationship between recapitalization and welfare of the people in Nigeria between 2006-2018.

**Literature review**

Developmental policies such as in the recapitalization of banks should be channel `towards ensuring sustainable solutions to problems using all-inclusive approach in other to fall within the frame of best practices. Kanu and Hamilton (2015) critically evaluated the 2005 recapitalization of banks in Nigeria in terms of the positive fallouts and the unanticipated consequences. The study looked at the performance of banks, the recapitalization, while at same time evaluating the human resources and other developmental challenges that grew out of the recapitalization effort. The findings obtain revealed that the 2005 recapitalization effort actually improved the performance of banks and also positively impacted the economy as a whole. However, the found, that, the standard of living of the population were negatively affected mostly because of number of banks staff who had to be sacrificed and thrown into unemployment to achieve, what some banks experts in the system call “paper profits”. The implication of this is that, the negative consequences of the recapitalization due on inclusion of some of the stakeholders like the people was more than the positive side.

Improving the socio-economic development of the masses should at the base of every policy such as recapitalization. This is because social interaction constitutes the bedrock of every development. The financial system of any country vis-a-vis the banking sector plays a very significant role in the development of its economy. Therefore, it is obvious that banking crisis can have large disruptive effects on the real economy. In the work of Ojeaga (2009) who examines the impacts of the global financial crisis on the Nigerian banking industry. He opines that, the consolidated banks were expected to play a very active role in the economic growth and development of Nigeria, in that, the consolidation exercise was remarkable as some of the Banks merged while other went for outright takeover of the assets and liabilities of the weak banks. He however up held that, the global financial crisis, has eroded the confidence of the general public in the Nigerian banking industry, despite their consolidation. Even the Nigerian Stock Market (NSM) which is expected to act as buffer of fund, is not left out of the financial crisis.

According to Chidolue (2012), one of the major macroeconomic variables that compliment bank performance is availability of capital. He further noted that, liquidity ratio, cash reserve ratio has no positive and significant impact on economic growth of Nigeria as opposed to money supply to GDP and loan to deposit of commercial bank that have positive but non-significant impact on economic growth in Nigeria. Also, Kenn-Ndubuisi and Akani (2015) examined the analysis effects of recapitalization on commercial banks survivals in Nigerian: pre and post camel analysis. They
stressed that, the banking consolidation and recapitalization of commercial banks exercise has shaped the structure of the Nigerian banking industry significantly. The result of the regression model of Minimum capital base on capital adequacy, asset quality, management quality and earnings quality and liquidity indicated an increase after recapitalization and consolidation but only Capital adequacy and management quality had a structurally difference with the increment. Based on the findings, it is discovered that recapitalization and consolidation is a welcome development that is needed by the banks but it cannot stand alone in achieving all round soundness and stability desired by Central Bank of Nigeria, little thereafter we are still faced with the post 2006 distress of banks even after the huge recapitalization reform and the Central Bank of Nigeria bailing out 8 banks with over 400 billion in 2012.

Bank’s financial performance is key to sustaining the economic growth in any country and it is the ability to generate new resources, from day – to – day operation over a given period of time and being gauged by net income and cash from operation. The 2005 recapitalization policy was driven by the need to strengthen the banking sector and reposition the banks to be strong in order to meet up with the internationalization of financial and business globalization best practices. The exercise was deemed necessary with believe that having a strong capital base increasing their ability to assume risk and absorb losses. Kanu and Hamilton (2015) noted that, as at May 2005, there were 89 banks in Nigeria with only 3,382 branches, reflecting the existence of a large member of small banks with relatively few branches when compared to other countries of the world. This however contributed to under performance of the available financial institutions.

The current banks’ recapitalization should be a channel towards providing solutions to the long term financial problems of general underperformance in the sector. Therefore, the central concern is whether or not the recent recapitalization in Nigerian banking sector has provided significantly different satisfactory benefits to stakeholders, other than it was prior to the exercise. Jerohand Okoye (2015) focuses on an impact assessment of the consolidation exercise on the performance of commercial banks in Nigeria.

Their results show that the consolidation exercise had positive impact on the selected variables (Non-Performing Loans, Liquidity Ratio, Bank Credit to Private Sector and Bank Capital to Asset Ratio). Abuh (2012) in a study evaluates whether or not the recapitalization has significantly improved the financial performance of DMBs from what it was prior to the exercise. Relevant literatures were reviewed. It was found that there is a significant impact of recapitalisation on the four performance indicators after the exercise. PPCC revealed a strong and positive relationship both before and after the recapitalisation but, the cases of before are higher than those after the exercise. It was also revealed that the deposits highly benefited from the recapitalisation when compared with other performance indicators.

**Methodology**

**Research design**

This study adopted a cross-sectional study where the knowledge and prevention of the respondents were explored. Cross-sectional study is a collection of data at one point in time. It is carried out to obtain information that exists at that particular time. The reason for the choice of the design was to assist the researcher to obtain information on implication of 2005 recapitalization of commercial banks in Nigeria on the nation’s economy, banking businesses and welfare of Nigerian people between 2006- 2018.

**Sample size and sampling technique**

The study selected five (5) geopolitical zones in Nigeria out of six (6) with exception of North Eastern part of Nigeria. 2 states were selected from each of the 5 geopolitical zones. 18 commercial banks were further selected from the present 22 commercial banks in Nigeria. Three (3) banks staff ha have been working in commercial bank between 2006-till present were selected from each of the 18 commercial banks in each of the 10 states selected across Nigeria. This amounted to 540 bank staff as respondents in this study.
Furthermore, due to the heterogeneous nature of respondents, the study adopted the Area Sampling Technique which is a form of cluster sampling that focus on respondents’ specialization. This sampling technique was adopted because it was not easy to obtain records of the.

**Instrument**

The research instrument used for obtaining the primary data for this research study is a questionnaire. According to Jamiyu (2008), a questionnaire is a set of questions formulated to obtain data for analysis. He further pointed out that the results from a questionnaire can be used to provide answers to research questions and used also to test relevant hypotheses. In this research study, a total of 504 questionnaires were administered by email to selected stakeholder (Bank Staff). But the number of questionnaires that were duly completed and returned was 481. Jamiyu (2008) also argued that the use of descriptive statistics and a frequency table can be used to extract for example, opinions of question raised in a research study. He emphasized further that descriptive statistics and a frequency table enable a researcher to effectively analyze data collected from the questions which addressed the respondent to the questions posed in the questionnaire.

**Data collection**

The data collection took place in the selected ten states, which include Osun and Ondo; Edo and Delta; Anambra and Enugu; Kogi and Plateau; Sokoto and Kebbi in Nigeria. Respondents were approached in their various offices for permission to be involved in the study. Those who accepted to participate in the study were presented with a copy of the instrument (questionnaire) to complete. The objective of the study was explained to them before the completion of the instrument. Data collection was done face to face by the researchers and ten (10) research assistants that have been trained by the researchers on how to go about the data collection.

**Data analysis technique**

Data obtained from the field were edited, sorted and processed into excel speed sheet before transfer into SPSS edition 22. Data was analysed using descriptive statistics. These include mean, standard deviation, minimum and maximum values respectively.

**Results**

This chapter presents the analysis and presentation of data collected from the field. Frequency counts and simple percentage were employed in analyzing the personal data and data for research questions. The hypotheses were tested using Pearson Moment Correlation (PPMC).

**Demographic characteristics of respondents**

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>399</td>
<td>82.4</td>
<td>82.4</td>
<td>82.4</td>
</tr>
<tr>
<td>Female</td>
<td>82</td>
<td>17.6</td>
<td>17.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>481</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 1a shows frequency distribution of respondents by gender. Result shows that, 82.4% of the respondent were male, while 17.6% were female.

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>14 years</td>
<td>67</td>
<td>13.9</td>
<td>13.9</td>
<td>13.9</td>
</tr>
<tr>
<td>15 years</td>
<td>153</td>
<td>31.8</td>
<td>31.8</td>
<td>45.7</td>
</tr>
<tr>
<td>16 years</td>
<td>187</td>
<td>38.9</td>
<td>38.9</td>
<td>84.6</td>
</tr>
<tr>
<td>17 year or above</td>
<td>74</td>
<td>15.4</td>
<td>15.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>481</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 1b shows frequency distribution of respondents by years of experiences in Banking Industry. Result shows that, 13.9% of the respondents have been in the banking industry for 14 years, 31.8%
have been in the banking industry for 15 years, 38.9% have been in the banking industry for 16 years and 15.4% have been in the banking industry for 17 years or over.

Recapitalization compliance

**Table 2.** Descriptive statistics of respondents on recapitalization compliance

<table>
<thead>
<tr>
<th>Descriptive statistics</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum capital base of N25 billion with a deadline of 31st December, 2005</td>
<td>481</td>
<td>2</td>
<td>5</td>
<td>4.49</td>
<td>415</td>
</tr>
<tr>
<td>Consolidation of banking institutions through mergers and acquisitions</td>
<td>481</td>
<td>1</td>
<td>5</td>
<td>2.16</td>
<td>505</td>
</tr>
<tr>
<td>Adoption of a risk-focused and rule-based regulatory framework</td>
<td>481</td>
<td>3</td>
<td>5</td>
<td>3.84</td>
<td>980</td>
</tr>
<tr>
<td>Zero tolerance for weak corporate governance, misconduct and lack of transparency</td>
<td>481</td>
<td>3</td>
<td>5</td>
<td>4.63</td>
<td>887</td>
</tr>
<tr>
<td>Completion of the Electronic Financial Analysis Surveillance System (e-FASS)</td>
<td>481</td>
<td>2</td>
<td>5</td>
<td>3.75</td>
<td>852</td>
</tr>
<tr>
<td>Promotion of the enforcement of dormant laws</td>
<td>481</td>
<td>3</td>
<td>5</td>
<td>4.14</td>
<td>928</td>
</tr>
<tr>
<td>Closer collaboration with the EFCC and the establishment of the Financial Intelligence Unit</td>
<td>481</td>
<td>1</td>
<td>5</td>
<td>3.23</td>
<td>1.371</td>
</tr>
</tbody>
</table>

**Decision:** Items is significant at mean equals or greater than 3.0, and insignificant at mean less than 3.0

Table 2 presents descriptive statistics of respondents on recapitalization compliance. The results show that, a significant level of respondents [Mean > 3.0] indicated high compliance rate for Minimum capital base of N25 billion with a deadline of 31st December, 2005 (4.49); Adoption of a risk-focused and rule-based regulatory framework (3.84); Zero tolerance for weak corporate governance, misconduct and lack of transparency (4.63); Completion of the Electronic Financial Analysis Surveillance System (e-FASS) (3.75); Promotion of the enforcement of dormant laws (4.14) and Closer collaboration with the EFCC and the establishment of the Financial Intelligence Unit (3.23). However, insignificant level of respondents complied with Consolidation of banking institutions through mergers and acquisitions (2.16).

**Table 3.** Descriptive statistics of respondents on Nigeria economy growth between 2006-2018

<table>
<thead>
<tr>
<th>Descriptive statistics</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consistent increase in GDP growth</td>
<td>481</td>
<td>1</td>
<td>5</td>
<td>2.21</td>
<td>511</td>
</tr>
<tr>
<td>Increase both internal and external revenue generation</td>
<td>481</td>
<td>1</td>
<td>5</td>
<td>2.23</td>
<td>677</td>
</tr>
<tr>
<td>Enhance international economic competition</td>
<td>481</td>
<td>1</td>
<td>5</td>
<td>3.32</td>
<td>998</td>
</tr>
<tr>
<td>Low exchange rate</td>
<td>481</td>
<td>1</td>
<td>5</td>
<td>1.64</td>
<td>878</td>
</tr>
<tr>
<td>Low lending rate</td>
<td>481</td>
<td>1</td>
<td>5</td>
<td>2.86</td>
<td>1.305</td>
</tr>
<tr>
<td>Single digit inflation rate</td>
<td>481</td>
<td>1</td>
<td>5</td>
<td>1.36</td>
<td>737</td>
</tr>
<tr>
<td>Increase in employment opportunity</td>
<td>481</td>
<td>1</td>
<td>5</td>
<td>2.20</td>
<td>466</td>
</tr>
<tr>
<td>Improved standard of living among people</td>
<td>481</td>
<td>1</td>
<td>5</td>
<td>2.41</td>
<td>644</td>
</tr>
<tr>
<td>Reduction in poverty level among people</td>
<td>481</td>
<td>1</td>
<td>5</td>
<td>1.31</td>
<td>981</td>
</tr>
<tr>
<td>Reduced corruption index</td>
<td>481</td>
<td>1</td>
<td>5</td>
<td>1.35</td>
<td>709</td>
</tr>
</tbody>
</table>

Valid N (list wise) 481
Decision. Items is significant at mean equals or greater than 3.0, and insignificant at mean less than 3.0

Table 3 presents descriptive statistics of respondents on recapitalization compliance. The results show that, a significant level of respondents {Mean > = 3.0} affirmed that, the economy has witness enhanced international economic competition (3.32). However, insignificant level of respondents disaffirmed that, the economy has witness, consistent increase in GDP growth (2.21); Increase both internal and external revenue generation (2.23); Low exchange rate (1.64); Low lending rate (2.86); Single digit inflation rate (1.36); Increase in employment opportunity (2.20); Improved standard of living among people (2.41); Reduction in poverty level among the people (1.31); Reduced corruption index (1.35).

Table 4. Descriptive statistics of respondents on banking business between 2006- 2018

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased investors in banking business</td>
<td>481</td>
<td>1</td>
<td>5</td>
<td>3.53</td>
<td>511</td>
</tr>
<tr>
<td>Protection and guaranteed shareholders fund</td>
<td>481</td>
<td>1</td>
<td>5</td>
<td>3.42</td>
<td>677</td>
</tr>
<tr>
<td>Financially competent banks</td>
<td>481</td>
<td>1</td>
<td>5</td>
<td>4.26</td>
<td>998</td>
</tr>
<tr>
<td>High loan capacity for international transactions</td>
<td>481</td>
<td>1</td>
<td>5</td>
<td>3.64</td>
<td>878</td>
</tr>
<tr>
<td>Sufficient to provide loan for local transactions</td>
<td>481</td>
<td>1</td>
<td>5</td>
<td>4.83</td>
<td>1.305</td>
</tr>
<tr>
<td>Effective financial intermediation</td>
<td>481</td>
<td>1</td>
<td>5</td>
<td>4.61</td>
<td>737</td>
</tr>
<tr>
<td>Guarantee of depositor’s money</td>
<td>481</td>
<td>1</td>
<td>5</td>
<td>3.99</td>
<td>466</td>
</tr>
<tr>
<td>Soft loan for bank staff</td>
<td>481</td>
<td>1</td>
<td>5</td>
<td>3.78</td>
<td>644</td>
</tr>
<tr>
<td>Secured bank staff’s job</td>
<td>481</td>
<td>1</td>
<td>5</td>
<td>2.42</td>
<td>981</td>
</tr>
<tr>
<td>Easy access and sufficiency of deposit banks</td>
<td>481</td>
<td>1</td>
<td>5</td>
<td>2.35</td>
<td>709</td>
</tr>
<tr>
<td>Valid N (list wise)</td>
<td>481</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Decision. Items is significant at mean equals or greater than 3.0, and insignificant at mean less than 3.0

Table 4 presents descriptive statistics of respondents on banking business in Nigeria between 2006- 2018. The results show that, a significant level of respondents {Mean > = 3.0} agreed that there are increased investors in banking business (3.53); Protection and guaranteed shareholders fund (3.42); Financially competent banks (4.26); High loan capacity for international transactions (3.64); Sufficient to provide loan for local transactions (4.83); Effective financial intermediation (4.61); Guarantee of depositor’s money (3.99) and Soft loan for bank staff (3.78). However, insignificant level of respondents disagreed that, security of bank staff’s job (2.42) and Easy access and sufficiency of deposit banks (2.35).

Table 5. Descriptive statistics of respondents on welfare of the people in Nigeria between 2006- 2018

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consistent increase in budget implementation</td>
<td>481</td>
<td>1</td>
<td>3</td>
<td>1.19</td>
<td>415</td>
</tr>
<tr>
<td>Availability of loan at single digit interest</td>
<td>481</td>
<td>1</td>
<td>4</td>
<td>1.16</td>
<td>505</td>
</tr>
<tr>
<td>Continuous ease of doing business</td>
<td>481</td>
<td>1</td>
<td>4</td>
<td>2.23</td>
<td>980</td>
</tr>
<tr>
<td>Consistent infrastructural development</td>
<td>481</td>
<td>1</td>
<td>4</td>
<td>2.63</td>
<td>887</td>
</tr>
<tr>
<td>Provision of basic amenities</td>
<td>481</td>
<td>1</td>
<td>5</td>
<td>2.45</td>
<td>852</td>
</tr>
</tbody>
</table>
**Decision.** Items is significant at mean equals or greater than 3.0, and insignificant at mean less than 3.0.

Table above presents descriptive statistics of respondents on welfare of the People between 2006-2018. The results show that, insignificant level of respondents affirmed that, Consistent increase in budget implementation (1.19); Availability of loan at single digit interest (1.16); Continuous ease of doing business (2.23); Consistent infrastructural development (2.63); Provision of basic amenities (2.45) and Increased housing to meet the growing population (2.23).

**Hypothesis one.** there is no significant relationship between recapitalization and state of Nigeria economy growth between 2006- 2018.

**Hypothesis two.** there is no significant relationship between recapitalization and banking business in Nigeria between 2006- 2018.

**Hypothesis three.** there is no significant relationship between recapitalization and welfare of the people in Nigeria between 2006- 2018.

Table 6. Correlation analysis showing the relationship between recapitalization (recap.) and state of Nigeria’s economy (SNE), Nigeria banking business (NBB) and welfare of the Nigeria people (WNP) in Nigeria between 2006- 2018

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Recap</th>
<th>SNE</th>
<th>NBB</th>
<th>WNP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recap</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>-183**</td>
<td>462**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>001</td>
<td>000</td>
<td>000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>481</td>
<td>481</td>
<td>481</td>
</tr>
<tr>
<td>SNE</td>
<td>Pearson Correlation</td>
<td>183**</td>
<td>1</td>
<td>-340**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>000</td>
<td>000</td>
<td>000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>481</td>
<td>481</td>
<td>481</td>
</tr>
<tr>
<td>NBB</td>
<td>Pearson Correlation</td>
<td>462**</td>
<td>-340**</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>000</td>
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<td>000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>481</td>
<td>481</td>
<td>481</td>
</tr>
<tr>
<td>WNP</td>
<td>Pearson Correlation</td>
<td>-483**</td>
<td>267**</td>
<td>425**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>000</td>
<td>000</td>
<td>000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>481</td>
<td>481</td>
<td>481</td>
</tr>
</tbody>
</table>

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

Results above shows that, low and inverse relationship existed between recapitalization and state of Nigeria economy between 2006- 2018 [ r (481) = -.183; .001]. This implies that, the null hypothesis one which states that, there is no significant relationship between recapitalization and state of Nigeria economy growth between 2006- 2018 is hereby upheld.

Results above shows that, high and positive relationship existed between recapitalization and banking business in Nigeria between 2006- 2018 [ r (481) = .462; .000]. This implies that, the null hypothesis two which states that, there is no significant relationship between recapitalization and banking business in Nigeria between 2006- 2018 is hereby rejected. Therefore, there is a significant relationship between recapitalization and banking business in Nigeria between 2006- 2018.

Results above shows that, high but negative relationship existed between recapitalization and welfare of the people in Nigeria between 2006- 2018 [ r (481) = -.483; .000]. This implies that, the null hypothesis three which states that, there is no significant relationship between recapitalization and welfare of the people in Nigeria between 2006- 2018 is hereby rejected. Therefore, there is a significant but inverse relationship between recapitalization and welfare of the people in Nigeria between 2006- 2018.
Discussion

Findings revealed a high compliance to recapitalization policies among commercial banks as indicated in table 2 above, where a significant level of respondent opines high compliance to Minimum capital base of N25 billion with a deadline of 31st December, 2005, for Zero tolerance for weak corporate governance, misconduct and lack of transparency, for Promotion of the enforcement of dormant laws among other. The plausible reason to this is that, the recapitalization policy was enforced by the apex bank, therefore ever banks have no other option than to obey. This is in line with Jerohand Okoye (2015) focuses on an impact assessment of the consolidation exercise on the performance of commercial banks in Nigeria. Their results show that the consolidation exercise had positive impact on the selected variables (Non-Performing Loans, Liquidity Ratio, Bank Credit to Private Sector and Bank Capital to Asset Ratio)

More findings revealed that, Nigeria economy between 2006- 2018 experienced inconsistencies in GDP growth. More so, internal and external revenue generation also witnessed up and down along. Although the economy experienced enhance international economic competition, yet, there are high lending rate, high exchange rate, double digit inflation rate, Increase in unemployment opportunity among others. In general, based on results presented in table 3 above, the Nigeria economy growth between 2006- 2018 is irregular

Findings also revealed that, banking business between 2006- 2018 experienced boom. Results presented in table 4 shows that, banking business experience Increased investors, Protection and guaranteed shareholders fund, High loan capacity for international transactions, Soft loan for bank staff among others. However, job security was low. Findings agrees with Abuh (2012) in a study evaluates whether or not the recapitalization has significantly improved the financial performance of DMBs from what it was prior to the exercise. Relevant literatures were reviewed. It was found that there is a significant impact of recapitalisation on the four performance indicators after the exercise. PPCC revealed a strong and positive relationship both before and after the recapitalisation but, the cases of before are higher than those after the exercise.

Further findings revealed that, welfare of the people in Nigeria between 2006- 2018 in poor. Based on the result presented in table 5 above, budget implementation is not consistent, loan at double digit interest, poor infrastructural development among others.

findings revealed that, there is an inverse and low relationship between recapitalization and state of Nigeria economy growth between 2006- 2018. The implication of this is that, 2005 bank recapitalization was not tailored to aid increase in Economy growth. The plausible reason to this is that, the focus was more on building effective banking due to various challenges and limiting factors combating the development to the banking industry then. Findings corroborates

also findings depicted that, high and positive relationship exist between recapitalization and banking business in Nigeria between 2006- 2018. This finding affirms the assertion that, 2005 recapitalization policy were built around having a robust financial system that is capable of funding high profile transaction and protect shareholder’s funds. Due to inabi

Findings revealed that, there is an inverse and low relationship between recapitalization and state of Nigeria economy growth between 2006- 2018. The implication of this is that, 2005 bank recapitalization was not tailored to aid increase in Economy growth. The plausible reason to this is that, the focus was more on building effective banking due to various challenges and limiting factors combating the development to the banking industry then. Findings corroborates According to Chidolue (2012), one of the major macroeconomic variables that compliment bank performance is availability of capital. He further noted that, liquidity ratio, cash reserve ratio has no positive and significant impact on economic growth of Nigeria as opposed to money supply to GDP and loan to deposit of commercial bank that have positive but non-significant impact on economic growth in Nigeria.

Also findings depicted that, high and positive relationship exist between recapitalization and banking business in Nigeria between 2006- 2018. This finding affirms the assertion that, 2005 recapitalization policy were built around having a robust financial system that is capable of funding high profile transaction and protect shareholder’s funds. Kenn-Ndubuisi and Akani (2015) examined the analysis effects of recapitalization on commercial banks survivals in Nigerian: pre and post camel
analysis. They stressed that, the banking consolidation and recapitalization of commercial banks exercise has shaped the structure of the Nigerian banking industry significantly. The result of the regression model of Minimum capital base on capital adequacy, asset quality, management quality and earnings quality and liquidity indicated an increase after recapitalization and consolidation but only Capital adequacy and management quality had a structurally difference with the increment.

Findings also revealed a high but negative relationship existed between recapitalization and welfare of the people in Nigeria between 2006- 2018. The implication of this is that, the more banks complied with recapitalization policy the poorer the welfare of the people have been. The plausible reason to this that, recapitalization policies was not designed to favour socio economic development among the people. As described in Kanu and Hamilton (2015) critically evaluated the 2005 recapitalization of banks in Nigeria in terms of the positive fallouts and the unanticipated consequences. The findings obtain revealed that the 2005 recapitalization effort actually improved the performance of banks and also positively impacted the economy as a whole. However, the found, that, the standard of living of the population were negatively affected mostly because of number of banks staff who had to be sacrificed and thrown into unemployment.

**Conclusion and Recommendation**

The need to reform banking sectors is unique to any country and it should be based on best practices. By implication reforms in the financial institutions should include every stakeholder such as management of banks, staffs and the people. The inclusion of these groups would as well takes care of possible negative consequence of any said reform on any group. Although, banking sector reforms and recapitalization have resulted from deliberate policy response to correct perceived or impending banking sector crises and subsequent failures, it important that, government know that, the operations of commercial bank are directly and indirectly involving in a lot of activities to sustain the country’s economy.

This study concluded that, although 2005 recapitalization impacted development and competency of commercial banks, since it was designed mainly to impact banks, yet it effects on the economy and welfare of the people is negative. Therefore, is recommended that, the present committee of governors of central banks in Nigeria in their deliberation on recapitalization should consider proposing policies that will not only improve the financial systems in the country, also have positive and sustainable effects on the Nigeria economy and welfare of the people in Nigeria.

**References**


Strategic Leadership and Strategy Implementation – A Case Study of Federation of Uganda Football Association (FUFA)

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Abstract

The purpose of the study was to investigate the relationship between strategic leadership and strategy implementation at FUFA. The study was premised on strategic leadership theory. The objectives of the study were to examine relationship between: leadership competence and strategy implementation, investigate relationship between leadership communication and strategy implementation, to establish relationship between staff involvement and strategy implementation and to assess the relationship between monitoring and evaluation and strategy implementation. The population of the study were 45 staff at FUFA. Sampling was considered inappropriate due to smallness of the population and approach adopted was a census that covered all the staff in the population. The study used descriptive research design because it aimed at understanding how one variable produced changes in another and explain relationship among variables. The study used a self-administered questionnaire. Findings indicate that leadership competence and leadership communication have positive and significant relationship with strategy implementation. Findings also indicate that employee involvement and monitoring and evaluation have an insignificant positive relationship with strategy implementation. It is recommended that leaders at FUFA should prioritise on leadership competence as it enhances opportunities to realise its strategic goal while paying attention to employee involvement, monitoring and evaluation as part of less important aspects of their activities. Leadership communication is not a useful predictor of changes in strategy implementation at FUFA.

Keywords: Strategic Leadership, Leadership Competence, Leadership Communication, Employee Involvement, Monitoring and Evaluation, Strategy Implementation

Introduction

Organisations of different types and orientation (profit and non-profit making) thrive and succeed in the competitive marketplace due to the quality of their leaders. Leaders determine direction and provide quality in terms of timely decision making, resource allocation and staffing decisions. People who are responsible for organisation management provide stewardship and strategic leadership. Lussier and Achua, (2007) defined strategic leadership as a person’s ability to participate, envision, maintain flexibility, think strategically and work with others to initiate changes that will create a viable future for the organisation. Strategic managers have the responsibility to monitor the organisation’s internal and external environments, build company resources and capabilities, track industry and competitive trends, spot emerging market opportunities, identify business threats, and develop a vision for the future that followers can believe in (Wheelen &Hunger, (2011). Managers are hired to provide oversight and make decision for the good of their organisations. They steer and drive the organisation towards coping with change by guiding the organisation to deal with change or by providing the management skill to cope with the ramifications of constant change (Pearce &Robinson, 2011). One would describe leaders as change agents.

In competition sport, strategic leadership is centrally important because the aim is winning and therefore the topic of the effects of leadership is essential to sport management(Gammelsæter, 2013).In the recent past, leadership in sport management received extensive research where issues such as the impacts of leader characteristics, self-perception, or leadership styles on organisational effectiveness, employees’ job satisfaction, or occupational stress as well as the characteristics of transformational and
transactional leadership behaviour and its influences on effectiveness and organisation culture have been heavily examined.

Olaka, Lewa and Kiriri, (2017) in a study of strategic leadership and strategy implementation in commercial banks in Kenya recommended that the leadership and in particular the Chief Executive Officer (CEO) should focus on providing the strategic direction to the organisation if it is to achieve its strategic objectives of remaining competitive in the market. Olaka et al. (2017) further state that a strategic leader creates wealth by striking a balance between the constraining influence of financial controls and the long term focus of the strategic controls. In times of uncertainty and competitive pressure, it is the leaders who make critical investment or disinvestment decisions through methodical analysis of opportunities that are available or constrained in the market. If an organisation’s leaders cannot intervene in uncertain times, the survival of such an organisation may be jeopardised over time.

Many scholars have argued that strategic leadership is fundamental to successful strategy implementation. They posit that strategic leadership is a key driver to strategy implementation and the lack of it has similarly been identified as a barrier to strategy implementation (Bossidy &Charan, 2002; Hrebiniak, 2006; Kaplan &Norton, 2001). Strategic leadership drives effective strategy implementation resulting in rewarding performance that supports realisation of organisation objectives and increasing shareholder wealth. Effective leadership requires a belief in and passion for the ultimate goal while staying true to one’s own values and beliefs (Burns &O'Donnell, 2011). In addition, there must be the necessary adjustments made to achieve the optimal work-life balance to perform at one’s best in line with that goal (Burns &O'Donnell, 2011).

Burnes and O'Donnell, (2011) aver that sport, like business, is highly competitive, and success depends on continuously striving to outperform the opposition. Indeed, the aspect of striving to outperform the rival can only be led and championed by a competent leadership that understands competitive environment in addition to knowing what to do and when. Burnes and O'Donnell, (2011) show that there are lessons that can be learned in important areas of staff development, and most specifically the ability to welcome and bring about change. In this regard, leadership is primarily concerned with bringing about change because effective leaders are those who can adapt their leadership style to the context in which they are operating (Alimo-Metcalfe &Alban-Metcalfe, 2000; Bass, 1995; Burns, 1978; Hitt, Miller &Colella, 2009). Weinberg and McDermott (2002) advocated need for effective leadership in sport especially strong interactions with others using positive reinforcement in their communication.

Statement of the problem

Federation of Uganda Football Associations (FUFA) is the governing body of football in Uganda. It was founded in 1924 and has been affiliated to Federation of International Football Associations (FIFA) and Confederation of African Football (CAF) since 1960. FUFA falls under the National Council of Sports (NCS), a statutory organ whose establishment, status and powers are enshrined under The NCS Act of 1964, to develop, promote and control sports activities in Uganda on behalf of Government of Uganda (GoU), under the Ministry of Education and Sports. Over the years, FUFA performed badly in managing football matters in the country because the national team, the Cranes had not participated at the African Cup of Nations for 41 years (Zziwa, 2011). Observers note that it took Uganda long to qualify for African Cup of Nations due to several factors, the major one being overall incompetence of whoever was in charge of FUFA (Zziwa, 2011). Other reasons include insecurity in the country, FUFA wrangles (Bakama &Muwanga, 2005; Oryada, 2012), Club politics and the lack of government will. After the 1978 Nations Cup, the country got engulfed in a civil war.

In 1980, the entire national team got dismantled by GoU and banned the national team from participating in any international events. Over the years, many leaders of the federation were appointed and fired depending on which minister was in charge of sport. Although FUFA is supervised by FIFA, it also has statutory obligations to NCS. This dual reporting structure may be some source of tension and friction at FUFA. Gammelsæter (2010) argues that the commercial mindset is only one of multitude that present-day commercialised sports clubs have to incorporate, rendering them pluralistic organisations that must play diverse “rules of the game.” On the 10th October 2019, FUFA President Moses Magogo was suspended from all football–related activity for two months and fined US$10,000
by FIFA for his role in the resale of 2014 World Cup tickets (BBC, 2019). This suspension arose after FUFA President entered a plea bargain with FIFA.

Over the years, FUFA has experienced strategic leadership problems that have resulted in endless wrangles (Oryada, 2012; Bakama & Muwanga, 2005) at FUFA. Against FIFA regulations, in some instances, matters were taken to court for warring parties to seek redress as there were allegations that former FUFA presidents had amended the Constitution without approval of the General Assembly (Supersport, n.d; Ndagire & Kigongo, 2012). Such amendments of the constitution were made to ensure incumbent presidents remained in office longer than they were voted for. In 2004, another FUFA President was dragged to court, and later jailed for a fortnight, over embezzlement (Supersport, n.d).

These developments suggest little signs of football wrangles in Uganda abating. In other developments, GoU was advised by the Accountant General in the finance ministry against Government funding FUFA/FUFA Limited following the Solicitor General’s opinion that the entity is operating illegally (Accountant General, 2017). Whereas the GoU has put in place an institutional body to manage football, and whereas adequate funding has and is appropriated to the football body, there are some challenges the institution has experienced over the past. These challenges therefore, compel one to ask whether the issue at FUFA is strategic leadership to streamline and develop football in Uganda. Chadwick (2009) has argued that the knowledge base, skill set, and practice of sport management is distinct from managing in other sectors (p. 192).

**Purpose of the study**

The purpose of the study was to investigate the relationship between strategic leadership and strategy implementation in FUFA.

**Objectives of the study**

For this study, key specific objectives were identified as below

1. Examine the relationship between leadership competence and strategy implementation.
2. Investigate the relationship between leadership communication and strategy implementation.
3. Establish the relationship between staff involvement and strategy implementation.
4. Evaluate the relationship between monitoring and evaluation and strategy implementation.

**Hypothesis of the study**

The study had the following research hypothesis which were tested

1. There is a significant relationship between Leadership competence and strategy implementation.
2. There is a significant relationship between Leadership communication and strategy implementation.
3. There is a significant relationship between Staff involvement and strategy implementation.
4. There is a significant relationship between Monitoring and evaluation and strategy implementation.

**Scope of the study**

The study focused on strategic leadership and strategy implementation at FUFA. This study considered the period 2005 to 2019 because it represents period when objectivity and clear leadership started to manifest at FUFA. For example, in 2016, FUFA passed a 5-year strategic plan to develop the game of football in Uganda (Muyita, 2016). Among the main focus areas in the strategic plan are governance (to improve adherence to national laws, resource mobilisation and accountability, technical development, administration (become professional more human resources is needed to run football), marketing and communications (improve marketing strategy more branding to be visible to potential sponsors to generate more revenue) (Muyita, 2016). The study respondents were all employees at FUFA.

**Significance of the study**

This study will provide source of evidence and reference for sports administrators, policy makers, scholars and researchers on the importance of strategic leaders in an organisation, more so with regards
to strategy implementation. The recommendations of the study will be significant because they will guide in strengthening sports administration in Uganda and ensuring seamless and wrangle free federations, associations, clubs and unions. Relevant laws, regulations and statutory instruments will be revised and strengthened bearing in mind the findings of this study. Studying strategic leadership in sport organisations provides “objective measures of performance, reasonable measures of leader succession, and the ability to control for many alternative explanations of performance variation” (Rowe, Cannella, Rankin & Gorman, 2005, p.216).

**Conceptual framework**

This study was guided by the conceptual framework below. Independent variable was strategic leadership with components that included leadership competence, leadership communication, staff involvement, monitoring and evaluation with strategy implementation as dependent variable.

![Conceptual framework](image)

**Figure 1. Conceptual framework**

**Source.** Researcher 2019

The remaining parts of this study are arranged as follows. Section two of the study presents literature review, section three presents the methodology whereas section four presents data and results as well as a discussion of the results. Section five presents conclusion and possible policy recommendations.

**Literature review**

**Strategic leadership**

Strategic leadership is a dynamic interplay of factors and roles that enhance achievement of organisational objectives. This interplay consists of coordination of actions, streamlining of processes, aligning the organisational composition, and keeping staff motivated and committed to strategy implementation. Hitt, Ireland & Hoskisson (2007) defined strategic leadership as the ability to envision, anticipate and maintain flexibility by the leader, in ensuring empowerment to others so as to create the necessary strategic changes; it involves managing through others. Strategic leadership typically involves communicating with and listening to those inside the organisation with the aim of spreading knowledge, creating and innovating new areas and solutions to problems (Lynch, 2009).

Over the years, a number of empirical studies have been conducted on strategic leadership. Kitonga, Bichanga & Muema, (2016) sought to examine the link between strategic leadership practices and organisational performance in not-for-profit organisations. The study used both explanatory and descriptive survey research designs aimed at establishing causal relationship between strategic leadership and organisational performance. The findings showed that if not-for-profit leaders use well the strategic leadership, they are likely to improve their organisational performance significantly. This
implies that leadership plays a crucial role in the achievement of organisational goals through effective strategy implementation.

Rahman et al., (2018) studied the impact of strategic leadership on operational strategy and organisational performance of the automobile industry in Malaysia using self-administered questionnaire survey distributed to selected senior executives, chief executive officers and members of the senior executive group. The study revealed a direct and positive relationship between strategic leadership operational excellence, strategic orientation and business performance. The study also proposed that strategic competitiveness would give companies an advantage to survive in an uncertain and turbulent era by formulating and executing their strategies successfully.

A study by Mui, Basit and Hassan, (2018) aimed at establishing the impact of strategic leadership on organisational performance on small and medium enterprises (SMEs) in Malaysia with a theoretical framework having five major independent variables that included leadership vision, strategic direction, core competencies, developing people and innovation capability and dependent variable: organisational performance. The primary data was collected from the top management using convenience sampling via questionnaire design in a sample size of 100 respondents who were directors, CEO, managers and top executives. The findings indicated that leadership vision, strategic direction, core competencies had insignificant positive impact on organisational performance and developing people have insignificant negative impact on organisational performance. Although this finding is inconsistent with other previous studies, the impact of leadership on strategy implementation cannot be overemphasised.

**Strategy implementation**

The success of an organisation in terms of its overall performance is determined to a large extent by how its strategy implementation is undertaken. Strategy implementation is a connecting loop between formulation and control (Ouma&Gichinga, 2017). In other words, strategy implementation can be defined as a dynamic, iterative and complex process, which is comprised of a series of decisions and activities by managers and employees – affected by a number of interrelated internal and external factors – to turn strategic plans into reality in order to achieve strategic objectives (Lil, Guohuil &Eppler, 2008).Strategy implementation is the practice of putting strategies as well as policies into action during the development of programs, budgets and procedures (Bradford et al., 2000).

Strategy implementation is a more complicated and time taking part of strategic management (Thompson, Strickland & Gamble, 2010; Schaap, 2006). Strategy implementation is the third stage of strategic management. According to Pearce and Robinson(2011), this phase can only shift into a phase of translation of thoughts into organisational actions once strategies have been discussed and objectives set (strategy implementation), and to do this, is the priority of the top management to convert these strategies into effective action plans (Chapman, 2004).

Strategy implementation is the amplification and understanding of a new strategy within an organisation (Mintzeberg, 2014). Strategy implementation is concerned with the translation of strategy into organisation action through appropriate structure and design, resource planning and the management of strategic change (Johnson &Scholes, 2002).

**Empirical review**

**Leadership competence and strategy implementation**

Leadership competencies are leadership skills and behaviours that contribute to superior performance (Society for Human Resource Management (SHRM), 2008). Leadership competencies can be described variously. Njeri and Rugami(2017) described it as the skills or abilities and behaviours that can enable the leader to achieve superior performance. Competence consists of knowledge, skills, attitudes, experiences and contacts that enable good performance in a certain situation (Sydänmaanlakka, 2003). These competencies support leaders in their endeavour to manage and steer organisations to achieve their objectives. They enable leaders to act quickly and make timely decisions. Leadership competencies are grouped in six clusters which are professional, interpersonal, efficiency, leadership, wellness and self-confidence competencies (Sydänmaanlakka, 2003). Leadership competencies are the knowledge, skills, abilities, and attributes that leaders need to possess and demonstrate in order to perform their roles and jobs competently (Das, Kumar & Kumar, 2011).
Daset al. (2011) conducted a study that sought to identify the specific leadership competencies required for implementing Total Quality Management (TQM) and also examined the influence of leadership competencies for implementing individual TQM principles as well as examine the relationship of the TQM implementation principles with TQM outcomes among the Thai manufacturing companies with different levels of leadership competencies. Using data from 265 ISO 9000-certified companies, the study confirmed the necessity for top management to perform as leaders for implementing TQM. That companies with high leadership competencies execute each of the nine TQM principles more effectively. It also found that the relationships of TQM implementation constructs and the outcome construct (product quality) differ based on different contexts of leadership competencies.

Pidgeon, (2017) states that if the leadership skills or competency of the leader is not adequate, then the manager role of the subordinate may not be optimal. In other words, the extent of the subordinate’s performance is determined by the level of leadership competence the leader possesses. There are various competencies and styles of leadership which may contribute to the success or failure of any programme (Pidgeon, 2017). An organisation or programme ought to recruit or develop leaders with adequate competencies if it is to deliver to the expectation of stakeholders. Over time, many of the competencies can be achieved by various activities, such as organising and facilitating meetings, networking, developing performance improvement tools, communication, and drafting policies, procedures, and guidelines (Kroelinger, Kasehagen, Barradas & Ali, 2012).

Irtatimeh(2018) conducted a study to explore the impact of Strategic leadership competencies dimensions on core competency in AlManaseer Group for Industrial and Trading. Employing a questionnaire to collect data from 180 leaders, the study revealed that there was a statistically significant impact of Strategic leadership competencies with its dimensions on core competency. It recommended that it is necessary for the company to evaluate the core competencies; periodically and continuously in order to rebuild the critical resources which are the pillars of core competencies and in line with the requirements and conditions of strategic thinking and leadership competencies. Al-Zoubi (2012) examined the impact of leadership competencies on competitive advantage in the Jordanian telecommunications industry. Questionnaires were administered on the middle line departments’ managers, supervisors and team leaders. The study indicated that leadership competences had a significant impact on competitive advantage on the Jordanian telecommunication companies as well as existence of relationship between leadership competences and competitive advantage.

**Leadership communication and strategy implementation**

For an organisation to achieve its objective in terms of strategic vision, it must ensure that communication and feedback system are effective. To this extent, communication can be defined as “the process by which an idea is transferred from a source to a receiver with the intention of changing his or her behaviour” (Rogers & Agarwala-Rogers, 1976, p. 9). This is especially critical in a world characterised by frequent changes in technology, customer preferences, legislation and competitive pressure. Therefore, the rapid and frequent environmental change makes it virtually impossible to predict the future and develop a “perfect” strategy, incorporating voices and feedback from lower level employees in the process of implementation (Detert & Burris, 2007; Milliken, Schipani, Bishara, & Prado, 2015; Shimizu & Hitt, 2004; Sull, 2007). This requires a seamless and effective communication mechanism.

For strategy implementation, two types of communication are important. First, communication by top managers plays a key role in sharing organisational values, goals, and strategic objectives among organisational members (Shimizu, 2017). Without effective communication, strategy implementation is therefore likely to fail (Lovas & Ghoshal, 2000; Oswald et al., 1994). Second, communication by lower level organisational members with upper managers is crucial for strategy implementation as a way in which to generate feedback and improve ideas in the implementation process (Shimizu & Hitt, 2004; Sull, 2007).

Peng and Litteljohn(2001) examined the relationship between organisational communication and strategy implementation in three hotel chains, all UK PLCs with diversified business portfolios, and which were in the process of implementing a strategic initiative. The findings show that effective communication is a primary requirement of effective implementation but concluded that it does not
guarantee the effectiveness of implementation. This study is consistent with the literature that reveals the importance of communication for strategy implementation process knowledge (Alexander, 1989; Li Guohui & Eppler, 2008). A study by Alharthy, Rashid, Pagliari and Khan, (2017) found out that communication was among the factors that affect strategy implementation.

Appropriate channels, modes and means of communication should be developed and adopted by organisations because, without it, miscommunication or lack of it may breakdown organisation. Leaders should find more precise and efficient ways to present change to employees and be able to describe the appropriate communication channels to use (Njeri and Rugami, 2017). Poor communication which may be in the form of gossip, grapevine undermines chances of success. An agile, purposeful organisation with competent leaders should choose appropriate media and to begin to communicate at an early stage in the strategy implementation process to avoid misunderstandings (Mapetere, Mavhiki, Nyamwana, Sikonwe, & Mhonde, 2012).

Staff involvement and strategy implementation

Employees are central to organisational success in terms of strategy implementation. For this reason, they need to be involved (engaged) in the organisation activities and process. Employees are the lifeblood of an organisation because they are one of the pillars that help such an organisation business succeed (TMH Business Coaching, n.d). Employee engagement is the emotional and intellectual connection which an employee has with their employer and their job, and this increases emotional attachment to the organisation, increases emotional attachment to the role, increases intellectual attachment to the organisation and increases intellectual attachment to the role (Wright, 2019). Because of this wholesome attachment, employees feel a sense of belonging that will unleash their unreserved portfolio of energy and expertise. Generally, employee engagement has become a top business priority for senior executives, although most executives see a clear need to improve employee engagement. The basic needs of satisfaction have been found to directly relate to dedication of employees (Vandenabeele, 2014).

A report by the Harvard Business Review Analytic Services on more than 550 executives around employee engagement indicated that most leaders understand the importance of engagement, but majority of respondents said that most employees in their organisations are not highly engaged (HBR, 2013). There was a reported significant gap between the views of executive managers and middle. Another study was conducted by Maas (2015) on employees’ involvement in strategy implementation. The study revealed that middle level management and key lower level employees need to be involved during strategy formulation as well as its execution. Failure to involve key employees was found to lead to implementation failure. As stated by (Bolman & Deal, 2014), there is need for autonomy, intrinsic rewards, and influence are required to achieve employee engagement.

Organisations that have highly engaged employees have greater profits than those that do not (SHRM, 2014). Organisations with highly engaged employees experience increased customer satisfaction, profits, and employee productivity (Almeftolu, Harding, Akhtar, & Chamorro-Premuzic, 2015; Carter, 2015; Cooper-Thomas et al., 2014; Vandenabeele, 2014). Significantly, successful strategy formulation and implementation require the involvement and commitment of managers and employees on all levels, but importantly, employees because at the end, employees are to ones who have to execute the strategy.

Monitoring and evaluation and strategy implementation

Monitoring and evaluation (M&E) play an important function in delivery of a project or organisation strategy. A study by Callistus and Clinton(2018) revealed that monitoring and evaluation is the only project activity which begins with the initiation of the project until project closure, and therefore monitoring and evaluation is an inseparable management function (Tache, 2011). M&E have distinct functions and roles they play in the life cycle of project delivery, yet complementary. Monitoring gives information on the progress of work at any given time (and overtime) relative to the planned or desired targets and outcomes, which is descriptive in intent (Kusek and Rist, 2004). Evaluation, on the other hand, gives evidence of the extent to which targets and outcomes are being achieved and it mainly seeks to address issues of causality. Kusek and Rist, (2004) further explained that evaluation is a complement
to monitoring in that when a monitoring system sends signals that the efforts are going off track, then good evaluative information can help address the major issues causing the delays.

M&E is a critical activity because it affects project performance positively by predicting the level of success (Tengan & Aigbavboa, 2018). As part of strategy implementation, it is critical that organisational leaders develop a reliable and objective M&E framework. In essence, M&E is concerned with ensuring that planned activities, resources, project elements and components are coordinated effectively and efficiently as planned (Otieno, 2000; Tengan & Aigbavboa, 2016). A study conducted by (Njeru & Luketero, 2018) to determine the influence of skills of monitoring and evaluation team on performance of medical camp projects in hospitals in Kenya revealed that monitoring and evaluation skills influenced performance at a very great extent.

Tengan, Aigbavboa, Guribie and Annor-Asubonteng (2019) conducted a study to analyse the outcome features of effective monitoring and evaluation in construction projects delivery. The study that employed questionnaires administered to 230 participants in local authorities in Ghana discovered that value for money, successful project closure, end-user satisfaction, timely completion of projects and fitness for purpose. Similarly, the study revealed that the three principal monitoring and evaluation outcome features were performance, satisfaction and value outcome. To strategy implementation, this implies that to get desired outcome, action needs to be taken in a timely manner in order to remedy any snag or inaction.

In practical terms, monitoring and evaluating the planning activities and status of implementation of the plan is paramount for any organisation. The process should take into account efforts in identifying strategic issues and goals. M&E ensures that an organisation follows the direction established during strategic planning.

**Theoretical review**

**Strategic leadership theory**

This study was guided by strategic leadership theory which contends that the top leadership determine and influence strategic decisions that have significant impact on effective strategy implementation. Applying this theory, it means that leaders at the strategic level have to develop awareness and knowledge, the capability to think outside the box and must be able to connect and create ideas (Goldman, Scott & Follman, 2012).

The theory posits that strategic leadership is the ability of someone to anticipate, make vision, maintain flexibility, think strategically and work together with other people to start a change which can bring a better future to the organisation (Gusmão, Christiananta &Ellitan, 2018). Gusmão et al. (2018) posit that strategic leadership has six components - determining strategic direction, exploiting and maintaining core competencies, developing human capital, sustaining an effective corporate culture, emphasising ethical practices, and establishing strategic control.

According to Carter and Greer (2013), much of the studies in this area revolved around transactional, transformational and charismatic leadership, and only recently is attention shifting to servant, authentic, and responsible leadership. To this extent, a paucity of studies has been conducted in strategic leadership and more so on the relationship of strategic leadership with organisational performance (Carter &Greer, 2013). Strategic leadership therefore requires expertise in managing many aspects of an organisation. Some aspects of strategic leadership include internal and external business environment, engage in a complex information processing (Debone & Ariratana, 2014). The extent of expertise in balancing the environment while taking into consideration available resources is the hallmark of strategic leadership. Many leaders who lead their organisations successfully use strategic leadership (Deboonmee &Ariratana, 2014).

Evolving leadership theories typically focus on the charismatic, transformational and visionary leadership and consider the interpersonal processes and relationships that exist between the leader and the follower (Boal &Hooijberg, 2000). In this regard, other scholars like (Hitt Ireland &Hoskisson, 2013) consider transformational leadership as the most effective strategic leadership style, which entails motivating followers to exceed expectations, continuously enriching their capabilities and placing the organisation’s interest above their own. To this extent, it can be concluded that transformational leaders
develop and communicate a vision and formulate strategies to achieve the vision by continuously encouraging followers to strive for higher levels of achievement (Hitt et al., 2013).

Özera and Tinaztepe (2014) posit that transformational leadership emphasises inspiration, motivation, challenge, vision, personal development and superior performance by followers. From available studies, evidence suggests that transformational leadership is effective, and is positively related to subordinate satisfaction, motivation, and performance (Bass & Steidlmeier, 1999). Transformational leadership is a significant aspect because it emphasises the importance of followers in the leadership equation simply because it goes beyond traditional transactional models, and also broadens leadership to consider a focus on follower development (Northouse, 2001).

Methodology

The study was carried out using descriptive research design because it was concerned with learning how one variable produced changes in another and essentially tried to explain the causal relationships amongst variables (Cooper and Schindler, 2014). While experimental study seeks to establish causality, descriptive study aims to establish relationship between variables without seeking to establish causality. And this was the main reason behind selection of descriptive design. The research adopted the survey approach for data collection using a self-administered questionnaire. The unit of analysis was employees of FUFA.

Target respondents for this study were 48 employees (consisting of senior management, supervisors and lower level staff). FUFA has a programme that engages interns on who work on voluntary basis and form part of the larger group of employees. However, for this study, this group were excluded because they do not form part of the full and core employee body. Of the employee included in the questionnaire distributed, 45 returned valid questionnaires representing 94 per cent response rate. Sampling was considered inappropriate due to smallness of the population and therefore the research approach adopted was a census to cover all the elements in the target population. This is consistent with the work of Cooper and Schindler (2014), who state two conditions to be considered before use of census population. First, confirm that it is feasible when the population is small and secondly, that it is necessary when the elements are quite different from each other. In this case, the composition of the respondents (senior management, supervisors and lower level staff) justify use of census population and therefore the population of 45 confirms that a census is feasible. The composition of the respondents in terms of diversity means that accurate sampling is difficult and any resulting values calculated as a sample would be incorrect estimates of the population values (Cooper & Schindler, 2014). As was the case from similar studies (Fourie, 2007; Serfontein, 2010), response rates are usually low. To avoid such effects, it was important to enhance the chances of the data being of sufficient quantity and quality by carrying out a census as opposed to a sample population. In addition, the study used a structured self-administered questionnaire, distributed by email to the respondents via their individual email accounts.

Measurement

In order to measure variables in this study, a structured survey was used where the questionnaire comprised different sections. Section A solicited information about the respondent’s demographic profile. The other variables strategic leadership dimensions (leadership competence, leadership communication, employee involvement, monitoring and evaluation) and effective strategy implementation were measured using five Likert scale (1=Strongly Disagree to 5=Strongly Agree); (Wendy, 2012); (Mintzberg, 2004) which measured the degree to which the respondents agree or disagree with each of the statements. The questions for strategic leadership behaviours was adapted from the previous works by (Bass and Avolio, 1992) and (House, 1998). For effective strategy implementation, the measure was adapted from (Mintzberg, 2004).

Techniques for data analysis

The data presented in this study were analysed using sets of techniques. The descriptive analysis was used to summarise the respondents’ demographic profile. A correlation analysis technique was used to assist in checking interrelationship between variables and their direction of their relationship.
Research findings
Descriptive statistics
Demographic data
Demographic data examined included gender distribution of the respondents, level of education, management level and years worked at FUFA as described in the next section.

Gender distribution of respondents
The majority of respondents in this study were male, 69 per cent and female, 31 per cent. This implies that most of employees at FUFA are males as illustrated in Figure 2 below.

![Figure 1. Gender distribution](image1)

Source. Researcher’s calculation based on primary data.

Level of education of respondents
As illustrated in Figure 3 below, 69 per cent of participants possess a Bachelors/undergraduate degree, while 29 per cent have Masters or Postgraduate qualification with only 2 per cent having other qualifications (like Certified Public Accountants). This therefore means that the majority of employees at FUFA have a first degree (undergraduate) as a minimum qualification.

![Figure 2. Level of education](image2)

Source. Researcher’s calculation based on primary data.
Management level of respondents

Regarding the level of management at FUFA, 47 per cent of respondents were lower level management, 38 per cent were in supervisory positions and 15 per cent were in senior management. Overall, this means that the majority of employees at FUFA are lower level management (47%).

![Pie chart showing management levels at FUFA](image)

**Figure 3.** Management level

**Source.** Researcher’s calculation based on primary data.

Level of service of respondents

Of the respondents, 64.4 per cent have worked at FUFA for between 4 to 7 years and 35.6 per cent have worked for less than 3 years. This means that the majority of employees at FUFA have worked there for between 4 to 7 years. The breakdown of the number of years’ employees have worked at FUFA is illustrated in table below.

<table>
<thead>
<tr>
<th>Years at FUFA</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;3 years</td>
<td>16</td>
<td>35.6</td>
<td>35.6</td>
<td>35.6</td>
</tr>
<tr>
<td>4 - 7 years</td>
<td>29</td>
<td>64.4</td>
<td>64.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>45</td>
<td>100.0</td>
<td>100.0</td>
<td>-</td>
</tr>
</tbody>
</table>

**Source.** Researcher’s calculation based on primary data.

Inferential statistics

The study investigated the relationship between leadership competence, leadership communication, staff involvement, monitoring and evaluation and strategy implementation. In the next section, detailed explanation of each predictor item is made.

Correlation analysis

Correlation analysis for the variables was conducted as illustrated in Table below. The results indicated a positive and significant relationship between leadership competence and strategy implementation characterised by a moderately strong correlation between the two variables ($r=0.557$, $p=0.000$). Similarly, the results indicated a positive and significant relationship between leadership communication and strategy implementation with fairly moderately correlation between the two variables ($r=0.492$, $p=0.001$). The results also indicated a positive and an insignificant relationship between staff involvement and strategy implementation with weak correlation ($r=0.066$, $p=0.667$).
Finally, the results indicated a positive and an insignificant relationship between monitoring and evaluation and strategy implementation characterised by weak correlation (r=0.134, p=0.379).

**Table 2. Correlation matrix**

<table>
<thead>
<tr>
<th>Correlations</th>
<th>STRIMP</th>
<th>LDRCOMP</th>
<th>LDRCOMM</th>
<th>EMPLOINV</th>
<th>MONEVA</th>
</tr>
</thead>
<tbody>
<tr>
<td>STRIMP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td></td>
<td>557**</td>
<td>492**</td>
<td>066</td>
<td>134</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>000</td>
<td>001</td>
<td>667</td>
<td>379</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td></td>
</tr>
<tr>
<td>LDRCOMP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>557**</td>
<td></td>
<td>989**</td>
<td>769**</td>
<td>885**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>000</td>
<td>000</td>
<td>000</td>
<td>000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td></td>
</tr>
<tr>
<td>LDRCOMM</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>492**</td>
<td>989**</td>
<td></td>
<td>848**</td>
<td>929**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>001</td>
<td>000</td>
<td>000</td>
<td>000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td></td>
</tr>
<tr>
<td>EMPLOINV</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>066</td>
<td>769**</td>
<td>848**</td>
<td></td>
<td>946**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>667</td>
<td>000</td>
<td>000</td>
<td>000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td></td>
</tr>
<tr>
<td>MONEVA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>134</td>
<td>885**</td>
<td>929**</td>
<td>946**</td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>379</td>
<td>000</td>
<td>000</td>
<td>000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td></td>
</tr>
</tbody>
</table>

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

**Source.** Researcher’s calculation based on primary data.

**Regression analysis**

Table 3 below shows the overall model fitness in explaining variables under study. Dimensions of strategic leadership (leadership competence, employee involvement, monitoring and evaluation) adequately predicted changes in strategy implementation as evidenced by a coefficient of determination (R square) of 0.996. This means that 99.6% of variance in strategy implementation can be predicted from the variable’s leadership competence, employee involvement and monitoring and evaluation (dimensions of strategic leadership). Leadership communication has been excluded by the model. The R-Square is an overall measure of the strength of association, not extent to which a particular independent variable is associated with the dependent variable.

**Table 3. Model summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.998a</td>
<td>0.996</td>
<td>0.996</td>
<td>0.08274</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), MONEVA, LDRCOMP, EMPLOINV

**Source.** Researcher’s calculation based on primary data.

As illustrated in Table 4 below, the analysis of variance (ANOVA) results indicate that the overall model was statistically significant. The p-value (p=0.000) when compared to the alpha level (p=0.05) is smaller implying that the independent variables (leadership competence, employment involvement, monitoring and evaluation) reliably predict the dependent variable (strategy implementation). This is supported by the F statistic for the ANOVA which is 3.247.841 implying that it meets the criterion for significant value.
Table 4. Analysis of variance

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>66.697</td>
<td>3</td>
<td>22.232</td>
<td>3247.841</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>281</td>
<td>41</td>
<td>007</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>66.978</td>
<td>44</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: STRIMP
b. Predictors: (Constant), MONEVA, LDRCOMP, EMPLOINV

Source. Researcher’s calculation based on primary data.

Table 5. Regression of coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>95.0% Confidence Interval for B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td>Lower Bound</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>-2.346</td>
<td>266</td>
<td></td>
<td>-8.819</td>
</tr>
<tr>
<td></td>
<td>LDRCOMP</td>
<td>1.417</td>
<td>015</td>
<td>1.848</td>
<td>96.034</td>
</tr>
<tr>
<td></td>
<td>EMPLOINV</td>
<td>064</td>
<td>006</td>
<td>325</td>
<td>10.010</td>
</tr>
<tr>
<td></td>
<td>MONEVA</td>
<td>-614</td>
<td>014</td>
<td>-1.718</td>
<td>-43.098</td>
</tr>
</tbody>
</table>

a. Dependent Variable: STRIMP

Source. Researcher’s calculation based on primary data.

Table 6. Excluded variables

<table>
<thead>
<tr>
<th>Model</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
<th>Partial Correlation</th>
<th>Collinearity Statistics</th>
<th>Minimum Tolerance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In</td>
<td></td>
<td></td>
<td></td>
<td>Tolerance</td>
<td>VIF</td>
</tr>
<tr>
<td>1</td>
<td>LDRCOMP</td>
<td>6.512b</td>
<td>1.000</td>
<td>9.882E-005</td>
<td>10119.366</td>
<td>9.882E-005</td>
</tr>
</tbody>
</table>

a. Dependent Variable: STRIMP
b. Predictors in the Model: (Constant), MONEVA, LDRCOMP, EMPLOINV

Source. Researcher’s calculation based on primary data.

Discussion and conclusion

As hypothesised, it was found that there was a positive and significant relationship between Leadership competence and strategy implementation although characterised by moderate correlation coefficient. It can be said that at FUFA, leadership competence satisfactorily explained strategy implementation. The finding is consistent with the work of Pidgeon (2017) who found that if the leadership skills or competency of the leader is not adequate, then the manager role of the subordinate may not be optimal, and the extent of the subordinate’s performance is determined by the level of
leadership competence the leader possesses. Various competencies and styles of leadership may contribute to the success or failure of any programme (Pidgeon, 2017).

Similarly, a positive and significant relationship was found between leadership communication and strategy implementation characterised by relatively moderate correlation. However, regression analysis revealed that leadership communication is not particularly useful in strategy implementation in FUFA as it excluded it from the model analysis. The model summary indicated through R-Square that 99.6% of changes in strategy implementation can be explained by leadership competence, employee involvement, monitoring and evaluation. This is not consistent with the work of Shimizu (2017) who found that communication by top managers plays a key role in sharing organisational values, goals, and strategic objectives among organisational members, and communication by lower level organisational members with upper managers is crucial for strategy implementation as a way in which to generate feedback and improve ideas in the implementation process (Shimizu & Hitt, 2004; Sull, 2007). Peng and Litteljohn (2001) showed that effective communication is a primary requirement of effective strategy implementation and communication is among the factors that affect strategy implementation (Alharthy et al., 2017).

The results also revealed a positive and an insignificant relationship between Staff involvement and strategy implementation characterised by weak correlation coefficient. According to correlation analysis, employee involvement did not adequately predict strategy implementation as indicated by an insignificant positive relationship. This is explained by a marginal value of unstandardised coefficient (0.064).

From correlation analysis, a positive and an insignificant positive relationship was found between monitoring and evaluation and strategy implementation characterised by weak but positive correlation. However, regression analysis showed relationship confirmed by a negative unstandardized coefficient (-0.614). This finding is not consistent with the works of Njeru and Luketero (2018) and Tengan et al. (2019) who found that monitoring and evaluation influence performance of medical camp and in construction projects delivery respectively.

**Recommendations**

The study recommends that management at FUFA should maintain and prioritise the level of leadership competence and employee involvement because they are key in achieving strategy implementation. Leadership competence is critical because it provides stewardship role in strategy implementation. The study also recommends that although employee involvement is important (positive), it is not significant in strategy implementation as it has a positive but weak correlation. The study also recommends that monitoring and evaluation is important but insignificant in strategy implementation as it has a weak correlation. The study recommends little or no employee involvement because the more employees are involved, the more it reduces unit contribution to strategy implementation.

The study also recommends that leadership communication is not useful variable in achieving strategy implementation as the model used in this study excluded it from the analysis. It was found that leadership communication did not predict changes in strategy implementation.

The area of this research was restricted to internal stakeholder dimensions - leadership competence, leadership communication, employee involvement and monitoring and evaluation. However, FUFA has many stakeholders like government, sponsors, Football clubs, fans (spectators). It is recommended that research should include these key stakeholders. In addition, variables studied function with a certain organisational culture and structure. It is recommended that research should include these variables because they affect strategy implementation in general.

**References**


How Do Professional Skills Compare to Employee Behaviour in Influencing the Choice of Hospital by Patients in North -West Region of Nigeria?

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Ministry of Health, Hail, Kingdom of Saudi Arabia
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Abstract

The purpose of the study is to examine the roles of the Business environment (professional skills) and Business etiquette (employee behaviour) in influencing the achievement of organizational goals (health improvement, patient satisfaction and demand for hospital services) in the North West region of Nigeria. Organizational success depends to a large extent on the strengths of its business environment, the codes of behaviour that guide its actions and the effectiveness of its management decisions. This study tried to understand what exerts the most influence between professional skills and employee behaviour when patients decide to visit a hospital in the North West region of Nigeria.

Online and paper-based survey questionnaire were used to collect data. All individuals (consumers of hospital services) living within the North West region of Nigeria were invited to join the survey. Out of the 300 responses analysed 147 were from online survey and 153 from paper-based questionnaire which were completed and returned directly or through email. The largest number of participants in the survey (34.9%) is between the ages of 35 – 44 years old followed by those between the ages of 25 – 34 years old (31.9%).

The results have confirmed that professional skill of employees is the main influence to choice of hospital in that region of Nigeria. It has also been confirmed that most of the patients are satisfied with the services rendered to them in the hospitals.

Keywords: etiquette, skills, behaviour, hospital, choice, patients

Introduction

The business environment has been defined as all the factors that have influence on the business (BE notes, 2018; Worthinton & Britton, 2006). If the environment is favourable the business prospers and vice versa. This means a business organisation depends on its environment to succeed. The environment not only provides resources for the day to day activities of a business organisation it also provides the opportunity to sell the products or services the organisation is producing.

Business Etiquette is expected behaviours for individuals within a group, society or an organisation (Etiqu notes, 2018; Fox, 2008). Business etiquette is related to organisational culture or norms as well as what the society accepts as right or wrong behaviour. Etiquette is a French word for code of behaviour and it defines the expectations for behaviour within a certain group or organisation (Etiqu notes, 2018; Fox, 2018).

Organizational success depends to a large extent on the strengths of its business environment, the codes of behaviour that guide its actions and the effectiveness of its management decisions (Worthinton & Britton, 2006; Akram, Lei & Haider, 2016; Fox, 2008). The quality of services and products of a company is related to its business environment, its business etiquette as well as the effectiveness of its management decisions. Also quality is an influence of demand for services and products. The choice of hospital by patients is influenced by quality and studies have shown a positive association between quality and demand for hospital (Howard, 2005; Gutacker et al. 2016; Burns & Whooley, 1992). Hospitals compete for patients by raising the quality of their services and products (Gutacker et al. 2016; Hodgkin, 1996).

The purpose of this study is to understand what exerts the most influence between professional skills and employee behaviour when patients decide to visit a hospital in the North West region of Nigeria.
Nigeria. The study tried to answer following research question: In what ways and to what extent is the proportion of the number of patients who choose a hospital due to professional skills of its employees differ from that of those who choose a hospital due to its employee behaviour?

**Literature review**

**Critical evaluation of the business environment of business organizations**

A business organization has been defined as a group of individuals working together to achieve the ultimate goals of a business (Child, 2005; Worthington & Britton, 2006). The business organization is created with the main purpose of coordinating and motivating the activities of all the members of the group so as to meet the objectives of the company (Worthington & Britton, 2006). Also all business organizations have a similar feature of transforming inputs (resources) into outputs (goods or services) (Worthington & Britton, 2006). On the other hand, the business environment is made up of all those factors that have relevance on the business (Worthington & Britton, 2006). The success of the business firm is determined by the business environment because a favourable environment leads to growth and development while an unfavourable environment leads to destruction of the firm (Brooks & Weatherston, 2000).

The business environment is divided into the external and the internal environment (Worthington & Britton, 2006; Brooks, & Weatherston, 2000). The internal environment is broadly made up of two components: the strengths and the weaknesses of the organization. The strengths and weaknesses depend on the following factors: the value system; mission and objectives; organizational structure; corporate culture; quality of human resources; labour union; physical resources; and technological capabilities (Worthington & Britton, 2006). The external environment is however composed mainly of business opportunities and threats (Daniels, Radebough & Sullivan, 2004; Worthington & Britton, 2006). The internal and external environments are intricately interrelated and depend on each other. Also, the environment is volatile with sudden unexpected changes (Worthington & Britton, 2006) which could lead to changes in inputs, in the transformation process and in output as well as in other aspects of the organization’s business environment ([Daniels, Radebough & Sullivan, 2004; Worthington & Britton, 2006]). Factors such as the value system, set objectives of the company, quality of human resources and corporate culture that made up the internal environment have been found to influence success. The characteristic of human resources is critical for the success of the business because it contributes to the strengths and weaknesses of the organisation. Factors such as professional skills, commitment to achievement of organisational objectives and attitudes all influence the success of the business (Worthington & Britton, 2006). It has been shown that organisations that invest in professional skills and professional development of employees gain competitive advantage over their competitors (Worthington & Britton, 2006).

**Critical evaluations of the concepts, basic principles and importance of business etiquette**

Etiquette means code of behaviour therefore business etiquette is defined as the expected behaviours and expectations for people within an organisation, group or society (Etiqu notes, 2018; Fox, 2008; Ryabova, 2015). Etiquette is all about the norms of human conduct. It is how an employee is expected to relate to their colleagues and to their employer. Etiquette describes behaviours that lead to development of a happy work environment.

The importance of treating other people with respect and courtesy can never be overemphasised in today’s globalised world (Okoro, 2012). The behaviour of an individual as well as their appearance to others shows who they really are (Fox, 2008; Okoro, 2012). The way a person looks, talk, walk, sit, stand and eat describe their real nature as well as create an impression that others remember whenever the person is mentioned either in personal or professional life (Fox, 2008; Ryabova, 2015).

Business etiquette is about promoting relationships in business with co-workers as well as with outsiders. It helps the firm to achieve its business goals and foster good relationship among its workers (Okoro, 2012). Etiquette ensures that gender, race and sexual orientation issues are properly handled in the workplace as well as many other issues of co-interaction in business. An employee must have a mixture of intelligence and etiquette to make a good impression on customers as well as
business associates (Fox, 2008). Many employers consider an individual that interacts well with colleagues and clients as a better employee than that with professional qualifications and intelligence (Fox, 2018). Good manners at work such as courteous treatment of people, respecting others and being kind are important attributes that lead to success in business (Fox, 2008; Okoro, 2012).

An organisation with good strategic planning ensures good (professional) behaviour among its employees for this leads to achievement of organisational objectives. Lack of good character and behaviour makes an individual useless no matter their level of intelligence and experience. Business organisations have some set standards in behaviour that an employee or any representative of the company is expected to conform to. How an individual behaves in the board room or business parties is being observed by the stakeholders of the company and this may be used for or against the individual (Etiq notes, 2018). The workplace environment today requires that an employee should have good interpersonal relationships and communication to succeed in addition to their qualifications, experience, professional skills and good productivity (Etiq notes, 2018; Okoro, 2012).

Team work is necessary in the day to day activities of companies in order to achieve common goals therefore an employee must get along with their team or group and cooperate. Any employee that cannot cope with such arrangement of team work may end up out of the organization.

Below are important rules of business etiquette:

1. Introduction – nothing makes people feel valued than being introduced to others. It is highly recommended if there is a chance people should be introduced to each other (Fox, 2008).
2. Handshake shows politeness, openness and confidence as well as creates a professional relationship.
3. Saying ‘please’ and ‘thank you’ is courteous.
4. Interrupting others while they speak is not only rude but disrespectful and should be avoided.
5. Language should always be professional whether in verbal or written communication. Offensive language and slang should be avoided.
6. Double checking a written communication for errors, spelling, meaning and appropriate tone is vital before sending.
7. An unannounced intrusion into someone’s office is disrespectful.
8. Avoid workplace gossip for it damages reputation.
9. Avoid intrusion into the privacy of another people’s conversation.
10. Other people should be acknowledged not ignored even when busy.
11. Talking about politics and religion should be avoided at work place
12. Always be on time as this shows how you value another peoples time.
13. Phone calls should be avoided during meetings because other people attending the meeting may feel disrespected and it prolongs the meeting.
14. Business card should not be pushed to others but with their permission.
15. Listening attentively to others and keeping eye contact shows genuine interest to what they are saying. (Fox, 2008).

Critical evaluations of the relationship between business environment and business etiquette

The importance of the relationships between the business environment and business etiquette can never be overemphasized and is also well recognised. To start with business etiquette is one of the components of the internal business environment of the organization (Worthinton & Britton, 2006). Etiquette is one of the characteristics of human resource of the organization for it is all about the norms of human conduct and the behaviours that bring about a happy work environment. Organizations that achieve their goals and set objectives have been shown to have adapted to their business environment, take advantage of their strength and significantly improve their performances (Sharma, 2014; Razzak & Kellermann, 2012; Render, Stair & Hanna, 2012; Worthinton & Britton, 2006). These factors or attributes of a business organization translates into the quality of services and products it provides to the society and ultimately leads to high demand for these services or products by the consumers (Gutacker et al. 2016; Worthinton & Britton, 2006).
The business environment and business etiquette in the north west region of Nigeria

Many African countries are faced with a critical shortage of health workers (Olu-Abiodun & Abiodun, 2017). This is in part due to emigration to Europe, America as well as other regions of the world. This leads to challenges such as recruitment and retention problem of health workers, development of an unhealthy work environment and an unending demand for client-focused services (Olu-Abiodun & Abiodun, 2017). Previous studies have shown that successful healthcare organizations have effective leadership, provide high quality care leading to client satisfaction as well as improved health outcomes (Olu-Abiodun & Abiodun, 2017). These qualities are directly or indirectly related to the business environment and business etiquette. However, there is paucity of knowledge about the application of these subjects (as mentioned above) in the North West region of Nigeria.

Summaries of key influences on choice of hospital

The literature review has revealed the factors that influences demand for services from a specific hospital. These include

1. Customer satisfaction with services rendered due to the quality of human resources, technological capabilities, and efficient management process of the organization.
2. Good behaviour of employees of the organization.

Methodology

The research has selected survey research design for this project to seek answers to the research question. The study seeks to find out the influence of the business environment and business etiquette in decision making on the demand for hospital services from healthcare organizations within the North West region of Nigeria.

Online and paper-based survey questionnaire were used to collect data. The questionnaire with the same set of questions was provided to respondents. Simple questions that explored the personal opinions of respondents were used.

People living within the North West region of Nigeria were invited to join the survey without any sampling to ensure that a sample size with similar characteristics as the population was used. Complete anonymity was ensured in the data collection. All respondents were assured that their responses are confidential. Responses were collected continuously over a period of two weeks. The data collected was analysed. That is the information gathered through data collection was transformed into a format that simplifies it or makes sense out of it (Easterby-Smith, Thorpe & Jackson, 2012).

Results and discussion

Three hundred (300) people responded to the questionnaire legibly and these are mainly users of hospital services in the North West region of Nigeria. The responses were coded, and no participant names were included. Out of the 300 responses analysed 147 were from online survey and 153 from paper-based questionnaire which were completed and returned directly or through email. A total of 150 of the respondents were female while 149 were male only one prefers not to say their gender. Also 174 of the respondents were educated to the postgraduate level. And the largest number of participants in the survey (34.9%) is between the ages of 35 – 44 years old followed those between the ages of 25 – 34 years old (31.9%).

The results will be discussed in the following format: Customer satisfaction with the services rendered; employee behaviour; comparing the main influences to choice of hospital in North West region of Nigeria.

Table 1.1

Figure 1

Customer satisfaction with the services rendered by the hospitals

The research results have shown that customers (patients) of hospitals are satisfied with the services they are provided by hospitals in the North West region of Nigeria. This is probably related to the quality of services they receive since it has been shown that successful healthcare organizations
provide high quality care leading to client satisfaction as well as improved health outcomes (Olu-
Abiodun & Abiodun, 2017). However, it could also be due to lack better options as well as to the
monopoly of government hospitals over private hospital in terms of human resources, technological
capability and cost of services. Poverty may also be a reason why many people cannot afford to go to
private hospitals so will have to be contented with what the public hospitals offer them.

**Good behaviour shown by employees of the organization**

Respondents have confirmed their expectations in terms of the behaviours of employees of
hospitals towards them (patients/clients). The greater majority of the respondents expect hospital
employees to receive them with a smiling face while some expect a form of introduction and greetings
as well as saying ‘please’ and ‘thank you’ whenever they interact with the hospital employees. As
have been explored in the literature review good (professional) behaviour among employees leads to
achievement of organisational objectives. On the other hand, lack of good character and behaviour
makes an individual employee useless no matter their level of intelligence and experience. The
respondents have also shown in the results of this research that bad behaviour is generally disliked by
clients.

Table 1.2
Table 1.3

**Comparing the main influences to choice of hospital in north west region of Nigeria**

The respondents were almost unanimous (67%) in indicating professional skills of employees as
their main influence to choosing a hospital to visit for healthcare services. Although some showed that
their main influence is employee behaviour however the proportion of such group of clients is far
below that of those influenced by professional (clinical) skills. This has answered the research
question which seeks to understand in what ways and to what extent is the proportion of the number
of patients that choose a hospital due to professional skills of its employees differ from the proportion
of those that choose due to employee behaviour in North West region of Nigeria? To a large extent
the proportion of the number of patients that choose a hospital due to professional skills is different to
that of those who choose due to employee behaviour in terms of its quantity.

As surprising as this result may seem it could also be related to the monopoly of public hospitals in
owning the best quality human resources as well as technological capability making public hospitals
synonymous to good results in terms of health outcomes. Private hospitals can’t compare with public
hospitals even if they have good behaved employees because of the above reasons.

Table 1.4
Figure 2

**Conclusion and recommendations**

**Summary of the findings**

The study investigated how professional skills compare to employee behaviour in influencing the
choice of hospital by patients in the North West region of Nigeria. This investigation was achieved
through seeking an answer to the following question:

‘In what ways and to what extent is the proportion of the number of patients that choose a hospital
due to professional skills of its employees differ from the proportion of those that choose due to
employee behaviour in North West region of Nigeria?’

The literature review and the analysis of the research results have answered the question above.
The results have confirmed that professional skill of employees is the main influence to choice of
hospital in that region of Nigeria. It has also been confirmed that most of the patients are satisfied
with the services rendered to them in the hospitals.

The implication for management however is that the hospitals still need to take action to improve
quality of care through maintaining high standards in quality of human resources as well as improving
employee behaviour through ensuring the availability of code of behaviour for its employees. Also
management of organizations should make effort to adapt their organizations to the business
environment, take advantage of their strengths, improve business etiquette, use scientific approach in
decision making so that management processes are more efficient and significantly improve their performances.

**Recommendations**

In the future further research in focus area could be conducted especially with a focus on the management and employees of hospitals within the same region as this may give another perspective to the business environment, business etiquette and the use of quantitative techniques in management of these hospitals.

**Tables and figures legend**

**Table 1.1 Overview of the results.** Patients’ satisfaction with services of hospitals in north west region of Nigeria.

<table>
<thead>
<tr>
<th>Level of Satisfaction</th>
<th>Very dissatisfied</th>
<th>Dissatisfied</th>
<th>Satisfied</th>
<th>Very satisfied</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of patients</td>
<td>10</td>
<td>96</td>
<td>188</td>
<td>6</td>
<td>300</td>
</tr>
<tr>
<td>%</td>
<td>3.3</td>
<td>32.0</td>
<td>62.7</td>
<td>2.0</td>
<td>100</td>
</tr>
</tbody>
</table>

**Interpretation**

- Few patients
- Many patients
- Most of the patients
- Few patients

**Implication**

- Important
- Very important
- Important
- Important

**Recommendation**

- Action required
- Action required
- No action required
- No action required

**Figure 1**

**Table 1.2 Overview of the results.** Good behaviour shown by employees as expected by clients (patients) of hospitals in north west region of Nigeria

<table>
<thead>
<tr>
<th>Issue code</th>
<th>Behaviour</th>
<th>x</th>
<th>%</th>
<th>Interpretation</th>
<th>Implication</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>Introduction &amp; greetings</td>
<td>29</td>
<td>9.67</td>
<td>Frequently expected</td>
<td>Important</td>
<td>Some action required</td>
</tr>
<tr>
<td>A2</td>
<td>Smiling face</td>
<td>241</td>
<td>80.33</td>
<td>Mostly expected</td>
<td>Very important</td>
<td>Action required</td>
</tr>
<tr>
<td>A3</td>
<td>Warm handshake</td>
<td>10</td>
<td>3.33</td>
<td>Not expected</td>
<td>Not important</td>
<td>No action required</td>
</tr>
<tr>
<td>A4</td>
<td>Saying 'please' &amp; 'thank you'</td>
<td>20</td>
<td>6.67</td>
<td>Frequently expected</td>
<td>Important</td>
<td>Some action required</td>
</tr>
</tbody>
</table>
| **Total**  |           | 300 | 100

Key x = number of clients that expects the good behaviour from hospital employees.
Table 1.3 Overview of the results. Behaviour of hospital employees disliked by Clients (patients) in the north west region of Nigeria

<table>
<thead>
<tr>
<th>Issue code</th>
<th>Behaviour</th>
<th>x</th>
<th>n</th>
<th>%</th>
<th>Interpretation</th>
<th>Implication</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>B1</td>
<td>Interrupts when client is speaking</td>
<td>192</td>
<td>300</td>
<td>64</td>
<td>Disliked by most</td>
<td>Very important</td>
<td>Action required</td>
</tr>
<tr>
<td>B2</td>
<td>Show lack of interest</td>
<td>151</td>
<td>300</td>
<td>50.33</td>
<td>Disliked by many</td>
<td>Important</td>
<td>Action required</td>
</tr>
</tbody>
</table>

Key x = number of clients who disliked a behaviour of the hospital employees  
n = total number of respondents

Table 1.4 Overview of the results. Comparing the main influences to choose a hospital by clients (patients) in the north west region of Nigeria

<table>
<thead>
<tr>
<th>Influences</th>
<th>x</th>
<th>%</th>
<th>Interpretation</th>
<th>Implication</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional skills</td>
<td>201</td>
<td>67.00</td>
<td>Main influence</td>
<td>Very important</td>
<td>Action required</td>
</tr>
<tr>
<td>Employees behaviour</td>
<td>56</td>
<td>18.67</td>
<td>Frequently influence</td>
<td>Important</td>
<td>Action required</td>
</tr>
<tr>
<td>Other reasons</td>
<td>43</td>
<td>14.33</td>
<td>Weak influence</td>
<td>May be important</td>
<td>No action required</td>
</tr>
<tr>
<td>Total</td>
<td>300</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key x = number of patients influenced by the factor

Figure 2

References


The Effects of Delays in Reimbursement of Claims by National Health Insurance Authority on Financial Management of Health Care Facilities in Brong Ahafo Region of Ghana

Article by Nestor Naabulee Nasage¹, Michael Adusei Boadu², Joseph Kwasi Agyemang³

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Abstract

Financing health care system is of a major concern to countries all over the world. The Act of Parliament (Act 650) passed in 2003 health care financing and being implemented and supervised by the National Health Insurance Authority (NHIA). National Health Insurance Authority aimed to assure equitable and universal access for all residents of Ghana to an acceptable quality package of essential health care services without payment being required at the point of use. The efficiency and sustainability of the health care facilities depend on funding and timely disbursement of claims. It has been observed that, whilst health care facilities do comply with section 37 (7) of L.I 1809, the scheme has not been able to comply with section 38(1) of the L.I 1809. This leads to undue delays in reimbursement of funds to accredited institutions. This delays of reimbursement of claims by National Health Insurance Authority therefore has adverse effects on the financial management of health care facilities. It is therefore recommended that, Government should speed up on releasing funds to National Health Insurance Authority for payment of claims. Further research needs to be done to verify the findings among other groups of facilities, and explore comparative studies involving facilities from different industries. Future researchers should also develop measures of additional dimensions to find out if the premium charged on scheme members of NHIS is fair enough to pay claims and also suggest whether premium charged should be increased or maintained.

Keywords: National Health Insurance Authority, Reimbursement, Financial Management, Accredited Health Facilities

Background

Brong Ahafo is made up thirteen (13) administrative districts: Sunyani, Asutifi, Tano, Bereku, DormaaAsunafo, Techiman, Wenchi, Sene, Nkoranza, Atebubu, Kintampo and Jaman(Koya, 2010). According to Koya (2010), there are two foremost ethnic groups namely the Brongs and the Ahafo’s who are of the Akan stock. Koya claims that minority groups are the Nafana of Sampa, Koulongo of Seikwa and Badu, the Mo/Degha of Mo, Libya of Banda and also the Nchumuru of Atebubu and Sene. Akan is the lingua franca throughout the region (Koya, 2010).

According to Abdul-Korah (2006), there are forty-four Paramount chiefs and five Divisional Councils constituting the Brong Ahafo Regional House of Chiefs. He further explained that, the Region can boast of first class roads linking its major towns to the regional capital, Sunyani and other fragments of the country. Sunyani has an airport, which links the region by air to Kumasi, Accra and Takoradi. Air transport is however irregular and is therefore unreliable. Lake Brong Ahafo is made up of three inland lake ports on its boundaries of Volta Lake.

These are; New Buipe, Yeji, and Yapei, which can all be linked from Akosombo using the Yapei Queen among others (Abdul-Korah, 2006). Abdul-Korah (2006) claims that there is an effective
communication system in place with over 6,800 direct telephone lines linking most district capitals; radio phones are used in other districts.

Mobile phones are also in use now. He further states that the thirteen (13) district capitals have access to electricity whose electrical energy amounts to the general one of 220 volts and of 3-pronged and 2-pronged out-lets and about 30 health care facilities that are registered with the National Health Insurance Authority.

Financing health care system is of a major concern to countries all over the world (Van Lerberghe, 2008). In 2005, Ghana spent 6.2% of GDP on health care, or US$30 per capita making healthcare financing challenging for the State, which culminated in the implementation of alternate health care financing in Ghana (Maharajh, 2015). Several healthcare financing models have been experimented; from the system of ‘cash and carry’ to the current National Health Insurance Scheme (NHIS) (Owusu-Sekyere & Bagah, 2014). The Act of Parliament (Act 650) passed in 2003, health care financing and being implemented and supervised by the National Health Insurance Authority (NHIA).

The NHIS is an alternative health care financing system which involves resource pooling and risk sharing among members (Owusu-Sekyere & Bagah, 2014). The NHIS has been adjudged by World Health Organization as better system of healthcare finance because the ‘cash and carry’ system or user fees policy introduced in 1985 is thought as constitute a strong barrier to the utilization of health care services, as well as preventing adherence to long term treatment among poor and vulnerable group (Dalinjong & Laar, 2012). Dalinjong and Laar, (2012), claim that, the ultimate goal of the NHIS was the provision of universal health insurance coverage for all Ghanaians, irrespective of their socio-economic background.

The National Health Insurance Authority (NHIA) since it was established in Ghana in 2003 has gone through some reforms (Witter & Garshong, 2009). In October 2012, a new law, Act 852 replaced Act 650 to consolidate the NHIS, remove administrative bottlenecks, introduce transparency, reduce opportunities for corruption and gaming of the system, and make for more effective governance of the scheme (Blanchet, Fink, & Osei-Akoto, 2012). However, NHIS which is thought to provide better health care service for Ghanaians is fraught with numerous challenges including fraudulent practices among managers of the scheme and service providers leading to a high cost of providing health care with medicines accounting for 53% of claims cost and about 80% of medicines acquired from sources unknown by management of the insurance scheme (Seddo, Adjei, & Nazzar, 2011).

According to Dalinjong and Laar (2012), the delay in claims payments has a trickling effect on subscribers to the scheme in the following ways. First of all, service providers are compelled to turn their attention to non-subscribers who are ready to pay cash for services. This causes non-subscribers to the scheme to spend less time in seeking health care as compared to scheme subscribers. Secondly, service providers are also compelled to issue prescription forms to subscribers to the scheme to buy drugs out of the facilities. The efficiency and sustainability of the health care facilities depend largely on funding.

Gobah and Zhang (2011), investigated the causes and effects of reimbursement delays of the National Health Insurance Authority (NHIA) to health facility. The study indicated that the effect of delay of reimbursement to health facilities is provision of health service.

Gobah and Zhang (2011) claim that, the responsibilities of the scheme and the service providers are spelt out succinctly in Section 37(7) of the National Health Insurance Regulations, 2004 (L.I 1809) as follows: “A claim for payment of health care services rendered under a scheme licensed under this Act shall be filed within sixty calendar days from the date of the discharge of the patient or rendering of the service .

On the other hand, section 38 (1) of the L.I 1809 states “A claim for payment of health care service rendered which is submitted to the scheme shall, unless there is any legal impediment, be paid by the scheme within four weeks after receipt of the claim from the health care facility”. It has been observed that, whilst health care facilities do comply with section 37 (7) of L.I 1809, the scheme has not been able to comply with section 38(1) of the L.I 1809. This leads to undue delays in reimbursement of funds to accredited facilities and if not addressed can stifle the operations of the accredited health care facilities in the country (Gobah & Zhang, 2011). The delay in claim reimbursement has led much health facility to return to the ‘cash and carry’ system (Dalinjong & Laar, 2012).
According to Takyi (2017), the total debt owes to the service providers as at April (2017) was 1.2 billion Ghana cedis. This study therefore sought to examine the effect of delays in reimbursement of claims by national health insurance authority on financial management of health care facilities in Brong Ahafo Region.

This study sought to identify the main causes of the delays in reimbursement of claims to accredited health facilities and the effect of the delay in reimbursement on the operations of the health facilities

**Methodology**

Specifically, a case study analysis was used to assess two primary areas of interest

1. effects of the delays of reimbursement of claims by NHIS on the financial management of health care facilities in the Brong Ahafo Region of Ghana
2. The cause of the delays in reimbursement of claims by NHIA to service providers.

Descriptive method of research design was used in the study. The strategy used for this work was exploratory, with both qualitative and quantitative approach since the data collected was converted into numerical value for better interpretation. The target population was the management staff of accredited healthcare facilities in the Brong Ahafo region of Ghana. The sample was composed of 30 accredited hospital facilities in the Brong Ahafo Region. Both primary and secondary sources of data were used in this study. A survey questionnaire was used to obtain information from the target staff of the selected health facilities. The data gathered were analyzed quantitatively by using descriptive statistical tables and percentages where correlation and regression were considered. Statistical package for social sciences (SPSS) version 22 software was also used in the analysis. The study has managed to add to the existing body of knowledge in furthering our understanding to the effect of the delay in reimbursement of claims on health facilities in Brong Ahafo.

**Findings**

The findings of the study are presented, analyzed and interpreted below

**Data presentation, analysis and interpretation**

The table below shows the questionnaire administered and their results presented.

<table>
<thead>
<tr>
<th>Questionnaire</th>
<th>Respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Questionnaire returned</td>
<td>90</td>
<td>97</td>
</tr>
<tr>
<td>Questionnaire not returned</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Questionnaire incomplete</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>93</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source.* Field data, 2019

From 1.1 above, it can be seen that most of the respondents were able to return their questionnaires. With the total of ninety three (93) questionnaire administered, ninety (90) respondents returned their completed questionnaire to the researcher representing 97%. Two (2) of the remaining were not returned and this represented 2%. The remaining one (1) spoiled representing 1%. The high rate of respondents returning their questionnaires explained the fact that, there was a favorable response to the questionnaires.

The researcher wanted to know the gender distribution of the respondents and from the findings, the total respondents were 90. The male respondents were 57 representing 63% of the total respondents. The female respondents were 33 representing 37% of the total population. This indicates that majority of the respondents were males.

From the findings, the marital status of the respondents indicates that about 58 percent were married whilst 42 percent were single. This means that the majority of the respondents were married.

Again, from the findings, 50 of respondents representing 56% of the total respondents were between the ages of 18 and 40. 36 of the remaining respondents representing 40 percent were between the ages of 41 and 60. Only 4 of the remaining respondents were between the ages of 61 years and above and this
represent 4% of the total respondents. This indicates that majority of the respondents were between the ages of 18 and 40.

The researcher wanted to know the educational level of the respondents and this is represented in table 1.2

<table>
<thead>
<tr>
<th>Table 1.2. Educational level of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Valid</strong></td>
</tr>
<tr>
<td>----------</td>
</tr>
<tr>
<td>secondary school</td>
</tr>
<tr>
<td>Diploma</td>
</tr>
<tr>
<td>First degree</td>
</tr>
<tr>
<td>Second degree</td>
</tr>
<tr>
<td>Others</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

**Source.** field data, 2019

From Table 1.2 above, 3 of the respondents representing 3% of the total population were secondary school leavers. 13 of the remaining respondents were diploma holders and this represents 14% of the total respondents. Only 28 of the remaining respondents had first degree and this represent 31% of the total respondents. 33 of the respondents were second degree holders representing 37% respondents’ responds rate. 13 of the remaining respondents were other degree holders representing 14% response rate.

This indicates that majority of the respondents were second degree holders.

The researcher wanted to know the occupation of the respondents and this is represented on table 1.3 below.

<table>
<thead>
<tr>
<th>Table 1.3. The ranks of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Valid</strong></td>
</tr>
<tr>
<td>----------</td>
</tr>
<tr>
<td>Medical superintendent</td>
</tr>
<tr>
<td>Administrator</td>
</tr>
<tr>
<td>Accountant</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

**Source.** field data, 2019

From the table 1.3 above, 39 percent of the respondents were medical superintendent, whilst 32 percent were administrators. The remaining 29 percent were accountants.

This indicates majority of the respondents were medical superintendents.

The researcher again wanted to know the number of years the respondent has worked with the facility and this is represented in table 1.4 below;

<table>
<thead>
<tr>
<th>Table 1.4. Number of years’ respondents worked with the facility</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Valid</strong></td>
</tr>
<tr>
<td>----------</td>
</tr>
<tr>
<td>one year</td>
</tr>
<tr>
<td>two years</td>
</tr>
<tr>
<td>five years</td>
</tr>
<tr>
<td>ten years</td>
</tr>
<tr>
<td>fifteen years</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

**Source.** field data, 2019

From table 1.4 above, 8 of the respondents worked with the facility for one year and this constitute 9% response rate. 18 respondents said they worked with the facility for two years representing 20%. 19 respondents worked with the facility for five years representing 21%. 32 respondents also worked with the facility for ten years representing 36% and 13 of the remaining respondents worked with the facility for fifteen years representing 14% response rate.
This therefore indicates that majority of the respondents worked with facility for ten years.

The researcher wanted to know the causes of delay in reimbursement of the facility by NHIS and this is represented in table 1.5 below

<table>
<thead>
<tr>
<th>Causes of delay in reimbursing the facility by NHIS</th>
<th>N</th>
<th>Mean</th>
<th>Std. Error</th>
<th>Std. Deviation</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Statistic</td>
<td>Statistic</td>
<td></td>
<td>Statistic</td>
</tr>
<tr>
<td>fraud</td>
<td>90</td>
<td>3.3444</td>
<td>13141</td>
<td>1.24667</td>
<td>1.554</td>
</tr>
<tr>
<td>bureaucracy</td>
<td>90</td>
<td>3.3556</td>
<td>11752</td>
<td>1.11488</td>
<td>1.243</td>
</tr>
<tr>
<td>Inaccuracy Information</td>
<td>90</td>
<td>2.7000</td>
<td>13357</td>
<td>1.26713</td>
<td>1.606</td>
</tr>
<tr>
<td>inadequate staff</td>
<td>90</td>
<td>2.8333</td>
<td>12666</td>
<td>1.20159</td>
<td>1.444</td>
</tr>
<tr>
<td>government delay in releasing funds</td>
<td>90</td>
<td>3.8444</td>
<td>11051</td>
<td>1.04839</td>
<td>1.099</td>
</tr>
<tr>
<td>Valid N (list wise)</td>
<td>90</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source. field data, 2019

From table 1.5 above, standard deviation measures how concentrated the data are around the mean. The more concentrated, the smaller the standard deviation. The standard deviation is therefore affected by outliers (extremely low or high numbers in the data set). That’s because the standard deviation is based on the distance from the mean. This therefore means that a small standard deviation stands for data set that are close to the mean of the data set, on average, and large standard deviation means that the values in the data set are farther away from the mean, on average.

From the findings in table 1.5 the respondents indicated fraud as a cause of delay in reimbursement by NHIS to health facilities. This is to a great extent as indicated by a mean of 3.34, standard deviation of 1.24447 and a variance of 1.554. Standard deviation of 1.2447 is close to the mean of 3.34 on average. This therefore indicate that fraud causes delay in reimbursement of claims by NHIA to health facilities.

The findings also revealed, that, bureaucracy as a cause of the delay in reimbursement by NHIA to health facilities is of a major extent as indicated by a mean of 3.3556, standard deviation of 1.11488 and a variance of 1.243. Standard deviation of 1.11488 is close to the mean on average. This therefore indicates that bureaucracy is a cause of the delay in reimbursement by NHIA to health facilities.

Again, inaccuracy of information as a cause of delays in reimbursement by NHIS to health facilities is to a great extend as indicated by a mean of 2.7000, standard deviation of 1.26713 and a variance of 1.606. Standard deviation of 1.26713 is close to the mean on average. This therefore indicates that inaccuracy of information is a cause of delays in reimbursement of claims by NHIA to Health facilities.

The respondents also indicated inadequate staffs of NHIS to render service to health facilities. This to a great extend causes delay in reimbursement of NHIS to health facilities. This is indicated by a mean of 2.8333, standard deviation of 1.20159 and a variance of 1.444. Standard deviation of 1.20159 is close to the mean on average. This therefore indicates that inadequate staff of NHIA to render service to health facilities causes delay in the reimbursement of NHIA.

The results also revealed that Government delays in releasing funds to NHIS causes delay of reimbursement to health facilities. This is indicated by a mean of 3.8444, standard deviation of 1.04839 and a variance of 1.099. Standard deviation of 1.04839 is close to the mean on average. This therefore indicates that Government delays in releasing funds to NHIA causes delay of reimbursement to health facilities which goes a long way to affect the financial management of the health facilities.

The researcher also wanted to know the factors that affect NHIA and these are represented in the table 1.6 below.
Table 1.6. Factors affecting NHIA in the claim processing (correlation analysis)

<table>
<thead>
<tr>
<th></th>
<th>inadequate professional</th>
<th>political reason</th>
<th>unmatched coding</th>
<th>prior authorization</th>
<th>funding gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>inadequate</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>926**</td>
<td>819**</td>
<td>-350**</td>
</tr>
<tr>
<td>professionals</td>
<td>Sig. (2-tailed)</td>
<td>000</td>
<td>000</td>
<td>001</td>
<td>000</td>
</tr>
<tr>
<td></td>
<td>Sum of Squares and Cross-products</td>
<td>128.622</td>
<td>121.511</td>
<td>127.289</td>
<td>-40.578</td>
</tr>
<tr>
<td></td>
<td>Covariance</td>
<td>1.445</td>
<td>1.365</td>
<td>1.430</td>
<td>-456</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>90</td>
<td>90</td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td>political reason</td>
<td>Pearson Correlation</td>
<td>926**</td>
<td>1</td>
<td>862**</td>
<td>-285**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>000</td>
<td>000</td>
<td>006</td>
<td>000</td>
</tr>
<tr>
<td></td>
<td>Sum of Squares and Cross-products</td>
<td>121.511</td>
<td>133.956</td>
<td>136.844</td>
<td>-33.689</td>
</tr>
<tr>
<td></td>
<td>Covariance</td>
<td>1.365</td>
<td>1.505</td>
<td>1.538</td>
<td>-379</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>90</td>
<td>90</td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td>unmatched coding</td>
<td>Pearson Correlation</td>
<td>819**</td>
<td>862**</td>
<td>1</td>
<td>-199</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>000</td>
<td>000</td>
<td>060</td>
<td>000</td>
</tr>
<tr>
<td></td>
<td>Sum of Squares and Cross-products</td>
<td>127.289</td>
<td>136.844</td>
<td>187.956</td>
<td>-27.911</td>
</tr>
<tr>
<td></td>
<td>Covariance</td>
<td>1.430</td>
<td>1.538</td>
<td>2.112</td>
<td>-314</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>90</td>
<td>90</td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td>prior authorization</td>
<td>Pearson Correlation</td>
<td>-350**</td>
<td>-285**</td>
<td>-199</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>001</td>
<td>006</td>
<td>060</td>
<td>003</td>
</tr>
<tr>
<td></td>
<td>Sum of Squares and Cross-products</td>
<td>-40.578</td>
<td>-33.689</td>
<td>-27.911</td>
<td>104.322</td>
</tr>
<tr>
<td></td>
<td>Covariance</td>
<td>-456</td>
<td>-379</td>
<td>-314</td>
<td>1.172</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>90</td>
<td>90</td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td>funding gap</td>
<td>Pearson Correlation</td>
<td>941**</td>
<td>917**</td>
<td>897**</td>
<td>-309**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>000</td>
<td>000</td>
<td>000</td>
<td>003</td>
</tr>
<tr>
<td></td>
<td>Sum of Squares and Cross-products</td>
<td>142.956</td>
<td>142.178</td>
<td>164.622</td>
<td>-42.244</td>
</tr>
<tr>
<td></td>
<td>Covariance</td>
<td>1.606</td>
<td>1.598</td>
<td>1.850</td>
<td>-475</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>90</td>
<td>90</td>
<td>90</td>
<td>90</td>
</tr>
</tbody>
</table>

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

Source. field data, 2019
From the findings in table 1.6 the respondents indicated inadequate professional as a factor affecting NHIS in reimbursement of claim to health facilities. From the table, Pearson’s “r” is 1 and any number close to 1 indicates a strong relationship. This means that change in the variable, “inadequate professional” will affect reimbursement of claims to NHIA facilities. This is indicated by a strong relationship between inadequate performance and factors affecting NHIA in claims processing. This therefore means that inadequate professionals of NHIA staff is a factor that affect reimbursement of claims to health facilities.

The findings also revealed political influence as a factor affecting NHIA in reimbursement of claims to health facilities. This is evidence in the table as indicated by Pearson correlation of .926**, significance level of .000 and a covariance of 1.365. Pearson Correlation ‘r’ of .926 indicate a strong positive relation between the variables, ‘political reason’ and ‘factors affecting NHIA claims reimbursement’. This means that when there is an increase in the influence of politics in NHIA activities, it has a strong effect on claims processing and hence causes delay in reimbursement of health facilities.

Again, the respondents claim unmatched coding as a factor affecting NHIA in reimbursement of claims to health facilities. This is to a great extend as indicated by Pearson Correlation r of .819**, significance level of .000 and a covariance of 1.430 in table 1.6 above. Pearson Correlation ‘r’ of .819 indicate a strong positive relationship between the variables unmatched coding and factors affecting NHIA Claims processing. This therefore means that when there is an increase in the practice of unmatched coding on the side of health facilities, it affects NHIA claims processing and this will contribute to delays in reimbursement of claims to Health facilities.

The respondents indicated prior authorization as a factor that does not affect NHIS in reimbursement of claim to health facilities. This is indicated by Pearson Correlation of -.350**, significance level of .001 and a covariance of -.456 in table 1.6 above. Pearson Correlation ‘r’ of -.350 indicate a weak negative relationship between the variables prior authorization and factors affecting NHIA Claims processing. This therefore means that when there is an increase or decrease in prior authorization activities on the side of NHIA, it has no effect on claims processing.

The respondents also claim that funding gap is another factor that affect NHIS in the reimbursement of claims to health facilities. This is to a major extent as indicated by a Pearson correlation ‘r’ of .941**, significance level of .000 and a covariance of 1.606 in table 1.6 above. This therefore means that when there is a change in funding gap by Government, it affects NHIA claims processing.

The researcher also wanted to know the effect of the delay in the reimbursement of claim on the financial management of the health facilities and this is represented in the table 1.7 below:

Table 1.7. Effect of the delay in the reimbursement of claim on the financial management of the health facilities (regression analysis)

<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>1</td>
<td>(Constant)</td>
<td>4.123</td>
<td>743</td>
<td>5.551</td>
</tr>
<tr>
<td></td>
<td>staff compensation</td>
<td>-154</td>
<td>138</td>
<td>-1.117</td>
</tr>
<tr>
<td></td>
<td>stock of medicine and consumable</td>
<td>125</td>
<td>124</td>
<td>126</td>
</tr>
<tr>
<td></td>
<td>Motivation among health service providers in providing Services to NHIA members</td>
<td>-264</td>
<td>173</td>
<td>-208</td>
</tr>
<tr>
<td></td>
<td>High cost of procurements</td>
<td>-213</td>
<td>120</td>
<td>-236</td>
</tr>
<tr>
<td></td>
<td>Distortion in Programme of Work</td>
<td>236</td>
<td>137</td>
<td>202</td>
</tr>
</tbody>
</table>

a. Dependent variable: financial performance of health facilities

Source. field data, 2019
From table 1.7 above, the coefficient is taken in to consideration to know the slope and intercept from charging relationships. The unstandardized coefficients are the slope and intercept in the model unit. In trying to predict the level of effects of the delays of reimbursement of claims by NHIA on financial performance of health facilities, it gives an intercept of 4.123. This means that its gives each model 4 standard deviations above the mean. The regression equation can be written as this 4.123-.154*staff compensation +.125* stock of medicine and consumables -.264* motivation among health service providers to NHIA members-.213*high cost procurements-.236*distortion of work.

Respondents indicated that delays in the reimbursement of claim have negative effect on the staff compensation of the health facilities. This is to a great extent as indicated by an unstandardized coefficient of -.154, standard deviation of -.126. Unstandardized coefficient of -.154, means the more the delays in the reimbursement of claims by NHIA, the lower the compensation of staff of health facilities. This therefore indicates that delays in reimbursement of claims by NHIA has effects on the staff compensation of health facilities.

The findings also revealed that delay in reimbursement of claims have positive effect on the stock of medicine and consumable of the health facilities. This is of a major extent as indicated by unstandardized coefficient of .125, standard coefficient of .126. Unstandardized coefficient of .125 means that the more the delay in the reimbursement of claims by NHIA, the higher the level of stock of essential drugs and consumables by health facilities.

Again, the delay in the reimbursement of claim had negative effect on the provision of health service to NHIA members by health facilities as indicated in table 1.6 by unstandardized coefficient of -.264 and standard coefficient of -208. Unstandardized coefficient of -.264 means that the more the delay in the reimbursement of claims by NHIA, the lower the level of health service provision to members of NHIA by health facilities. This therefore indicates that delays in reimbursement of claims by NHIA has negative effect on the provision of health services to NHIA members by health facilities.

The respondents also indicated that delay in the reimbursement of claim to health facilities bring about high cost of procurement. This is indicated in table 1.7 by unstandardized coefficient of -.213 and standard coefficient of -.236. Unstandardized coefficient of -.213 means that the more the delay in the reimbursement of claims by NHIA, it brings about high cost of procurement to health facilities. This therefore indicates that the delays in reimbursement of claims by NHIA brings about high cost of procurement among health facilities.

The results also revealed that delay in the reimbursement of claim to health facilities by NHIS does not lead to distortion of Programme of work. This is indicated in table 1.7 by unstandardized coefficient of .236 and standard coefficient of .202. Unstandardized coefficient of .236 means that the more the delay in the reimbursement of claims by NHIA, the less the effect on distortion of program of work. This therefore indicates that the delay in reimbursement of claims by NHIA to health facilities does not have negative effect on distortion of program of work by health facilities.

The researcher also wanted to know the measures put in place by management of health facilities to manage the operation of the facility in the face of the delay in reimbursement of claims by NHIS. The results represented in table 1.8 below.

**Table 1.8. Measures to minimize the effects of the delay in reimbursement**

<table>
<thead>
<tr>
<th>Measure</th>
<th>N</th>
<th>Mean Statistic</th>
<th>Mean Std. Error</th>
<th>Std. Deviation Statistic</th>
<th>Variance Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return to cash and carry system</td>
<td>90</td>
<td>3.8000</td>
<td>10970</td>
<td>1.04074</td>
<td>1.083</td>
</tr>
<tr>
<td>Charge high for non-insured clients</td>
<td>90</td>
<td>3.6333</td>
<td>11224</td>
<td>1.06476</td>
<td>1.134</td>
</tr>
<tr>
<td>No insurance cover on expensive drugs</td>
<td>90</td>
<td>3.2000</td>
<td>12562</td>
<td>1.19173</td>
<td>1.420</td>
</tr>
<tr>
<td>Stock only essential consumables</td>
<td>90</td>
<td>3.5889</td>
<td>12924</td>
<td>1.22607</td>
<td>1.503</td>
</tr>
<tr>
<td>Regular review of internal control</td>
<td>90</td>
<td>3.67778</td>
<td>136688</td>
<td>1.296736</td>
<td>1.682</td>
</tr>
<tr>
<td>Engage in non-insured business</td>
<td>90</td>
<td>3.7444</td>
<td>11988</td>
<td>1.13732</td>
<td>1.294</td>
</tr>
<tr>
<td><strong>Valid N (list wise)</strong></td>
<td>90</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source.* field data, 2019
From the findings in table 1.8 above, the respondents indicated a high response rate of returning to
cash and carry system of health facilities as a measure put in place by the management of the health
facilities in the face of the delays in the reimbursement of claims by NHIS. This therefore indicates a
major extent by a mean of 3.8000, a standard deviation of 1.04074 and a variance of 1.083. standard
deviation of 1.04074 is close to the mean of 3.800 on average as explained earlier in table 1.5. This
therefore indicates that respondents have returned to cash and carry system as a measure put in place
by management in the face of the delay of reimbursement by NHIA.

The findings also revealed a high response that health facilities charge high for non-insured patients
as a measure put in place by the management of health facilities in the face of the delays in
reimbursement of claims by NHIS. This is also to a major extent as indicated in table 1.8 by a mean of
3.6333, standard deviation of 1.06476and a variance of 1.134. Standard deviation of 1.06476 is close
to the mean of 3.6333 on average. This therefore indicates that health facilities charge high for non-
insured patients in the face of the delay in the reimbursement by NHIA.

Again, the respondents also indicated a high response on no insurance cover on expensive drugs as
a measure put in place by the management of Health facilities in the face of the delays in reimbursement
of claims by NHIS. This is indicated in table 1.7 by a mean of 3.2000, standard deviation of 1.19173
and a variance of 1.420. Standard deviation of 1.19173 is therefore close to the mean of 3.2000 on average which indicates that respondents do not put insurance cover on expensive drugs in the face of
the delays in reimbursement of health facilities by NHIA.

The respondents again indicated a high response on stocking only essential consumables as measures
put in place by management of health facilities in the face of the delays in reimbursement of claim by
NHIS. This is indicated in table 1.8 by a mean of 3.5889, standard deviation of 1.22607 and a variance
of 1.503. Standard deviation of 1.22607 is closer to the mean of 3.5889 on average. This therefore
indicates that respondents only stock essential consumables as a measure put in place by management
of health facilities in the face of the delays in the reimbursement.

The results of the study also revealed a high response rate of respondents on regular review of internal
controls as a measure put in place by management of health facilities in the face of the delays in the
reimbursement of claim by NHIS. This indicated table 1.7 by a mean of 3.67778, standard deviation of
1.13732 and a variance of 1.294. Standard deviation of 1.13732 is therefore closer to the mean of
3.67778 on average. This indicates that health facilities do run regular review of internal controls as a
measure put in place by management of health facilities in the face of the delays in the reimbursement
of claim by NHIA.

The results of the study again revealed a high response rate of respondents on engaging in non-
insured business as a measure put in place by management of health facilities in the face of the delays
in the reimbursement of claim by NHIA. This is also indicated in table 1.7 by a mean of 3.7444, standard
deviation of 1.13732 and a variance of 1.294. Standard deviation of 1.13732 is close to the mean of
3.7444 on average. This therefore indicates that respondents engage in non-insured business, as a
measure put in place by management of health facilities in the face of the delays in the reimbursement
of claim by NHIA.

Discussion

The findings to this study are discussed below:

To investigate the factors contributing to the delay of reimbursement of claims

Woolhandler, Campbell, and Himmelstein (2003) claimed that, Health Insurance Association of
America (2003) mentions four common reasons for delay of reimbursement to health facilities. These
factors include; unmatched code, prior authorization, medical necessity and pre-existing conditions.
These factors from the side of health facilities contribute to the delay of claims reimbursement by NHIA.
From the findings, the factors that contribute to the Delays of Reimbursement of the National Health
Insurance claims to Accredited Health Facilities include fraud, bureaucracy, and inaccuracy of
information, shortage of staff, Government delay in releasing funds to NHIS, unmatched coding by
facilities, funding gap, political influence and inadequate professionals.
This is in conformity to the study above. These factors are in line with Woolhandler et al. (2003), and hence contribute immensely to the delays of reimbursement of claims by NHIA to health facilities.

**To investigate the financial effect of the delays in the reimbursement of claims on the operation of the health care facilities in Brong-Ahafo region of Ghana.**

According to Dalinjong and Laar (2012), the delay in claims payments has a trickling effect on subscribers to the scheme in the following ways. First of all, service providers are compelled to turn their attention to non-subscribers who are ready to pay cash for services. This causes non-subscribers to the scheme to spend less time in seeking health care as compared to scheme subscribers. Secondly, service providers are also compelled to issue prescription forms to subscribers to the scheme to buy drugs out of the facilities.

From the findings it can be concluded that, the effect of the delays in the reimbursement of claims on the operation of the health care facilities in Brong-Ahafo include; staff compensation is high, ability to meet health facility expenditure are high, high cost of procurement. The findings therefore confirms Dalinjong and Laar (2012) assertions and hence the delay in reimbursement of the claims by NHIA to accredited health facilities has great effects on the operations of health facilities in the Brong Ahafo region.

**To examine the financial measures adopted by the accredited health facilities to manage their operations in the event of delay in re-imbursement of claims.**

Dalinjong and Laar (2012) claim that, service providers are compelled to turn their attention to non-subscribers who are ready to pay cash for services due to delays in reimbursement. The delays also cause non-subscribers to the scheme to spend less time in seeking health care as compared to scheme subscribers. Dalinjong and Laar, (2012), also claim that, service providers are also compelled to issue prescription forms to subscribers to the scheme to buy drugs out of the facilities. From the study, the financial measures adopted by the accredited health facilities to manage their operations in the event of delay in re-imbursement of claims are; return to cash and carry system, charging high for non-insured clients, no insurance cover on expensive drugs, stocking only essential consumables, engaging in non-insured business and regular review of internal control. These measures are adopted by the accredited health facilities to manage their operations in the event of the delays in reimbursement of the claims by NHIA, confirms Dalinjong and Laar (2012) claims.

In general, the study has managed to add to the existing body of knowledge in furthering our understanding to the effect of the delay in reimbursement of claims on health facilities in Brong Ahafo.

**Conclusions**

To sum up, the study has revealed the following findings:

A lot of factors according to the literature discussed, contribute to the delay of reimbursement of claims by NHIA to the accredited health facilities but the most frequent factors from the findings include; fraud, bureaucracy, inaccuracy of information, shortage of staff, Government delay in releasing funds to NHIS, unmatched coding by facilities, funding gap, political influence and inadequate professionals. These factors contribute immensely to the delays of reimbursement of claims by NHIA to health facilities.

Again, from the findings, it can be concluded that delays in the reimbursement of claims by NHIA has serious effects on the operation of the health care facilities in Brong-Ahafo Region. These effects include; staff compensation is high, ability to meet health facility expenditure are high, high cost of procurement.

Finally, from the study, Accredited health facilities adopt some financial measures to manage their operations in the event of delay in re-imbursement of claims. These financial measures from the study include: return to cash and carry system, charging high for non-insured clients, no insurance cover on expensive drugs, stocking only essential consumables, engaging in non-insured business and regular review of internal control.
Recommendations for practice and future research

From this study, the researcher recommends a few approaches that could be taken to improve effects of the delay in reimbursement of claims on financial management of health facilities in Brong Ahafo.

It has been shown empirically by this research that delay in reimbursement of claims on health facilities in Brong Ahafo Region is due to factors contributing to the delay. This factor includes: fraud, bureaucracy, and inaccuracy of information, shortage of staff, Government delay in releasing funds to NHIS, unmatched coding by health facilities, funding gap, political influence and inadequate professionals. It is therefore recommended that Government should speed up on releasing funds to NHIS for payment of claims. NHIS should not also be politicized but allow to operate independently. Fraud, bureaucracy, inaccuracy of information, shortage of staff should also be addressed with immediate effect. Health facilities should also focus on quality work by providing the required matched coding for processing of claims. Professionals should also be hired to occupy key positions that require delicate works.

The financial measures adopted by the accredited health facilities to manage their operations in the event of delay in re-imbursement of claims are; return to cash and carry system, charging high for non-insured clients, no insurance cover on expensive drugs, stocking only essential consumables, engaging in non-insured business and regular review of internal control. With respect to future research, it is recommended that further research needs to be done to verify the findings among other groups of facilities, and explore comparative studies involving facilities from different industries.

Future researchers should also develop measures of additional dimensions to find out if the premium charged on scheme members of NHIS is fair enough to pay claims and also suggest whether premium charged should be increased or maintained. This will allow for a deeper understanding of the delays in reimbursement and funding gaps by NHIS to health facilities.

Acknowledgement

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A Study of the Awareness of Security and Safety Culture Among Employees Across Organizations

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Abstract

The security and safety culture of organizations requires care and nurturing. When a culture of security and protection is sustainable, it transforms the security of a unique event into a life cycle that generates safety returns forever. In any system, humans are always the weakest escape. A culture of security is primarily for humans, not for computers. Computers do exactly what we tell them to do. The challenge is with humans, who click on the things they receive in the email and think what someone tells them. Humans need a framework to understand what is right for security. The study investigated the knowledge of a safety culture among workers in organizations, using data from secondary sources. This study was evaluated in two points of view: First, it assessed how awareness of a safety culture was established among employees of organizations. Second, it assessed the importance of creating a culture of safety and security among workers in organizations. The study concluded that, organizations can create security and safety awareness culture through education, building security community and policies, initiating security boot camp, motivation, security and safety mindfulness. The study also concluded that, security and safety awareness across organizations is important and a key determinant of ensuring; Long-term commercial viability of organizations, impenetrable processes of organizations, Safe operations of organizations’ applications systems, Data protection. Protection of organizational functions from top to down, Increased organizational effectiveness and performance and building and maintaining a flexible network environment and hence staying away from information risks.

Keywords: Awareness, Security and Safety, Culture, Organizations.

Introduction

The security and safety culture of organizations requires care and nurturing (Hafey, 2017). Hafey (2017) claim that, it is not something that grows positively as a member. Hafey (2017) further argued that, you must invest in a culture of security and protection. A culture of sustainable security is greater than a single event. When a culture of security and protection is sustainable, it transforms the security of a unique event into a life cycle that generates safety returns forever (Hafey, 2017).

A culture of sustainable security has four key characteristics (Marzbal, Abdullah, Razak, & Tilaki, 2011). First, it is deliberate and vandalized. The main objective of a culture of security and protection is to promote change and improve security, so it must be a disorder for the organization and deliberation with a series of actions to promote change. Second, it is attractive and fun. People want to share a fun and challenging safety culture. Third, it is gratifying. For people to invest their time and effort, they must understand what they will get in return. Fourth, it provides a return on investment. The reason someone is safe is to improve supply and reduce weaknesses; We must redouble the effort invested (Marzbal et al., 2011).

A strong security and safety culture not only interacts with everyday actions, but also determines how security affects what your organization provides to others (Sasse, Brostoff, & Weirich, 2001). Sasse, Brostoff, and Weirich, (2001) claimed that, these offers may be products, services or solutions, but they must have a security application in all parts and a culture of sustainable security. They further claim that, it is not an annual event, but it is integrated into everything you do.
Why does the organization need a culture of security and protection? The main answer is something deep that we all know (Furnell & Clarke, 2005).

In any system, humans are always the weakest escape. A culture of security is primarily for humans, not for computers (Furnell & Clarke, 2005). Computers do exactly what we tell them to do (Martins & Elofe, 2002). Martins and Elofe, (2002), claim that, the challenge is with humans, who click on the things they receive in the email and think what someone tells them. Martins and Elofe (2002) further claim that, humans need a framework to understand what is right for security. In general, humans within your organization want to do the right thing: they just need to teach them (Martins & Elofe, 2002).

Fortunately, wherever an organization sits in the spectrum of security and safety culture, there are things that can be done to improve the culture (Martins & Elofe, 2002).

The purpose of this study is to investigate the knowledge of a safety culture among workers in organizations, using data from secondary sources. This study was evaluated in two points of view; First, it assessed how awareness of a safety culture was established among the employees of the organizations. Second, it assessed the importance of creating a culture of safety among workers in organizations.

**Literature review**

Simply put, a culture of security and protection is based on the old saying "knowing that they are enemies". If you know what you're facing, you can take action to protect yourself. A culture of safety is a culture that involves all participants in the organization; this can be extended to business partners and, in some cases, to customers; certainly, some aspects of a security culture may include customers, for example, educating customers about fraudulent emails can be considered part of a security culture. Developed by your organization (Hofstede, Neuijen, Ohayv, & Sanders, 1990). Hofstede et al. (1990) claim that, Prefer a safety culture through the use of safety awareness training and positive attitude, driven from top to bottom, towards safety.

Some theories of security and safety management are analyzed below

**The risk theory as a base for the theory of safety and security**

Risk theory is a commonly used scientific field, based on the identification of threats, the identification of risks and the specification of how to overcome the risk (Sodiya, Onashoga, & Oladunjoye, 2007). They claim that, the essence of the danger lies in the objective existence of threats. The danger comes from the consciously controlled representation, or the chaotic and uncontrolled representation of each part of the complex. In the behavior of the elements, moments may arise when the elements, either intentionally or randomly, enter into a direct reaction (collision, effect). Many interactions are negative and have a devastating effect. This effect is proportional to the size and direction of the procedure (measure), where the individual reference objects participate in negative interactions. This negative reaction is called a "security incident" (Cichonski, Millar, Grance, & Scarfone, 2012).

The application of risk theory assesses threats (or negative actions) that affect the reference body and those that have a fairly significant effect (Kleindorfer & Saad, 2005). Kleindorfer and Saad (2005) claim that, the purpose of risk identification is to identify the worst possible impact of threats and develop measures to counter them. They further claim that, the proposed measures should prevent the effects of threats or prevent negative effects on the reference body. The purpose of the risk is to express the probability and extent of the negative impact on the reference body (Wiseman & Gomez-Mejia, 1998). Wiseman and Gomez-Mejia (1998) claim that, the risk can be quantified as well as qualitatively and its size has more variables.

There is currently no clearly defined and acceptable definition of risk. Typically, the risk is characterized by the magnitude of the negative impact or damage and the likelihood of being threatened (Klinke & Renn, 2002). Klinke and Renn (2002) claim that, the vulnerability emphasizes threats to the reference object. They also claim that, this parameter is involved in determining the probability of exposure. If you are not exposed to the threat of exposure, the probability of exposure, as well as the vulnerability, will be lower (Klinke & Renn, 2002). Risk management is used in many areas. These include project management, investment, economics, etc. It is always part of the management. The
objective of risk management is not to find a way to efficiently achieve the objective function of the reference object (Poolsappasit, Dewri, & Ray, 2011).

They further claim that, its objective is to determine the negative effect, which may affect the reference object, how the reference will be affected, how it behaves or how to minimize the effects. Risk management has an important position in security and protection (Poolsappasit et al., 2011). They again claim that, it focuses on minimizing damage or impact. Risk theory can be used as a methodology to identify possible adverse effects, which can damage the reference organism (Poolsappasit et al., 2011). As a result of this fact, risk management is used in many areas, where theoretical and important practical applications have been developed (Poolsappasit et al., 2011). Bedford, Cooke, and others, (2001), claim that, risk analysis methods have been developed and at present, we have many methods of risk analysis. These methods allow to determine the level of risk.

Depending on the approach and the nature of the application, different risk analysis methods can lead to different results, obtained during the analysis of a specific security problem (Bedford et al., 2001). Risk management prefers a repressive way to guarantee security or protection (Poolsappasit et al., 2011). Determine what risks and how the reference object should be prepared (Poolsappasit et al., 2011). Stoneburner, Goguen, and Feringa (2002) claim that, the disadvantage of risk management is that it does not know the causes of the threats.

They claim that, threats are taken as fact and focus only on what they can cause. Unacceptable risks are resolved with appropriate measures (Bedford et al., 2001). The solution comes as risk acceptance, risk retention, risk transfer and risk avoidance (Cummins & Weiss, 2009). Despite this inconvenience, risk theory creates the basis of security and protection theory (Beard, 2013). Beard (2013) claim that, the main contribution is the sophisticated methods of risk analysis. The risk theory applies well to the types of security or protection that protect the conditions of the reference object (physical security, information security, administrative security, etc.) (Beard, 2013). Beard (2013) claim that, the risk theory is less suitable for the types of security that govern the reference object (international security, home security, etc.). Beard (2013) further claim that, in these cases, it is about creating a safe and secure environment as a result of the adjustment.

The crisis theory and its relation to the theory of safety and security

The theory speculates that, the crisis is an important phenomenon, which has a negative influence on human society (Brown, 2019). Brown (2019) claim that, the negative effect is a common sign of security breach and crisis. Brown, (2019), again claim that, for security research, it is important to determine the reason and the nature of the security problems. Brown (2019) further claim that, in addition, we must examine the relationship between the theory of technological and physical security and the theory of crisis.

Crisis theory is a scientific discipline focused on the theoretical aspects of crisis research, mainly on the nature and causes of the crisis (Benbasat & Znad, 2003). The fundamentals of crisis prevention and its management are based on crisis theory (Brown, 2019). The theory of the crisis has systems and a dynamic character (Brown, 2019). Brown (2019) claim that, the theory of the crisis is independent of a specific object of reference; It also investigates the basics of crisis creation and development. Crisis theory is the basis for the successful management of a crisis (Brown, 2019). Brown (2019) claim that, today, the crisis is understood as: time when the contradictions culminate, and / or as a complicated situation. These terms are similar. They are appropriate for the designation of a period of time when existential complications arise (Brown, 2019). The crisis is considered as a state or period in which the danger arises and, at the same time, the objective function of the reference object is threatened (Brown, 2019).

The crisis arises when there is a significant change in the conditions for the reference object (Brown, 2019). Brown (2019) argued that, the changing conditions occur due to the chaotic or uncoordinated behavior of each part of the system. During this period of time, the configuration of the conditions and the environment are changing. It could be caused by the lack of inputs, a failure in the power supply or production elements, or an electrical voltage escalation, etc; and each change requires an adequate reaction of the system to provide adaptation (Brown, 2019). Brown (2019) study clarify that, if changes are expected, the system can be prepared for them and then; you can also have a proper reaction. The
situation is different when a rapid change has a higher value than expected. Brown (2019) further clarify that, during this situation, the system may have an inappropriate reaction and, after that, complications or crises may arise.

Basically, the crisis is created due to: unexpected and large negative situation, unmanaged control, unexpected and large negative situation (Brown, 2019). Brown (2019) explained that, an unexpected situation is a situation that cannot be predicted. Complications are created by a large-scale negative event (for example, natural disasters, the sharp fall in the price of shares in the stock market, the large-scale attack of an unknown computer virus, etc.) (Brown, 2019). The system is not prepared for these changes, because they are not frequent and prevention is economically unbearable.

The system must be prepared for these negative situations. According to Brown (2019), Crisis management is based on minimizing the influence of the negative situation and also on the recovery of the system. Brown (2019) further states that, Crisis management is a special type of management created to manage and overcome the crisis. The activation of new forces and equipment is a basic measure of crisis (Brown, 2019).

The nature of the crisis that arises is based on unmanaged control. (Brown, 2019) explained in the theory that, the crisis usually includes periods (stages) of latent symptoms, acute, chronic and resolved / unresolved crisis. He claimed that in the stage of latent symptoms, the accumulation of unresolved problems occurs. If the management system is not updating or is not resolving the symptoms of the crisis, the crisis comes out. Brown (2019) claim in the acute stage, the problems culminate and unresolved problems also accumulate; the control system must begin to solve these problems slowly and then a breaking point of the situation is reached. This breakpoint is based on the capacity of the system, especially the control system. The crisis is eliminated if the system is able to activate and guarantee many resources for appropriate measures. Crisis management has also been activated (Brown, 2019). Crisis management must act quickly and be efficient enough to solve the crisis without damaging the elements of the complex (Brown, 2019). In crisis, we generally do not have enough relevant information. Therefore, crisis resolution must be made during an unclear situation and Knowledge and experience, obtained from previous crises, play a key role in handling complicated situations (Brown, 2019).

Decisions usually have irreversible implications and the systems have to be prepared for the crisis and must also make plans to eliminate the crisis situation (Brown, 2019). Brown (2019) state that, at the same time, they must resolve the crisis immediately at the stage of latent symptoms. This ensures the avoidance of crisis. Relations between crisis and security and protection Crisis theory and security and protection theory represent the common form (Brown, 2019).

Information security and safety related theory

Theories related to information security and safety are also reviewed below

Security policy theory

This theory aims to create an application and maintain an organization's information security needs through security policies (Ifinedo, 2012).

Risk management theory

Assess and analyze threats and vulnerabilities in the organization's information assets. It also includes the development and implementation of control measures and procedures to reduce risks (Clifford & Smith, 1995).

Control and audit theory

The theory suggests that the institution needed to establish control systems (in the form of a security strategy and standard) with periodic audit to measure the performance of control (Sunder & Cyert, 1997).

The theory also suggest that organization need establish control systems (in form of security strategy and standard) with periodic auditing to measure the performance of control (Sunder & Cyert, 1997).
Management system theory

The theory establishes and maintains a documented information security management system. This will include information security policies that combine the internal and external factors of an organization that are within the scope of policy, risk management and implementation (Rice, 2013).

Contingency theory

Information security is part of emergency management to prevent, detect and combat threats and vulnerabilities of the organization's internal and external capabilities (Donaldson, 2001).

Methodology

The study employed an exploratory research design which seeks to establish the awareness of security and safety culture among employees of organizations. The study makes use of secondary data to analyze into detail, how to create security and safety culture across organizations, as well as the importance of creating security and safety culture awareness across organizations.

Results Obtained from literature

The results obtained from secondary data are given below;

The importance of a security culture across the organization

Humans are complex creatures of habit, we do the things we do, in general, because that's how we always did (Jacob, 1977). The same can be said about the cultures in our society and even in the organizations we work for and in terms of long-term commercial viability, culture is everything, especially when it comes to information security (Argyris, 2017). Culture, good or bad, is the ultimate determinant of whether a company can build and maintain a flexible network environment and stay away from information risks (Hofstede, 2001).

A strong safety culture is both a mentality and a way of working and once integrated in daily thinking and decision-making, can be an almost impenetrable process (Hofstede, 2001). On the contrary, an absent security culture will facilitate uncertainty and ultimately lead to security incidents that you cannot tolerate (Lord, 2012). This often happens because everyone literally works in silos; you know, the same people of us in the industry that we quickly announce are bad for security (Mitnick & Simon, 2011). Schön (2017) assert that, rather than being useful and doing what they can do to really improve security, these people often do better for their own interests, sometimes even to sabotage each other or work in general. Schön (2017) claim that, regardless of size or business, there are some organizations that simply click, and all seem to be moving in the same direction in terms of information security and privacy. However, where there may be a security defender, but his words fall on deaf ears. These cases do not usually end well.

Concepts and importance of information security and safety to organizations

In general, information security can be defined as protecting data owned by an organization or individual from threats and/or risks (Iifenedo, 2012). According to the Merriam-Webster Dictionary, security in general is the quality or security state, that is, to be free from harm. According to the Oxford Students Dictionary Advanced, in a more practical sense, security also takes steps to ensure the security of the country, people, valuable objects, etc. Sussman and Siegel (2003) considers security to be about preventing harmful consequences from deliberate and unjustified actions of others. Thus, the purpose of security is to build protection against the enemies of those who may harm, intentionally or otherwise. According to Thomson and Von Solms (2005) information security is the protection of information and its important elements, including systems and devices that use, store and transmit this information. Information security is a set of techniques, standards, policies and management practices that are applied to information to keep it safe (Thomson & Von Solms, 2005).

Information security performs four important functions of an organization that enable the safe operation of an application implemented on an organization's information technology (IT) systems, protecting the data collected and used by organizations, protecting the assets of the technology used in the organization, and finally protecting the organization's ability to operate (Iifenedo, 2012).
Information security also allows the safe operation of an application that is applied to an organization's information technology (IT) systems (Ifinedo, 2012). Ifinedo (2012) claim that, this is because to protect the data, the organization will apply or install the appropriate software that will secure data such as antivirus and other protected applications.

Therefore, information security is critical in any organization to protect applications that are implemented in organizations and to protect the data store on the computer as well. In addition to data protection, the installed application also needs protection because it can contribute to the loss or damage of information (Ifinedo, 2012).

Information security protects data collected and used by the organization (Ifinedo, 2012). If the information is left unprotected, anyone can access it and if the information falls into the wrong hands, it can destroy lives and bring down business and can also be used to harm (Ifinedo, 2012). Ifinedo (2012) clarify that, information security software will ensure that appropriate business information and legal requirements are protected by steps taken to protect enterprise data. In addition, the steps taken to protect enterprise information is a matter of maintaining privacy and will help prevent identity theft.

In an organization, information is an important business asset that is necessary for business and therefore needs appropriate protection (Posthumus & Von Solms, 2004). This is especially important in an increasingly interconnected work environment, where information is now exposed to a growing number and a variety of threats and vulnerabilities. Causing damage such as malicious code, computer hacking, and denial-of-service attacks is becoming more common, more ambitious, and more sophisticated (Posthumus & Von Solms, 2004). Therefore, through the application of information security in the organization, it can protect the assets of technology used in the enterprise.

With regard to the protection of the functions of the Organization, the General Directorate and the Information Technology Department are responsible for implementing information security that protects the Organization's ability to operate (Posthumus & Von Solms, 2004). Posthumus and Von Solms (2004) assert that, information is the most important element in an organization to do business. They further claim that, besides, the organization keeps the information of its customers, so it is important for them to protect the information and without information, the work cannot be run. By securing the information store; it can enable the organization to run the business as well. This is why information security is important in organizations.

**Investigative framework**

![Security Awareness Model](image_url)

*Figure 1*
Researchers security and culture awareness model

The research frame work above described from left to right, the independent variables that management of organizations can adopt backed by strong efforts to ensure security and safety culture across all functions of the organization, from top to bottom.

Creating security and safety awareness culture across organizations

The below discussed the various ways and means of creating security and safety culture across organizations.

Education

Knowledge is power, cybercrime education and typical attack scenarios are an essential part of any security awareness training program (Christopher, Choo, & Dehghantanha, 2017). Christopher, Choo, and Dehghantanha (2017) assert that, Security must be strengthened and nurtured, and therefore the spirit of training should be conducted using a top-down approach. Management should be training advocates who are involved in the development of company policy and also, extend security and safety education to everyone who can be a threat to your organization - including all employees, contractors, entrepreneurs, consultants, third parties (such as suppliers) and even customers (Shaw, Chen, Harris, & Huang, 2009).

Many organizations see the security department as responsible for security. A culture of sustainable security requires everyone in the organization and everyone should feel safe (Solana, 2003). Solana (2003) clarify that, this is a culture of security for all and thus, Security belongs to everyone, from executive staff to lobby ambassadors. Solana (2003) further claim that, everyone has a part of the company's security solution and security culture.

At Uber, Samantha Davison, director of the Uber Security Program claim in their website (www.uber.com) that, “we try to change the security stories of our employees, by creating programs that address the needs of the region, management and role, our employees understand that security is part of their story and our culture.” This is an example of a company that truly believes that security belongs to everyone and puts security in everything they do.

You can achieve an “all-in” mentality by integrating the highest levels of security into your vision and mission (Quinn & Spreitzer, 1997). Quinn and Spreitzer (1997) explain that, People look at these things to understand what they should focus on and update vision or organizational objective to clarify that security and safety are not negotiable. Solana (2003) talk of the importance of security from the highest levels. This means not only people who have security in their nickname (CISO, CSO), but also from other C-level executives down to individual managers.

Build security and safety community/ policy

Security and safety is everyone's problem and either of us can become the weakest link in an organization's cybersecurity defenses; the finger that clicks on the malware package, the one who reveals his password as a legitimate site (Singer & Friedman, 2014). Singer and Friedman (2014) claim that, a holistic view must be taken where everyone recognizes the role they play in corporate culture and the impact that they can have personally on security. Singer and Friedman (2014) came out that, Understanding security issues throughout the organization, from a clean office policy to developers, understands the importance of securing security and encryption records.

Arrey (2019) asserts that, if you don't have a secure development lifecycle, get one now. Arrey (2019) clarify that, the Safe Development Life Cycle (SDL) is the foundation of a sustainable security and safety culture. SDL is the process and activities that your organization agrees to implement for each program or system version (Arrey, 2019). Arrey (2019) further clarify that, it includes things like security requirements, threat modeling and security testing activities. Arrey (2019) again claim that, SDL answers how your safety culture is secured and that, it is a culture of sustainable safety and security at work. Clients from different sectors are beginning to demand the crazy idea that organizations have SDL and follow-up and if you do not have an SDL at this point, Microsoft has released most of the details about its SDL for free and any industrial SDLs are attributed to Microsoft (Arrey, 2019).
There is a reasonable place for SDL to live in the product safety office and if you don't have a product security office, think carefully about investing in one (Arrey, 2019). This office is within engineering and provides central resources for deploying parts of your security culture. Although we don't want the entire organization to turn off security from the product safety office, think of it as a consultant to teach engineering about the depths of safety (Arrey, 2019). Arrey, (2019), assert that, the security community is the backbone of a sustainable security culture and the community provides interpersonal communication across the organization. Arrey (2019) further clarify that, the security community helps bring everyone together against the common problem and removes the mentality of “We are against them.”

The safety community is achieved by understanding the different levels of security interests within the organization: defenders, safety science, and sponsors and Security advocates are those people who have a passion at home to make things safe thus these are the leaders within your community (Arrey, 2019). The security he understands is not emotional but he realizes that he needs to contribute to making security better. Annan (2005) claim that, sponsors are from the administration who help shape the security direction. He further asserts that, bring all these people together in a special interest group that focuses on security. The security community can appear as an individual interface and weekly or monthly meetings to discuss the latest security issues. It can become an annual conference, where the best and brightest of the organization have the opportunity to share their knowledge and skills on the big stage (Annan, 2005). Fennell, (2010), claim that, for too long, people associate safety with boring training or anyone who says no all the time. Fennell (2010) went further to say that, to promote a culture of sustainable security, build fun and participate in all parts of the process. If you have a specific security training, make sure that it is not a boring sound on a PowerPoint presentation and If you get involved in your community through events, don't be afraid to laugh and frustrate about some (Fennell, 2010).

Security boot camp

Security awareness training and simulation exercises provide a first-hand firsthand experience necessary to learn and understand where the risks lie (Blanchard, 2006). A safety training camp can be created that uses a combination of formal classroom-based training, with realistic simulation exercises that train people to detect security problems (Blanchard, 2006). Security camps should cover all aspects of security from phishing and online security to desktop security to physical security (Camp, 2009). Phishing simulations should be performed regularly, but also randomly, to create more natural scenarios (Blanchard, 2006). People are your best asset, and they can also be one of the greatest assets.

Puhakainen and Siponen (2010) assert that, Security awareness is the process of teaching your entire team basic lessons about security. They further claim that, you must adjust each person's ability to judge threats before they are asked to understand the depth of the threats. Security awareness got bad rap because of the mechanisms used to deliver it and Posters and personal reviews can be boring, but they should not (Puhakainen & Siponen, 2010). Add some creativity to your awareness efforts.

On top of public awareness is the need for application security and safety knowledge and Safety awareness app for developers and testers within the organization (Siponen, 2000). Siponen (2000) claim that, in your organization, they may sit in the field of information technology, or may be an engineering job. Siponen (2000) again claim that, AppSec Awareness recognizes the most advanced lessons employees need to know to build safe products and services. Consciousness is an ongoing activity, so you never succeed in solving a good crisis and bad things will happen to your organization, and often it will be horrible

Motivation

Training on security awareness and the culture it instills are measurable and if you include tests and other measurement activities, make them fun and give rewards for doing a good job (Puhakainen & Siponen, 2010). Create a system that rewards and promotes safety best practices, but on the contrary, poor results are not used by the individual as punishment so instead, focus on how to improve the program - after all, we are all different, and different learning styles fit different types of people (Kohn, 1999). Look for opportunities to celebrate success. When someone passes a mandatory security awareness program and successfully completes it, give them a high score or five more important things
(Peltier, 2010). A simple $100 cash reward is a great incentive for people, and will cause them to remember the safety lesson that saved money (Merchant & der Stede, 2007). Merchant and der Stede (2007), claim that, people will also quickly tell five of their colleagues that they have received money for learning, and they will jump in training quickly. Merchant and der Stede, (2007), further assert that, if you're giving up the idea of giving away $100 per employee, stop being too cheap and calculate the cost. The return on investment in preventing a single data breach significantly exceeds the $100 spent. The other aspect of the reward is security progress. Peltier (2010) claim that, management should provide opportunities for team members to grow into a dedicated security role through progress. Make security a professional choice within your organization and put your money where your mouth is, If you say security is important, prove it by providing growth potential for those with a passion for security (Peltier, 2010).

Klein and Rice (2014) claim that management should provide staff with the opportunity to earn an advanced degree in security. Klein and Rice (2014) further claim that, many universities now offer a master's degree in cybersecurity. If you can't find a place nearby, create your own account and again, put your money in your place and take care of the first group of students (Klein & Rice, 2014).

**Security mindfulness**

Employees should feel empowered after receiving training and knowledge to help play their role in preventing a security breach (Coopcy, 1995). A culture of safety is a state of mind, and if done properly, it can become part of the lifestyle of an organization, along with general everyday work (Glendon & Stanton, 2000). But we must always remember that a culture of security is part of an ongoing process. Cybercriminals rarely sit on their laurels and develop new and more sophisticated technologies to deceive us (Singer & Friedman, 2014). All elements of a culture of security need to be cultivated as part of an ongoing process and training should be repeated regularly, keeping the random side to simulate phishing (Singer & Friedman, 2014). Becoming a mindfulness security will make the security work normalized.

Employees are one of the first lines of defense when it comes to effective cybersecurity, thus you can say they act as "human firewalls" (Singer & Friedman, 2014). Singer and Friedma (2014) claim that management can implement great systems and policies - for example, everyone should know that you don't click suspicious links or download unfamiliar files. But in the absence of a supportive culture, this protection collapses.

As we often hear, it doesn't take a single password to break an organization, therefore, the development of a security culture is critical (Singer & Friedman, 2014). To achieve this, Focus on encouraging employee participation in security. Herath and Rao (2009) claim that management should follow the correct steps and your security culture will form on its own. Herath and Rao, (2009) came out the following basic ideas below

1. Start hiring - ask candidates before hiring to get an idea of how they handle security.
2. Start from the top - a culture of safety starts from the top, with the CEO or president of the company. This person should design good security practices and talk honestly about it at every opportunity.
3. Each manager is a leader - as with the CEO, each manager must live and design good security practices.
4. Workforce Survey - Ask employees periodically about their knowledge, views and security practices. Then analyze and act on the results to improve the security situation of the organization.
5. Against Manpower Training - educate your workforce. Conductor refresher courses at least once a year. We can't expect staff to follow good practices if they don't know what those are.
6. Make Security a Campaign - Like participating in a community issue that uses posters, updates and gatherings, we must do the same to enhance employee security engagement.
7. Rewarding Good Practices - When employees do the right thing, reward them. In some cases, material rewards are appropriate, but the reward can be something as simple as public praise.
Summary of results

The below gives the summary of the results.

<table>
<thead>
<tr>
<th>Determinant /Variable (Security and Safety Awareness)</th>
<th>Results Obtained</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>A key significant determinant of security awareness across organizations.</td>
</tr>
<tr>
<td>Building security community and policies</td>
<td>Building security community and strong policies for security and safety culture awareness is very significant in creating security awareness across organizations.</td>
</tr>
<tr>
<td>Initiating security Boot camp</td>
<td>Initiating security Boot camp such as Security awareness training and simulation exercises is significant at providing a first-hand firsthand experience necessary to learn and understand where the risks lie, and hence creating security and safety awareness across organizations.</td>
</tr>
<tr>
<td>Motivation</td>
<td>Create a system that rewards and promotes safety best practices is a significant determinate of the awareness of security and safety culture across organizations.</td>
</tr>
<tr>
<td>Security and safety mindfulness</td>
<td>Security mindfulness in everyday operations and decision making is of significance in creating security awareness across organizations.</td>
</tr>
</tbody>
</table>

Source. from Literature

Table 1. Summary of how to create security and safety awareness across organizations

<table>
<thead>
<tr>
<th>Determinant /Variable (importance of creating security and safety awareness)</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term commercial viability</td>
<td>Security and safety culture are significant in ensuring a long-term commercial viability of organizations.</td>
</tr>
<tr>
<td>Impenetrable processes</td>
<td>Security and safety culture awareness ensures impenetrable processes of organizations.</td>
</tr>
<tr>
<td>Safe operations of applications.</td>
<td>Security and safety culture across organizations allows the safe operation of an application that is applied to an organization’s information technology (IT) systems.</td>
</tr>
<tr>
<td>Data protection</td>
<td>Security and safety culture across organizations ensures information security and data protection in the organization.</td>
</tr>
<tr>
<td>Protection of organizational functions.</td>
<td>Security and safety culture awareness across organizations is of significance in protecting all organization functions from top to down.</td>
</tr>
<tr>
<td>Increased organizational effectiveness and performance.</td>
<td>Creating security and safety culture awareness is of significance in ensuring organizational effectiveness and performance.</td>
</tr>
<tr>
<td>Build and maintain a flexible network environment and stay away from information risks.</td>
<td>Security and safety culture, good or bad, is the ultimate determinant of whether a company can build and maintain a flexible network environment and stay away from information risks.</td>
</tr>
</tbody>
</table>

Source. from Literature
Discussion of results

The results of the study are discussed below

How to create security and safety awareness culture across organizations?

The study revealed that, organizations can create security and safety awareness culture through; Education, Building security community and policies, Initiating security Boot camp, Motivation and Security and safety mindfulness. Creating security culture through education confirms Christopher, Choo, and Dehghantanhana (2017) study that, Knowledge is power, cybercrime education and typical attack scenarios are an essential part of any security awareness training program Christopher, Choo, and Dehghantanhana (2017) assert that, Security must be strengthened and nurtured, and therefore the spirit of training should be conducted using a top-down approach. Management should be training advocates who are involved in the development of company policy and also, extend security and safety education to everyone who can be a threat to your organization - including all employees, contractors, entrepreneurs, consultants, third parties (such as suppliers) and even customers (Shaw, Chen, Harris, & Huang, 2009).

The study also confirms Singer and Friedman (2014) study about building security community and policy that, a holistic view must be taken where everyone recognizes the role they play in corporate culture and the impact that they can have personally on security. Singer and Friedman (2014) came out that, understanding security issues throughout the organization, from a clean office policy to developers, understands the importance of securing security and encryption records. Arrey (2019) also asserts that, if you don't have a secure development lifecycle, get one now. Arrey, (2019), clarify that, the Safe Development Life Cycle (SDL) is the foundation of a sustainable security and safety culture. SDL is the process and activities that your organization agrees to implement for each program or system version (Arrey, 2019). Arrey (2019) further clarify that, it includes things like security requirements, threat modeling and security testing activities. Arrey (2019) again claim that, SDL answers how your safety culture is secured and that, it is a culture of sustainable safety and security at work.

Again, the study confirm that, Security camps should cover all aspects of security from phishing and online security to desktop security to physical security (Camp, 2009). Phishing simulations should be performed regularly, but also randomly, to create more natural scenarios (Blanchard, 2006). People are your best asset, and they can also be one of the greatest assets.

The study confirms Kohn (1999) study that, organizations should create a system that rewards and promotes safety best practices, but on the contrary, poor results are not used by the individual as punishment so instead, focus on how to improve the program - after all, we are all different, and different learning styles fit different types of people (Kohn, 1999). Look for opportunities to celebrate success. When someone passes a mandatory security awareness program and successfully completes it, give them a high score or five more important things (Peltier, 2010).

Employees should feel empowered after receiving training and knowledge to help play their role in preventing a security breach (Coopey, 1995). A culture of safety is a state of mind, and if done properly, it can become part of the lifestyle of an organization, along with general everyday work (Glendon & Stanton, 2000). All elements of a culture of security need to be cultivated as part of an ongoing process and training should be repeated regularly, keeping the random side to simulate phishing (Singer & Friedman, 2014). Becoming a mindfulness security will make the security work normalized. These studies confirm the present study that security mindfulness is significant in creating security and safety awareness across organizations.

Importance of creating security and safety culture awareness across organizations.

The study went further to reveal that, security and safety awareness across organizations is important and a key determinant of ensuring; Long-term commercial viability of organizations, Impenetrable processes of organizations, Safe operations of organizations’ applications systems, Data protection, Protection of organizational functions from top to down, Increased organizational effectiveness and performance and building and maintaining a flexible network environment and hence staying away from information risks.
Humans are complex creatures of habit, we do the things we do, in general, because that’s how we always did (Jacob, 1977). The same can be said about the cultures in our society and even in the organizations we work for and in terms of long-term commercial viability, culture is everything, especially when it comes to information security (Argyris, 2017). Culture, good or bad, is the ultimate determinant of whether a company can build and maintain a flexible network environment and stay away from information risks (Hofstede, 2001).

A strong safety culture is both a mentality and a way of working and once integrated in daily thinking and decision-making, can be an almost impenetrable process (Hofstede, 2001). On the contrary, an absent security culture will facilitate uncertainty and ultimately lead to security incidents that you cannot tolerate (Lord, 2012). This often happens because everyone literally works in silos; you know, the same people of us in the industry that we quickly announce are bad for security (Mitnick & Simon, 2011). Schön (2017) assert that, rather than being useful and doing what they can do to really improve security, these people often do better for their own interests, sometimes even to sabotage each other or work in general.

Information security also allows the safe operation of an application that is applied to an organization's information technology (IT) systems (Iifinedo, 2012). Iifinedo (2012) claim that, this is because to protect the data, the organization will apply or install the appropriate software that will secure data such as antivirus and other protected applications. Therefore, information security is critical in any organization to protect applications that are implemented in organizations and to protect the data store on the computer as well. In addition to data protection, the installed application also needs protection because it can contribute to the loss or damage of information (Iifinedo, 2012).

Information security protects data collected and used by the organization (Iifinedo, 2012). If the information is left unprotected, anyone can access it and if the information falls into the wrong hands, it can destroy lives and bring down business and can also be used to harm (Iifinedo, 2012). Iifinedo (2012) clarify that, information security software will ensure that appropriate business information and legal requirements are protected by steps taken to protect enterprise data. In addition, the steps taken to protect enterprise information is a matter of maintaining privacy and will help prevent identity theft.

With regard to the protection of the functions of the Organization, the General Directorate and the Information Technology Department are responsible for implementing information security that protects the Organization’s ability to operate (Posthumus & Von Solms, 2004). Posthumus and Von Solms (2004) assert that, information is the most important element in an organization to do business. They further claim that, besides, the organization keeps the information of its customers, so it is important for them to protect the information and without information, the work cannot be run. By securing the information store; it can enable the organization to run the business as well. This is why information security is important in organizations.

Conclusion

From the study, it can be concluded that, organizations can create security and safety awareness culture through; Education, Building security community and policies, Initiating security Boot camp, Motivation and Security and safety mindfulness.

It can also be concluded that, security and safety awareness across organizations is important and a key determinant of ensuring; Long-term commercial viability of organizations, Impenetrable processes of organizations, Safe operations of organizations’ applications systems, Data protection, Protection of organizational functions from top to down, Increased organizational effectiveness and performance and building and maintaining a flexible network environment and hence staying away from information risks.

Acknowledgement

All thanks to God for giving us this incredible strength, perseverance, courage and the ability to complete this paper. Even though any educational hustle and bustle is a lonely figure, but it requires the help and support of others and encourages them to succeed. “What could the eagle climb without conquering?” TAU, we owe it to those who have been frank, not defenders and very supportive in difficult times.
References


Community Support during Disasters: A Review of Internally Displaced Population in Lakes State

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Abstract

Community is a social group of any size whose members reside in a specific locality, share government, and often have a common cultural and historical heritage. In the context of emergency management, before any government machinery and support reaches or outside help gets galvanized, it is the community which must respond almost immediately.

This article articulates the role of community support during critical times of emergencies; ascertain how humanitarian organizations can enhance community resilience; explain whether humanitarian interventions which transcend to targeting hosts communities are appropriate in the context of Lakes State’s displacement; and explore the significance of community level preparedness and how community-based preparedness actions can be done in the context of Lakes State.

Three case studies of multi-hazard internal displacement of communities in Yirol East, Awerial and Rumbek North were reviewed. The triggers of displacement of communities were armed conflict, floods, and acute lack of food.

Findings depicted that community support was critical immediately during the onset of the emergencies, communities had no or were not involved in any preparedness processes, aid delivery was overly top down and carried out by humanitarian organizations, humanitarian interventions involving hosts communities were at least helpful in sustaining cohesion between IDPs and host communities. In the absence of community-based disaster management mechanism, the article recommends that humanitarian organizations focus on involvement and participation of community members in preparedness and enhancing capacities of the community to ensure resiliency.

Keywords: Preparedness, Resilience, Response, Recovery, Empowerment, Internally Displaced People, and mitigation

Introduction

Community is a social group of any size whose members reside in a specific locality, share government, and often have a common cultural and historical heritage. In the context of emergency management, before any government machinery and support reaches or outside help gets galvanized, it is the community which must respond almost immediately. Since the community plays the role of First Responder, it is critical that there is adequate awareness and preparedness at the Community level especially amongst the most vulnerable set of communities residing in the most vulnerable areas.

Internal displacement has been commonplace in South Sudan with about 1.5 million internally displaced people across the Country while Yirol East, Awerial, and Rumbek North of Lakes State has 115053 individuals of internally displaced people according to the Office for the Coordination of Humanitarian Affairs (OCHA) and IOM displacement tracking matrix (IOM, 2019). Inter and intra communal clashes led to increased arming and rearming of communities which exacerbated inter and intra-communal feuds. In July 2018, IDPs from the Pakam community fled Rumbek North County following attacks by armed elements from Rup section and planned disarmament exercise by the government of Greater Lakes State. The IDPs eventually settled predominantly in the areas of Pagarau, Nyang, Adior, and Billing, in a mix of cattle camps and host community villages. By August 2018, a number of IDPs estimated at approximately 28,000 individuals have been continuously arriving since April 2018 (Protection Cluster, 2018). Internally Displaced Persons settled in three camps of Nyang and Adior counties (Jier, Mamer, Machar-achiek) and 11 cattle camps while others integrated within the host community in Pagarau Payam.
Between May and July 2019, over 15,000 individuals moved to Dor Payam of Awerial County of Lakes State from Tindilo and Tali of Terkaka in Central Equatoria State. These areas have experienced insufficient rains for 7 years with the situation getting worst in May and July 2019 where most households were forced to either sell out their livestock to buy food or migrate to Dor in Awerial of Lakes state to access food. Sorghum and ground nuts are the main crops produced for household consumption in these locations. The IDPs settled in Dor and in dire need of basic humanitarian services especially food Aid, WASH, NFI and health services.

The IDPs informed partners and RRC in Awerial that they have not been able to plant and harvest sufficient food due to little and erratic rainfall in their places that has persisted for 7 years leading to acute shortage of food. They made the decision to relocate to Awerial where they heard food distribution was being carried out by WFP. Partners in Awerial recommended an assessment be carried out to ascertain the cause of this displacement and make the necessary recommendation and raise the matter with relevant stakeholders and players.

Meanwhile, in Northern Rumbek County, local authorities reported large scale torrential flooding which affected local infrastructure, destroyed huts and displacing over 3000 households. Many farms were submerged in water resulting in poor harvest and subsequently lack of food. Primary health care unit and centers were over-crowded with patients as malaria and acute diarrheal disease incidences unprecedentedly increased. Stock out of essential medicines was also reported in most facilities in the County.

Community support has been critical for the displaced population during the first 48-72 hours of displacement. The host community in Yirol East, Rumbek North, and Awerial provided temporary shelter, shared their food with IDPs, and shared their cooking utensils with the IDPs. Notably also, facilities such as water points, toilets, health facilities, and schools were jointly shared with the displaced community. This research therefore seeks to analyze the significance of the hospitality offered by host communities during critical times of displacement and how the existing capacities can be strengthened by the humanitarian partners as a mechanism of preparedness and resilience.

Research objectives

The broadest objective of this study is to ascertain the significance of community support during critical times of internal displacement of communities. The research explores the following specific objectives.

Specific objectives

The research explores the following objectives

1. To explore the role of community support during critical times of emergencies
2. To ascertain how humanitarian organizations can enhance community resilience
3. To explain whether humanitarian interventions which transcend to targeting hosts communities are appropriate in the context of Lakes State displacement
4. To explore the significance of community level preparedness and how community-based preparedness actions can be done in the context of Lakes State.

Research problem

Internal displacement is a subject of varying proportions. In Lakes State, internal displacement has been triggered by a number of drivers ranging from inter and intra communal violence, floods in low lying areas, and acute lack of food in some communities. In most of the internal displacement, communities provide reactive measures and normally act as first responders before humanitarian organization could step in to provide support. Humanitarian actions in the context of Lakes State is overly driven by humanitarian organizations at the apex of which is the Office for the Coordination of Humanitarian Affairs and within the cluster approach. Partial coordination is provided by Relief and Rehabilitation Commission of the Government of South Sudan which has little capacity in policy and decision making as a result of which community involvement in all aspects of disaster management is absent.
**Justification for the study**

This article is important in ascertaining the roles of community support during critical times of emergencies especially in the first 48-72 hours of displacement, how humanitarian organizations can enhance community resilience, whether humanitarian interventions which transcend to targeting hosts communities are appropriate in the context of Lakes State’s displacement, and the significance of community level preparedness and how community-based preparedness actions can be done in the context of Lakes State. This article identifies the gaps in modus operandi of humanitarian action in Lakes State and will be useful in uncovering how community involvement and participation can enhance their capacities to prepare and respond with their limited capacities to disasters.

**Literature review**

Communities contribute to disaster management in varying proportions ranging from participation in disaster preparedness, mitigation, response, recovery, and resiliency. In case of any disaster or emergency, before any government machinery and support reaches or outside help gets spurred, it is the community which respond immediately. As the community plays the role of First Responder, it is critical that there is adequate awareness and preparedness at the community level especially amongst the most vulnerable set of communities residing in the most vulnerable areas. It is pertinent to invest in efforts of strengthening community risk resilience at all levels to be able to adequately address disaster risk reduction (National Institute of Disaster Management). Patterson, Weil, and Patel (2010) notes that community responses to Hurricane Katrina demonstrate the importance of local knowledge, resources, and cooperative strategies in determining their survival and recovery, that is, their resilience. These responses can also greatly inform theories and practice of disaster preparedness and risk perception planning and help better understand how communities’ strengths and capabilities can be integrated into these processes. In a number of disasters, community’s role transcends from mitigation, preparedness, response and recovery.

The concept of community-driven development has widely been implemented by organizations. The role that community-based organizations (CBOs) play in decisions about the economic and social development processes that directly affect the livelihood of their members; and the development of a culture within public administration that views communities as subjects of change and development partners, rather than as mere receivers of the benefits of public expenditure (Manssour and Sparacino, 2009; Singh, 2013; Brookman, 2015). Community-driven development is a social and political transformation embed in the way local development is done across a country. Communities’ involvement in development tend to increase communities’ resiliency in terms of decision making, preparedness and resources ownership which is critical for them to cope during period of emergencies

**Mitigation**

Any sustained efforts undertaken to reduce the likelihood or consequence of the hazard’s risk. FEMA (2005), asserts that mitigation is a ‘cornerstone of disaster management’. Although this sounds rosy, mitigation measures are more challenging and costlier. Mitigation measures tend to be costly, disruptive, time consuming, and in some cases socially unpalatable. They almost always carry their own inherent risk and do not always work as intended. Political will for mitigation is hard to come by in many situations, and the public’s attention span tends to be too short to accommodate the significant life changes that may be necessary for mitigation to work. Furthermore, mitigation traditionally has been a luxury of the rich nations, with many societies considering it to be something they cannot justify or afford in light of other, more immediate issues (Coppola, 2007).

Mitigation efforts have five prime goals to achieve viz; risk likelihood reduction which seeks to reduce the likelihood of a hazard occurring. Application of this measure is much easier for technological and intentional hazards which emanate from human actions. For some hazards like hurricanes and cyclones, it has not been established technically how to apply risk likelihood reduction (Coppola, 2007). The second goal of mitigation is risk consequences reduction; this seeks to reduce the impacts of disaster to humans, structures and environment. It is assumed that disasters will occur and create enormous consequences and therefore the need to reduce these negative consequences. Typical examples of impacts reduction can be seen in construction of hurricane and cyclone shelters where communities can
be evacuated during onset. The third goal of mitigation is risk avoidance; it should be noted that some risks are unacceptance even after reduction of their likelihood consequences. The viable option for such risks is to completely avoid them. Risk avoidance actions include removal of people from certain hazard prone areas. The fourth goal is risk acceptance which entails that communities may have some risks they contend to live with. This is common with some religious beliefs as well. Also, governments may be unable to afford the cost of certain risk mitigation and so decides to accept some level of risks. The final goal of mitigation is risk transfer, sharing and spreading which is commonly applied by insurance companies. Companies collects premiums from all population both at risk and those not at risk for them to be able to compensate the highly affected people once the hazard occurs. This is the most common mitigation measure in the context of Lakes State where communities communally share resources like food, water, schools, and health facilities during emergencies.

Coppola (2007) suggests a number of things which he classified into structural and nonstructural mitigation measures. Under structural measures, actions include; building wind resistant community shelters, building code and regulatory framework, treatment systems, construction of barriers, deflectors, and retention systems, and relocation. Whereas under nonstructural measures are regulatory measures, community awareness and education programs, environmental controls, and behavioral modifications. To achieve some degree of mitigation nonstructural and structural actions must be pursued in tandem.

Disaster preparedness

In the 16th century, Miguel de Cervantes Saavedra, author of Don Quixote, wrote, “forewarned; forearmed (cited in Coppola, 2007). This echoes the prime role that preparedness plays in responding to emergencies. Being prepared is almost half of the victory towards effective response. According to UNICEF operational manual for responding to emergencies, it is emphasized that preparedness reduces the overall cost of emergency response by half. Preparedness entails a number of actions, in UNICEF operations, preparedness is a four-step annual process which includes join risk analysis, scenario definition, key elements of response, and preparedness actions which take stock of available minimum measures of preparedness. To ensure coordinated emergency management authorities at the national level (Country or area) should take lead in developing emergency operations plan which should bring on board all relevant stakeholders (Coppola, 2007). Preparedness has proven significant in a number of emergency response globally; the Jewish communities of Southern Louisiana adopted contingency planning methods developed by Jewish Family Service agencies in Southern Florida, which has also experienced many hurricanes. Florida’s JFS compiled an Emergency Care Contact List, for which senior citizens could voluntarily pre-enroll. Then, in the event of a hurricane, JFS can deliver services and assistance to seniors who are known to be potentially vulnerable (Patterson, Weil, and Patel, 2010)

Raju (2013), in a study of community-based disaster management asserted that community-based disaster management provide opportunities for the local community to evaluate their own situation based on their experiences. Under this approach, the local community not Only becomes part of creating plans and decisions, but also becomes a major player in its implementation. Although the community is given greater roles in the decision-making and implementation processes, community-based disaster management does not ignore the importance of scientific and objective risk Assessment and planning. The CBDM approach acknowledges that many stakeholders as needed should be involved in the process, with the end goal of achieving capacities and transfer of resources to the community.

Asian Disaster Preparedness Center works to build the resilience of people and institutions to disasters and climate change impacts in Asia and the Pacific. Some of their achievements include building capacities of the governments of 21 members Countries to embrace resilient programming as well as working with the national disasters’ organizations to enhance the capacities of the communities on disaster risk reduction. After the collapse of a dam in Lao PDR in 2018, for example, Asian Disaster Preparedness Center provided the government with satellite maps to estimate the extent of the inundation and identify the most affected areas. The information could be useful for the Government of Lao PDR and emergency response practitioners in providing flood response to the affected people. Similarly, in Cambodia, a decision-support service for supporting flood forecasting was developed in collaboration with the government. The tool goes by the name of Virtual Rain and Stream Gauge
Information System, which contains high resolution satellite rain and stream gauge data that will enhance the flood early warning system of Cambodia. (Rana ed., 2019). In addition to this technical and policy level support, the focus is much on a “communities first” and therefore, a total of 1534 people learned about the status of sector specific disaster preparedness and worked towards finding the way forward through 48 events held across six countries. This technical support becomes of the basis for effective preparedness where communities could be warned of the threat which is capable of reducing the amount of damage and loss of lives during emergencies.

In Latin America, the top-down approach to disaster management was discovered to have many flaws as communities were never involved. Communities participation was limited to provision of labor in development projects. However, case studies on community-based disaster mitigation approaches shifted principal responsibility and authority for the development of the program to community-based organization (CBO); problems were correctly defined; responsive mitigation measures and strategies for recovery were worked out following disaster since people could express their real needs and priorities to the CBOs; existence of CBOs allowed rapid and effective response to emergencies; the principal resource is people themselves and their local knowledge and expertise to programs had small financial inputs but produced large results; and programs were multi-sectoral, combining different activities (Victoria, 2002).

Disaster response

At the onset of emergencies, communities expect their government and anyone to help them out. Governments and authorities in given Countries or areas have the responsibility to help their people. Even though that seems to be the promise of authorities, when it comes to times of response, it becomes an enormous hurdle to bear. Lessons from major response operations showed that a carefully planned and prepared communities and actors leads to less human and economic losses once disaster strikes. Response is by far the most complex of the four functions of emergency management, since it is conducted during periods of very high stress, in a highly time-constrained environment, and with limited information. During response, wavering confidence and unnecessary delay directly translate to tragedy and destruction. Response includes not only those activities that directly address these immediate needs—such as first aid, search and rescue, and shelter—but also includes systems developed to coordinate and support such efforts. Response involves the rapid resumption of critical infrastructure (such as opening transportation routes, restoring communications and electricity, and ensuring food and clean water distribution) to allow recovery to take place, reduce further injury and loss of life, and speed the return to a normally functioning society (ibid).

Disaster recovery

Disasters wreak havoc on the living, on built structures, and on the environment, but preparedness and mitigation reduce vulnerability to disasters, and response minimizes the loss of life and property. However, even with the best mitigation, preparedness, and response, there will almost always be some level of environmental damage, destruction of property and infrastructure, disruptions of social and economic systems, and other physical and psychological health consequences. The process by which all of these are rebuilt, reconstructed, repaired, and returned to a functional condition is called recovery. In a comprehensive way, recovery actions are supposed to begin at the pre-disaster planning stage and continue long after the disaster has occurred. Because of the spectacular nature of disaster events and because disaster consequences affect so many peoples’ lives, recovery generates the greatest amount of interest and attention from the world community as a whole. In relation to the other disaster management functions, it is by far the costliest. Disaster recovery is also the least studied and least organized of all of the disaster management functions, and therefore the most haphazardly performed (ibid). commonly performed activities during recovery period include; ongoing communication with the public, provision of temporary or long-term housing, assessment of damages and needs, demolition of damaged structures, clearance, removal, and disposal of debris, rehabilitation of infrastructure, inspection of damaged structures, repair of damaged structures, new construction, social rehabilitation programs, creation of employment opportunities, reimbursement for property losses, rehabilitation of the injured, and reassessment of hazard risk.
Theoretical framework

Social network theory

This article is guided by the social network theory which views social relationships in terms of nodes and ties. Nodes are the individual actors within the networks, and ties are the relationships between the actors. There can be many kinds of ties between the nodes. In its most simple form, a social network is a map of all of the relevant ties between the nodes being studied. The network can also be used to determine the social capital of individual actors. These concepts are often displayed in a social network diagram, where nodes are the points and ties are the lines. In traditional Lakes State, individuals have linkages in the form of intermarriages and extended family relationships and friendships akin to the social network theory conception. It is these traditional connections which become significant in communities’ supporting each other during disruptions by disasters.

Disaster risk governance

The article within the disaster risk governance and resilience framework adopt the below model. The model posits community resilience at the center of all efforts. Chief amongst all actions are: learning that encompasses community’s perception of risks, critical reflections from the history of disasters, dissemination of disaster related information and plans, monitoring, and innovation. Equally important are the actions like the level of preparedness, response, recovery and vulnerability reduction. Critical is also taking stock of the resources at the disposal of the community in terms of human, financial and socio-political. Proper interface of these three elements would lead to enhancement of community resilience.

Methodology

Analysis of inter-agency rapid needs assessments for multi-hazard causes of internal displacement was conducted looking at reports of internally displaced population in Yirol East of Lakes State, report of internal displacement in Rumbek North due to floods, and also the report of internal displacement of people into Awerial County of Lakes State as a result of acute lack of food in Tindilo and Tali of Central Equatoria State. In each of these scenarios, I participated as a lead assessor and used a myriad of interviews and focus group discussions both with the IDPs and host communities.
Results

On 30th January 2019, fighting broke out between youths from Pakam and youth of Pagarau who were displaced from their homes in Rumbek North to Yirol East. Because of the armed conflict, women and children fled the internally displaced camps of Mamer, Jier, and Machar-achiek to Yirol town where they were initially accommodated at an open ground in the middle of Yirol town with protection provided by the local police. Humanitarian partners in Yirol quickly assessed the needs of the IDPs which included safe shelter since they were sleeping in an open place, medications, food, and transportation as families expressed the need to return to Rumbek North. Eventually 28,000 internally displaced persons were transported by the local authorities to Maper in Rumbek North where they were resettled. From August 2019, torrential floods strike Rumbek North destroying several huts, farms, health facilities, schools and limiting access to villages around Maper town. Cases of diarrhea and malaria surged and drug stockout eminent as there is no road access from Rumbek to Maper. Vulnerability was extremely high among the IDPs who were settled in low lying areas and have not been able to recover sufficiently from previous shocks of multiple displacements.

For the displacement from Tindilo and Tali to Dor of Awerial County, some of the findings for the assessment commissioned by partners are as hereunder

1. An estimated 8,438 households in Tali and 3132 households in Tindilo were found to be in need of various basic services – shelter, food, non-food items among others.
2. The already limited access to basic services such as food, WASH, health, nutrition, protection, NFI and education are likely to be worsened by drought/approaching dry season and displacements as cattle raiding conflicts continue in both Tali and Tindilo.
3. It is estimated that over 15,000 people have been displaced to Awerial County of Lakes state and Mundri County in Western Equatoria state mainly due to lack of food. However, retaliatory attacks by the Mundari over cattle raids in September is forcing some of these IDPs to forcefully return.
4. The global acute malnutrition (GAM) rate in Tali was found to be 17.3% of the children aged 6-59 months screened by Nutrition team. This rate is above WHO emergency threshold of 15%. Immediate response on nutrition service is recommended.
5. Vast distances between police establishments may be encouraging cattle raids. Establishing police posts at strategic places along the cattle raiding routes will reduce incidences of cattle raiding and crimes.

Community support

Support was unconditionally provided by the hosting communities in a number of ways such as; sharing of Food, provision of Temporal Shelter, medical treatment from Host Primary Health Care Center and Primary Health Care Units, provision of land for the IDPs, enrollment of displaced children in host’s schools, and protection services. These levels of support initially made the IDPs confident to continue to stay in the areas of displacement like in Dor, Jier, Mamer, Machar-achiek, and Maper. For the IDPs whose trigger of displacement is inter and intra communal conflict, hosting communities have taken the mediation roles which generally lead to a peace process and eventual reconciliation leading to peaceful return of the displaced population.

Humanitarian’s beneficiaries targeting

In the three case studies of humanitarian response in Lakes State, targeting of beneficiaries have been determined by humanitarian actors on the basis of needs of the affected populations. However, as communities supported the affected population, the resources of the host communities were depleted because of the increasing strain of additional population. Humanitarian aid was therefore given to a percentage of host population to enhance their coping strategies. Failure to provide similar assistance is likely to engineer conflict between the host population and the IDPs and to adhere the humanitarian principle of ‘do no harm’ it was prudent to equally help the hosting communities. Another reason as to why hosting population should be supported during humanitarian assistance is to preserve the harmonious practice of support that the communities themselves have started. Here I quote a statement from key informant
We were happy to help our brothers from Pakam who came to our place, it is our responsibility to provide food, water, shelter and many more to our guests. During the food distribution, we are also supported, this food will compensate for our food which we have shared with our guests (One of the Key Informants in Yirol).

This echoes the concept of social network theory. Communities in Lakes State have long history of co-existence as well as other social ties and great sense of hospitality whereby people would generously welcome each other and provide whatever support they can afford during critical times of needs. It is therefore of immense significance that humanitarian intervention should aid this great imperative in the community.

Enhancing community resilience

Long history of conflicts and hardship in South Sudan and Lakes State in particular has hardened the level of resiliency of the communities. Traditional coping strategies include selling of livestock to buy food for families, leaning on relatives who are employed with NGOs for assistance, surviving on wield leaves and fruits, hunting amongst others. For humanitarian actors to promote resilience in Lakes State some of the following suggestions are very critical

1. Strengthen social and cultural networks pre-disaster and establish pre-disaster relationships with nontraditional partners in disaster preparedness and response activities, to promote social re-engagement activities post-disaster. Such groups include faith-based organizations, non-governmental social support organizations, family and child advocacy organizations, youths’ groups, and Gelweng/Titweng groups.
2. Integrate key capabilities into disaster planning, such as economic development, social capital, community competence, and information and communications and enlist community members in planning at all levels.
3. Develop a range of communications tools appropriate for the community’s emergency specific literacy and cultural diversity.
4. Leverage the diverse resources of communities through public-private sector collaborations and partnerships.
5. Address the psychological health of a community, specifically by fostering adaptive coping responses to adversity.
6. Develop and implement community-level public education plans detailing how individuals, families, and households prepare for incidents, highlighting information for and about at-risk individuals.

Communities’ participation in planning processes is critical. Communities must not be treated as mere beneficiaries of humanitarian aid but should be treated as equal stakeholders who have knowledge about their specific localities. This will lead to proper identification of issues which in turn can lead to adequate response. Additionally, recovery activities of the organizations must include basics elements of resilience like arming communities with the requisite knowledge in the form of reflective learning and dissemination of pertinent information amongst the communities. More so, recovery activities should continue long enough until communities are on their feet.

Community preparedness and early warning mechanism

Emergency management activities in Maper, Yirol East, and Awerial or in the Greater Lakes region of South Sudan have been handled by international organizations with Relief and Rehabilitation Commission coordinating the overall efforts from the side of the government. The nature of preparedness has been loosely top-down, with NGOs making their own preparedness action. Subsequently, events like flood in Rumbek North have been occurring every year which questions the level of how actors are prepared to provide concrete lasting solutions to the disaster. A shift in the modus operandi of humanitarian actors is needed to bring onboard communities in preparing for this natural hazard. Even though Rumbek North has some high ground where communities could be resettled, communities for some cultural reason are unable to leave their traditional home areas. Authorities in Lakes State should take up steps to persuade communities to avoid the inherent risks of flooding every year to resettle communities in areas with lesser risks of flooding. Early warning early
action should be stepped up as a way to mitigate conflict. Community leaders and Gelweng youths should be part of this mechanism. Adequate training is needed for the communities to better monitor the security situation and develop measures to avoid conflict.

**Discussion**

In the three case studies, community’s involvement in all functions of emergency management viz, mitigation, preparedness, response, and recovery were found to be very limited. Communities were treated as mere beneficiaries – recipients of humanitarian assistance. This obviously comes with a number of shortcomings; for instance, communities become more dependent on aid, communities neglected their coping strategies and always focus on external help. Involvement of communities is therefore a significant step towards building a resilient society.

**Effective recovery as a cornerstone to communities’ resilience**

Analysis from the three cases of internal displacements of communities in Lakes State show that response by humanitarian organizations are reactive though properly coordinated through the existing international framework of cluster approach. There is contingency planning at the level of organizations in which communities and local authorities at the grassroot are never involved. Mitigation measures or early warning systems have never been established, making activities just reactive to the plight of the people affected. Beyond the humanitarian handouts, recovery activities are non-existent or poorly coordinated. This paper therefore proposes that recovery intervention must be properly planned and incorporated into the disaster preparedness plan and should be kicked-off almost immediately with the response and should continue long after the response has ended as asserted by Coppola (2007).

**Disaster management functions**

![Diagram of Disaster Management Functions](image)

**Figure 2. Disaster management functions**

Government’s Relief and Rehabilitation Commission at all levels – National, State, and County levels must step up their functions to include adequate planning, mobilizing all actors to regularly identify priority risks and work out a unified emergency operation plan in which communities are part and parcel of the planning process. Structural actions are needed at the community level through creation of community disaster management committees who will help communities, local authorities, and the population at large to ease actions towards community perception of disasters. NGOs have to develop the capacities of the community disaster management committees, community-based organizations and other groups on disaster management. Even though communities in Lakes State are more resilient to shocks of varied disasters – both manmade and natural, it is worth noting that there are times when their coping strategies could not bear, a situation of ‘shocks aftershocks and shocks upon shocks’. These situations were seen in the case of IDPs who were multiply displaced and affected by multiple catastrophes, completely distracting their capabilities and even those of the host communities.
To restore the coping strategies and resiliency of these communities, carefully planned recovery activities are required and chief in those recovery actions is community participation.

Conclusion

In a nutshell, communities’ support to each other during period of shocks was found critical in the three cases of emergencies where support was provided in the form of sharing food, sharing of health facilities, sharing of water points, sharing of schools, provision of temporal shelter for displaced people. This conforms with the social network theory which the in traditional Lakes State, communities have long history of ties and a communal tradition of sharing. Besides, the beneficiaries targeting by aid workers which transcend to include hosting communities was cornerstone in helping hosting communities to cope even after their limited resources have been exhausted by the people they have accommodated. It also helps in maintaining peaceful co-existence among the IDPs and the hosts. Chief in the efforts to managing disasters is also formation of community disaster management committees and developing their capacities to identify and mitigate inherent risks of hazards in their communities.

Community’s involvement in emergency management function is non-existent as the function is overly top-down. This paper recommends participation of communities in all the functions of emergency management to inculcate some level of ownership in managing their affairs. To enhance community resilience, actors should ensure: strengthening of social and cultural networks pre-disaster and establish pre-disaster relationships with nontraditional partners in disaster preparedness and response activities, to promote social re-engagement activities post-disaster. Such groups include faith-based organizations, non-governmental social support organizations, family and child advocacy organizations, youths’ groups, and Gelweng/Titweng groups, integrate key capabilities into disaster planning, such as economic development, social capital, community competence, and information and communications and enlist community members in planning at all levels, developing a range of communications tools appropriate for the community’s emergency specific literacy and cultural diversity, leveraging of diverse resources of communities through public-private sector collaborations and partnerships, address the psychological health of a community, specifically by fostering adaptive coping responses to adversity, develop and implement community-level public education plans detailing how individuals, families, and households prepare for incidents, highlighting information for and about at-risk individuals.

References


Problems and Prospects of Cloud Computing Adoption in the Nigerian Tertiary Institutions

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**Abstract**

The adoption of cloud computing in higher institutions has delivered lots of benefits to them, as it is budget friendly and gives academicians a positive experience from its use, while it also helps upsurge IT staff productivity in universities. It is against this background that this study examines the problems and prospects of cloud computing adoption in Nigerian tertiary institutions. The descriptive survey method was adopted and primary data were collected from 60 IT staff from two randomly selected higher institutions in Lagos State, Nigeria. The collected data were analyzed using mean scores and Pearson Product Moment Correlation Coefficient. The findings of the study show among others that (i) there is a significant relationship between the technological factors and the adoption of cloud computing in Nigerian higher institutions; (ii) there is a significant relationship between the organizational factors and the adoption of cloud computing in Nigerian higher institutions; and that (iii) there is a significant relationship between the environmental factors and the adoption of cloud computing in Nigerian higher institutions. The study therefore recommends that (i) the government should help in the provision of not only social amenities and infrastructural facilities but also policies that promote and enhance the adoption of cloud computing; (ii) higher institutions in Nigeria should also adopt work cultures that would enhance the adoption of cloud computing in their institutions; and that (iii) the managements of the Nigerian higher institutions should not only think about the effective and efficient adoption of cloud computing but also have a viable sustainability plan for its adoption.

**Keywords:** Cloud computing, higher institutions, problems, prospects, technology, organization, and environment.

**Introduction**

Technology is everywhere in today’s life, world is changing and transform with new development and innovation of technology. Our life is used to technology to perceive new thing. There is a new technology innovation, which is going on around the world which can make changes to your life and feel comfortable with it. Among of new innovative technology that is increasing in use around the world is cloud computing. Cloud computing is a metaphor used to describe networks (Vouk 2008). The term used to explain cloud computing means host everything that relates to delivery service over the internet. It is among the future generation which categorized into three platforms they are serviced of network, software and hardware that can spread out its usefulness to the user in anywhere they demand to (Masud, Yong, & Huang 2012).

The use of cloud computing in higher educational institutions has provided them with lots of benefits. Firstly, cloud computing is cost effective therefore it is efficient where the resources are minimal. Secondly, the academicians derive a positive experience from its use. Moreover, cloud computing helps in increasing the productivity of IT staff in universities. In today’s world, various applications are provided on cloud platforms by various companies especially Google and Microsoft that are providing various applications and services free of charge for use by staff and students in different learning institutions.

Cloud Computing offers On-demand network access to a shared pool of configurable computing resources like networks, servers, storage, applications, and services, rapidly provisioned with minimal management effort and provider interaction (Cachin, 2011 cited Udanor, Aneke & Obilbo, 2018) and delivers infrastructure as a service (IaaS), Software as a service (SaaS), Platform as a Service (PaaS), Storage as a Service, and recently, Security as a Service (SECaas), etc in a multi-tenant model at
relatively low cost, and high resource availability over fast Internet connectivity. Fig 1 shows how these services are layered.

**Aim and objectives of study**

Because of the demands of increasingly complex problems over the recent decades, developments in science and engineering have been stepped up to meet with these challenges. Scientific research today is so much based on large amount of numerical simulation, data analysis/analytics, as well as on collaborative research. Research in the 21st century is data-intensive, simulation-based, distributed across virtual communities, and collaborative. In recent years’ data-intensive science has been conducted on a scale that was unimaginable a few years ago. Sensors, storage systems, computers and networks have greatly improved in capability and integration to create huge data archives that has changed the way research was conducted in the fields of medicine, physics, astronomy, biology etc.

The big question is where is Africa in the scheme of things with respect to e-science deployment and usage? These are the questions this study attempts to answer by examining the problems and prospects of cloud computing adoption in Nigerian tertiary institutions. Hence, this study seeks to answer the following research questions

**Research question one.** What are the challenges inhibiting the adoption of cloud computing in the Nigerian tertiary institutions?

**Research question two.** What are the prospects of cloud computing adoption in the Nigerian tertiary institutions?

This study therefore, tests the following hypotheses

1. *H01.* There is a significant relationship between the technological factors and the adoption of cloud computing in Nigerian higher institutions;
2. *H02.* There is a significant relationship between the organizational factors and the adoption of cloud computing in Nigerian higher institutions; and
3. *H03.* There is a significant relationship between the environmental factors and the adoption of cloud computing in Nigerian higher institutions

**Literature review**

**The concept of cloud computing**

Cloud computing is a recent concept that is still evolving across the information technology industry and academia. Several definitions have evolved so far, the National Institute of Standards and Technology (NIST, 2009), defines cloud computing as “a model for enabling convenient, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications, and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction (Mell & Tim, 2009). Olabiyisi et al. (2012) defines cloud computing as an elastic and scalable utility model that offers flexible, ubiquitous, on-demand network access to a shared pool of configurable computing resources (for example, servers, data centers, networks, applications and services) that can be rapidly provided and released with limited interaction of service provider or the management.

It provides shared infrastructure, self-service, dynamic and virtualized pay-per-use platforms which put it on high demand. Cloud computing implies a level of dynamic, flexible resource sharing and allocation of assets.

Mell and Gance (2011) defined each of the three services models thus: Software as a Service (SaaS) which allows users to use the provider’s applications on a cloud through a web browser, while Platform as a Service (PaaS) allows users to deploy their own applications on the provider’s cloud infrastructure under the provider’s environment. Infrastructure as a Service (IaaS) allows users to control and manage computing resources.

**Hurdles to cloud computing adoption in Nigeria**

Below are some of the addressable hurdles to the feasibility of cloud computing in Nigeria.
Unreliable Power Supply

Unreliable power supply in this country had been a major setback to the introduction of cloud computing in Nigeria. The president of the Association of Telecommunications Companies of Nigeria (ATCON) identified inadequate power supply as the major impediment to the growth of ICT in Nigeria. According to him, “a pursuit of the liberalization agenda of the power sector as obtained in the telecommunication sector is needed to solve the protracted issue of inadequate power supply” (Omo-Etту, 2011).

Lack of political will to the genuine growth of ICT

The Director-General of National Information Technology Development Agency (NITDA) stated that a major challenge militating against ICT development in Nigeria is lack of political will from the decision makers as he cited that the IT industries are under-funded, and reiterated the need for government to invest substantially in science and technology (Anyaye, 2010). In another development, the president of the Institute of Software Practitioners of Nigeria (ISPON) asserted that in 2012 ICT recorded growth but there was no adequate development. He stressed that we need to promote the indigenous software and infrastructure companies to ensure growth and development of ICT in the country (Uwaje, 2013).

Corruption

Experts have reasoned that Nigeria is one of the most corrupt nations in the world today. Oruame (2008) stated that “... facts are emerging on how ICT projects have merely ended up as conduit pipes with which billions of U.S. dollars have been siphoned from the public treasury into private bank accounts”. Therefore, if these trends remain unchecked, it would hamper the advancement of cloud computing in Nigeria.

Persistency of poor internet services

The CEO of Main One Cable Company which has laid a 7,000km fibre optic cable linking West Africa to Europe, said that the absence of robust national backbone has led to increased cost of moving capacity around the country. Investigation reveals that to get connected from Lagos to London costs $600 per megabyte as against $1,100 between Lagos and Abuja due to governments’ inability to encourage investment geared towards strengthening backbone transmission networks. According to her, $250 million had been invested so far by the company in building the underwater cables and constructing distribution networks. She opined that the federal government should conduct a review of the national backbone infrastructure, manage the country’s national frequency spectrum resource as well as encourage infrastructure sharing amongst telecoms operators in order to improve internet penetration in the country (Opeke, 2011).

According to Global System for Mobile Communications Association (GSMCA), MTN, Globacom, and Airtel have only deployed 8,000km, 10,000km, and 4,600km of fibre backbone respectively making a total of 22,600km. This results to only 28.6% internet penetration across the country. Also, some of these providers offer skeletal services to the populace. This must change to enable cloud computing to work viably in Nigeria.

Need for backbone infrastructure sharing/general communication problems

Infrastructure sharing by mobile operators in Nigeria will no doubt reduce both capital expenditure (CAPEX) and operating expenditure (OPEX). Ohakwe (2011) in his blog stated that “operators need to share costs and invest in network technologies that support transmission of large quantities of data such as optical fibre and associated technologies”. Furthermore, the landing of undersea cables like Main 1 and Glo 1 and the deployment of enhanced 3G (3G+) and 4G technologies will amplify the increasing demand for data services which is too expensive for individual operators to duplicate, thus requiring the need for infrastructure sharing.

Furthermore, Ikekewonwu (2011) in a paper presentation on cloud computing in Nigeria identified several communication problems which could hamper the smooth take off of cloud computing in Nigeria. Some of these problems range from broadband to backbone infrastructure. He pointed out the
lack of focus on the part of ISPs as all the ISPs (MTN, Globacom, Airtel, etc) target national coverage with none thinking of being a regional operator or provider. For instance, Visafone concentrating on eastern region, and making sure that coverage is highly optimized, steady and efficient. Being a regional operator would result to cost effectiveness and improved delivery since the cost would be less. As a result of these developments, the broadband offerings of all the service providers in Nigeria are very frustrating/unreliable due to inadequacy of infrastructure and funding. The next section discusses the feasibility of cloud computing in Nigeria.

Prospects of cloud computing

Several studies have established the benefits embedded in the adoption of cloud computing in higher institutions. Mehmet and Serhat (2011) identified some of the benefits offered by cloud computing in education to include on-demand access to online database repositories, e-learning platforms, digital archive, portals, research applications and tools, file storages, e-mails and other educational resources anywhere for faculty, administrators, staff, students and other users in university.

Gerald and Eduan (2012) conducted a survey on the adoption of cloud computing among public universities and FET colleges within South Africa. The authors argued that public universities and colleges share many similar operational processes such as course offerings, admissions, enrollments, bursaries, research and graduations that can be standardized across the higher education sector and offered as a set of services through cloud to the many colleges and universities in a more cost effective way than is currently the case. The results of the analysis shed some light on the current state of cloud computing adoption within the South African public higher education sector, the main factors that fuel its adoption, the main barriers that impede its adoption and the direction it may take in future as it matures.

Abdulsalam and Fatima (2011) argued that cloud computing is the solution to ICT in higher education in Nigeria. The authors identified scarcity of ICT infrastructure and lack of access, high cost of ownership, unsteady and inadequate electrical power supply as factors that are limiting the infusion of ICT in Nigeria higher education. They claimed that the prospect of a maturing cloud of on-demand infrastructure, application and support services is important as a possible means of driving down the capital and total costs of ICT in higher education, facilitating the transparent matching of IT demand, scaling ICT, fostering further ICT standardization and accelerating time to market by reducing ICT supply bottlenecks.

Oyeleye, Fagbola, and Daramola (2014) investigated the impact and challenges of the adoption of cloud computing in public universities in the Southwestern part of Nigeria in 2014. They selected a sample size of 100 IT staff, 50 students and 50 para-IT staff from 10 public universities in the southwestern part of Nigeria. They used stratified sampling techniques to select their same and administered 2000 questionnaires and 1724 were returned.

The findings obtained from the research showed that adoption of cloud computing has major impact on cost effectiveness, enhanced availability, reduced investment in physical assets, reduced IT complexities and increased operability. But, the major challenges affecting the adoption of cloud in theses universities are, regulatory compliance concerns, data insecurity, lock-in and privacy concerns (Raed, Fash, and Chang, 2015).

Abdulsalam and Fatima (2011) explored the applications of cloud computing in higher education in Nigeria, they identified the factors limiting the implementation of cloud computing in Nigeria’s higher institutions as high cost of ownership, lack of access, unsteady and inadequate electric power supply, high cost to the consumer. They also discussed the benefits of transition to cloud computing in higher institutions.

They concluded this research by stating that cloud computing has great potentials in improving the ICT applications and infrastructure at higher levels of education in Nigeria and advised that every university that wishes to adopt this must plan the transition carefully and keep close contact with well-established organisations like NIST (National Institute of Standards and Technology) in order to ensure smooth transition (Abdulsalam and Fatima, 2011).
Theoretical framework

Technology-organizational-environment (TOE) theory

Tornatzky and Fleischer (1990) designed and introduced TOE theory which is Technology-Organizational-Environment (TOE) framework in order to expand the diffusion of innovation model further than the technological context by introducing the organizational and environmental contexts of the innovation adoption (Tornatzky & Fleischer, 1990).

Tornatzky and Fleischer (1990) is an analysis of the adoption inside organizations, to decode the choice of managing perception to move to cloud computing, the Technology, Organizational and Environmental (TEO) outline selection model is continuously considered. The model was initially created by any new product or items which is perceived as new innovation or which can be adopted to any organization as well as institutions (Tornatzky & Fleischer, 1990). Various and series of studies has been done by adopting the innovation in information technology, which has been explained by expertise, academician and professional to investigate the adoption of cloud computing in a various aspect that can be valuable to any organization system.

A percentage of the studies which has been perceived and utilized as well as advanced studies on the TOE model by Oliveira & Martin (2011). Many studies have developed change to suit the connection of the particular study to the transformation to adopt the new technology. Tornatzky and Fleischer (1990) propose that the innovation which move at the basic management level may be affected by components that relate to those connections in making decision to adopt cloud computing. As indicated by (Low & Chen, 2011; Jianyuan & Zhaofang, 2009: TOE structure has three setting gatherings on, which researches have done on cloud computing in educational institution.

The technological context identifies with the innovations on the system to be accessible to an organization. Its fundamental center shows the technology attributes and element themselves, which may have an impact on the process to adopt cloud computing (Tornatzky and Fleischer, 1990). Meanwhile, if Nigeria higher education institution can see the benefit context of technology innovation to adopt cloud computing into their system either direct or indirect can show them many ways to upgrade Nigeria education same as developed countries.

The organizational context alludes to the few develops seeing the management, for example, the firm size, scope, centralization, formalization and complexity of the administrative structure and the nature of the human resources (Kuan & Chow, 2000 cited in Jibril and Arafan, 2015). Some research has been done on how bigger organizations are regularly all the more overall outfitted with assets and framework to encourage advancement appropriation, while little firms may experience the effects of recourse on destitution.

Environmental context means the rivals and government policy on organizations, industry, institutional and firm to factors external to the organization that may present opportunities or constraints for innovations Tornatzky & Fleischer, 1990. Management controls their organizations inside an environmental context which give way to see the advantage and barriers. Despite the fact that the outside environment can furnish organization with data which relevant to them in order to make a decision on adoption of cloud, assets and innovation, It has regulations and limitations on the stream of capital and data (Damanpour & Schneider, 2006). Plus, the business environment in which the business runs as a key value. Rivalry improves the probability of making changes to their institution by perceived innovation as an opportunity to their system. Normally, element of environment which is influencing innovation in new technology is typically seen as focused on technology adoption (Iacovou et al., 1995) which is respected one basic variable for innovation on cloud computing in many institutions.

Methodology

For the purpose of this study, the researcher adopted the descriptive survey method, while 60 IT staff from two randomly selected higher institutions in Lagos State, Nigeria. The 60 participants selected for this study were staff who have ideas of cloud computing and could say one or two things on how cloud computing affect their institutions.
The participants’ demographic characteristics were presented using frequency distribution tables and the research questions were answered using mean scores, where a mean less than 3.0 implies disagree and a mean equal to or greater than 3.0 implies agree, with the aid of the Statistical Package for Social Scientists (SPSS 21.0). Figures 1-5 below show some parts of the study area.

**Figure 1.** Outer view of a sampled university library

**Figure 2.** Entrance of a sampled university library

**Figure 3.** A section if students studying in a sampled university library
Figure 4. Reception of a sampled university library ICT centre

Figure 5. ICT center of the library

Result and discussion

Table 1. Percentage distribution of respondents’ demographic data

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Options</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sex</td>
<td>Male</td>
<td>39</td>
<td>65.0</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>21</td>
<td>35.0</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
<td><strong>100.0</strong></td>
</tr>
<tr>
<td>Age</td>
<td>Below 25 years</td>
<td>26</td>
<td>43.3</td>
</tr>
<tr>
<td></td>
<td>26-35 years</td>
<td>11</td>
<td>18.3</td>
</tr>
<tr>
<td></td>
<td>36-45 years</td>
<td>12</td>
<td>20.0</td>
</tr>
<tr>
<td></td>
<td>Above 45 years</td>
<td>11</td>
<td>18.3</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
<td><strong>100.0</strong></td>
</tr>
<tr>
<td>Experience</td>
<td>Less than 5 years</td>
<td>13</td>
<td>21.7</td>
</tr>
<tr>
<td></td>
<td>5-10 years</td>
<td>32</td>
<td>53.3</td>
</tr>
<tr>
<td></td>
<td>11-15 years</td>
<td>10</td>
<td>16.7</td>
</tr>
<tr>
<td></td>
<td>Above 15 years</td>
<td>5</td>
<td>8.3</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source. Field survey, 2019
Table 1 above shows that the majority (65.0%) of the participants were male, while the remaining 35.5% of them were female. This is presented with the chart below:

![Sex Chart](image)

**Figure 6.** Participants’ sex

Concerning the ages of the participants, the table shows that much (43.3%) of the participants were below 25 years of age, 18.3% of them were between 26-35 years, 20.0% of them were 36-45 years, while the remaining 18.3% of them were above 45 years. This is presented with the chart below:

![Age Chart](image)

**Figure 7.** Participants’ age

The table also captured the work experience of the participants, 21.7% of them had less than 5 years’ work experience, most (53.3%) of them had between 5-10 years’ work experience, 16.7% of them had 11-15 years’ work experience, while the remaining 8.3% of them had above 15 years work experience. These are graphically presented with the charts below:
Research question one

What are the challenges inhibiting the adoption of cloud computing in the Nigerian tertiary institutions?

Table 2. Challenges of cloud computing adoption in Nigerian tertiary institutions

<table>
<thead>
<tr>
<th>S/N</th>
<th>ITEM</th>
<th>(N=60)</th>
<th>Mean</th>
<th>STD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Data insecurity</td>
<td></td>
<td>3.63</td>
<td>1.138</td>
</tr>
<tr>
<td>2</td>
<td>Unsolicited advertisement</td>
<td></td>
<td>3.73</td>
<td>1.050</td>
</tr>
<tr>
<td>3</td>
<td>Lock-in</td>
<td></td>
<td>2.58</td>
<td>871</td>
</tr>
<tr>
<td>4</td>
<td>Reluctance to eliminate staff positions</td>
<td></td>
<td>3.29</td>
<td>977</td>
</tr>
<tr>
<td>5</td>
<td>Privacy concerns</td>
<td></td>
<td>4.29</td>
<td>776</td>
</tr>
<tr>
<td>6</td>
<td>Reliability challenge</td>
<td></td>
<td>3.12</td>
<td>855</td>
</tr>
<tr>
<td>7</td>
<td>Regulatory compliance concerns/user control</td>
<td></td>
<td>3.31</td>
<td>805</td>
</tr>
<tr>
<td>8</td>
<td>Institutional culture / resistance to change in technology</td>
<td></td>
<td>3.90</td>
<td>934</td>
</tr>
<tr>
<td>9</td>
<td>Lack of focus on the part of Internet Service Providers</td>
<td></td>
<td>3.15</td>
<td>1.178</td>
</tr>
<tr>
<td>10</td>
<td>Need for Backbone Infrastructure Sharing/General Communication Problems</td>
<td></td>
<td>3.42</td>
<td>801</td>
</tr>
<tr>
<td>11</td>
<td>Persistency of Poor Internet Services</td>
<td></td>
<td>3.51</td>
<td>356</td>
</tr>
</tbody>
</table>

Source. Researchers field survey, 2019

Table 2 shows that most of the mean scores of the items 1-11 above are greater than 3.0\((\bar{x} > 3.0)\), while the remaining 1 items is less than. It could therefore be inferred that most of the participants agreed with the items answering research question one. Hence, the challenges inhibiting the adoption of cloud computing include data insecurity, unsolicited advertisement, reluctance to eliminate staff positions, privacy concerns, reliability challenge, regulatory compliance concerns/user control, institutional culture/resistance to change in technology, lack of focus on the part of internet service providers, need for backbone infrastructure sharing/general communication problems, and the persistency of poor internet services. This result is in consonance with the findings of Opeke (2011); Ohakwe (2011); and Ikekeonwu (2011).
Research question two

What are the prospects of cloud computing adoption in the Nigerian tertiary institutions?

Table 3. Prospects of cloud computing adoption in Nigerian tertiary institutions

<table>
<thead>
<tr>
<th>S/N</th>
<th>ITEM</th>
<th>(N =60)</th>
<th>Mean</th>
<th>STD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Enhanced Availability</td>
<td></td>
<td>3.77</td>
<td>783</td>
</tr>
<tr>
<td>2</td>
<td>Cost effectiveness/Affordability</td>
<td></td>
<td>3.77</td>
<td>807</td>
</tr>
<tr>
<td>3</td>
<td>Elasticity/Scalability</td>
<td></td>
<td>3.75</td>
<td>789</td>
</tr>
<tr>
<td>4</td>
<td>Lower environmental impact</td>
<td></td>
<td>3.65</td>
<td>1,008</td>
</tr>
<tr>
<td>5</td>
<td>End-User Satisfaction</td>
<td></td>
<td>4.08</td>
<td>926</td>
</tr>
<tr>
<td>6</td>
<td>Mobility</td>
<td></td>
<td>4.37</td>
<td>817</td>
</tr>
<tr>
<td>7</td>
<td>Reduction in IT Complexities</td>
<td></td>
<td>3.42</td>
<td>305</td>
</tr>
<tr>
<td>8</td>
<td>Less investment in physical assets</td>
<td></td>
<td>3.98</td>
<td>534</td>
</tr>
<tr>
<td>9</td>
<td>Increased Interoperability between disjointed technologies</td>
<td></td>
<td>4.01</td>
<td>178</td>
</tr>
</tbody>
</table>

Source: Researchers field survey, 2018

Table 3 shows that all the mean scores of the items 1-9 above are greater than 3.0 (\( \bar{x} > 3.0 \)). It could therefore be inferred that most of the participants agreed with the items answering research question two. Hence, the prospects of cloud computing adoption in Nigerian tertiary institutions include enhanced availability, cost effectiveness/affordability, elasticity/scalability, lower environmental impact, end-user satisfaction, mobility, reduction in it complexities, less investment in physical assets, and increased interoperability between disjointed technologies. This result is in consonance with the findings of Mehmet and Serhat (2011); Gerald and Eduan (2012); Abdulsalam and Fatima (2011); and Oyeleye, Fagbola, and Daramola (2014).

Test of hypotheses

Hypothesis one

There is no significant relationship between the technological factors and the adoption of cloud computing in Nigerian higher institutions;

Table 4. Correlation statistics

<table>
<thead>
<tr>
<th>Technological Factors</th>
<th>Cloud Computing Adoption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>721*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>001</td>
</tr>
<tr>
<td>N</td>
<td>60</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.1 level (2-tailed).

Table 4 shows \( r = .721 \), indicating a very strong and direct relationship between technological factor and adoption of cloud computing, while \( p = .001 \) indicates a significant relationship between the two variables. Hence, we reject the null hypothesis and concludes that there is a significant relationship between the technological factors and the adoption of cloud computing in Nigerian higher institutions.

Hypothesis two

There is no significant relationship between the organizational factors and the adoption of cloud computing in Nigerian higher institutions; and that

Table 5. Correlation statistics

<table>
<thead>
<tr>
<th>Organizational Factors</th>
<th>Cloud Computing Adoption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>748*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>004</td>
</tr>
<tr>
<td>N</td>
<td>60</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.1 level (2-tailed).
Table 5 shows $r=0.748$, indicating a very strong and direct relationship between organizational factor and adoption of cloud computing, while $p=0.004$ indicates a significant relationship between the two variables. Hence, the null hypothesis is rejected and its alternative is accepted, therefore, there is a significant relationship between the organisational factors and the adoption of cloud computing in Nigerian higher institutions.

**Hypothesis three**

There is no significant relationship between the environmental factors and the adoption of cloud computing in Nigerian higher institutions

**Table 6. Correlation statistics**

<table>
<thead>
<tr>
<th>Environmental Factors</th>
<th>Cloud Computing Adoption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>$0.805^*$</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
</tr>
<tr>
<td>N</td>
<td>60</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.1 level (2-tailed).

Table 5 shows $r=0.805$, indicating a very strong and direct relationship between environmental factors and cloud computing adoption in the Nigerian higher institutions, while $p=0.000$ indicates a significant relationship between the two variables. Hence, the null hypothesis that states “there is no significant relationship between the environmental factors and the adoption of cloud computing in Nigerian higher institutions “is rejected, while its alternative is accepted.

**Conclusion and recommendations**

The findings of this study show that though there are several hurdles against the adoption of cloud computing in tertiary institutions in Nigeria, but the adoption of cloud computing comes with several benefits that are believed to outweigh the hurdles. This study also found that there is significant relationship between the adoption of cloud computing in Nigerian higher institutions and technological, organizational, and environmental factors. Hence, this study recommends that the government should help in the provision of not only social amenities and infrastructural facilities but also policies that promote and enhance the adoption of cloud computing in the tertiary institution and the Nigerian society at large. More so, higher institutions in Nigeria should also imbibe work cultures that would enhance the adoption of cloud computing in their institutions. And on the final note, the managements of the Nigerian higher institutions should not only think about the effective and efficient adoption of cloud computing but also have a viable sustainability plan for its adoption.

**Suggestion for further studies**

As this work examines the problems and prospects of cloud computing adoption in the Nigerian higher institutions, it is recommended that future researchers should work on

1. An evaluation of the technological, organizational, and environmental factors impeding the adoption of cloud computing in the Nigerian higher institutions;
2. A comparative analysis of the adoption of cloud computing in public and private higher institutions in Nigerian; and

**References**


A Critical Review of the Impact of Demonetization on Kenyan Economy

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Abstract

The study is a critical review of the impact of demonetization on Kenyan economy. The main comparisons are based on Indian economy. Theoretical literature has endeavored to define demonetization and its dimensions. Empirical literature has mainly documented the impact of demonetization in Indian economy. The study had three objectives namely: Establishing the meaning and reasons for demonetization, determining sector-wise impact of demonetization and establishing positive and negative effects of demonetization in Kenya. Research methodology was a descriptive study using secondary data. Findings indicate that demonetization in Kenya largely entailed replacement of Kes1000 note with a new one with enhanced security features, retaining of all the other old currencies and introducing other new currency notes with enhanced physical and security features as provided for by the Constitution of Kenya, 2010. Apart from fulfillment of a constitutional requirement, demonetization project in Kenya also aimed at curbing black money and corruption in the economy. Secondly, the findings indicate that demonetization project in Kenya has mainly targeted the real estate and property sector, retailing sector, banking sector and digital payment platforms. Thirdly, findings indicate that the short term impact of demonetization in Kenya is on personal finance, black money and terrorism while the long term impacts are likely to be felt in tax filing and collections, growth in GDP and expansion of MSMEs.

Keywords: Demonetization, Impact, Kenya

Introduction

On 1st June, 2019 during Madaraka Day Celebrations at Narok Stadium of Narok County in Kenya, the Governor of Central Bank of Kenya (CBK), Dr. Patrick Njoroge, made an announcement that the old Sh1000-note will be withdrawn from circulation effective October 1st 2019. However, the other denomination notes will continue to circulate alongside the new ones. The new notes were unveiled at the same event. There were criticism and support in equal measure. Criticism emanated from armchair academics and politicians. Warm reception was exhibited by the business community led by Kenya Association of Manufacturers (KAM) and Kenya Private Sector Alliance (KEPSA) who lauded the move arguing that it would stamp out corruption and eliminate illicit financial inflows into the Kenyan economy. Indeed, according to a new report released by a high level panel on illicit flows commissioned by the Economic Commission for Africa Conference of African Ministers of Finance, Planning and Economic Development, Kenya lost more than Sh160 billion in illicit finance flows in eight years to 2011. Nigeria, Democratic Republic of the Congo (DRC), Algeria and Mozambique are the other African countries that have been losing billions of shillings to undeclared taxes, criminal activities and corruption. However, this is the very first attempt to demonetize in Kenya and therefore there is no empirical evidence on the impact of demonetization on Kenyan economy. This creates an urgent need for a critical review of the demonetization project in anticipation of the aftermath. Therefore, this research project will seek to address a research problem as framed in the following research topic: A Critical Review of the Impact of Demonetization Project on Kenyan Economy.

There are similarities and differences between India and Kenya’s demonetization efforts. There exists empirical evidence on the impact of demonetization on Indian Economy and other African countries (Ghana, Nigeria, DRC, Algeria and Mozambique). However, there is no scientific research that has been carried out on the Kenyan case. This urgently warrants a critical review of the impact of demonetization project on Kenyan Economy with the following specific objectives
1. To describe meaning and reasons of demonetization project in Kenya
2. To determine the sector-wise impact of demonetization project in Kenya
3. To establish the positive and negative impacts of demonetization project in Kenya

Literature review

Existing theoretical literature holds that demonetization leads to cash shortages in the country which proves detrimental to a number of small business, agriculture and transportation. The shortage of cash leads to chaos as most people face problems to exchange their banknotes due to long queues outside banks and Automated Teller Machines (ATMs) across the affected country. On the other hand, currency ban has been defined as a move to stop counterfeit bank notes, which were allegedly used for terror financing, as well as a surgical strike from finding their way to black money market and in the hands of corrupt individuals and corporate bodies in the country. Therefore, demonetization that leads to currency ban has proved to be the biggest attack on black money and corruption as well as a reliable move toward digitalization of payments. Existing evidence indicates that demonetization is advantageous in currency ban, attack on black money market, curbing corruption as well as enhancement of digital payments in the short, medium and long-term (Shanbhogue, Kumar, Bhat, & Shettigar, 2016).

Muthulakshmi (2017) holds the view that when money is withdrawn from the economy, the affected country will not benefit in short term but when the money paves its way into the economy it would have a positive and meaningful impact. This view supports the contention that demonetization project, on one hand, is a serious attack on black money, corruption, hawala transaction, counterfeit currency and terror financing but on the other hand, it has a negative impact on various sectors like commodities and real estate. Shah (2017) states that demonetization is one of the major steps in fighting against corruption, black money and terror funding. However, sudden announcement of demonetization and failing to plan properly creates chaos among the general public and adversely impacts the public when common people face problems buying with no money in their hands and in wasting their time standing in endless queues. In the case of India where 86% of the currency notes were withdrawn with an intention to rid the country of black money and dig out tax defaulters and black money holders, the government could have easily avoided thrashing all market transactions with advance planning. Sudden announcement of demonetization of some denominations of currency by the government is usually a big shock to the citizens but where the highest currency notes are withdrawn from the economy, it is an effective way of countering the problem of tax evasion, counterfeit currency and financing of terror activities. Nonetheless, demonetization is not a sure safeguard against huge money, more than specified limits, being deposited into the bank accounts unless penalties and punitive taxes are introduced. Indeed, usage of e-wallets, debit and credit card usually increases tremendously to circumvent the brick and mortar deposits thus circumventing the intended safeguards. Suffice to say that demonetization actually leads to creation of a better cashless infrastructure (Veerakumar, 2017).

Abhani (2017) posits that enlisting the support of bank employees, business men and other citizens is one sure way of ensuring that demonetization project will be successful. In the modern era where people are using online banking as a mode of payment, it is important for bank employees to give their best if demonetization is to be successful. In addition, demonetization may not grab all monies in black money economy, but it should at least create fear in the minds of people who are fond of holding black money. This contention emphasizes the importance of public support if demonetization is to tackle the problem of black money, terrorism and corruption in an economy. Shukla & Gupta (2018) hold the view that the people actively support any initiatives taken by the government especially if targeted at eradicating corruption, black money, and any other threats like terrorism and naxalism in the country.

The CBK holds that the reason for the demonetization project in Kenya is to counter the rising cases of illicit financial transactions and the emerging counterfeit notes. There have been reports of odd transactions in the banking sector which have raised concern among Kenyans and therefore CBK had to act quickly to stop the illegal transactions. The Governor of CBK, Dr. Patrick Njoroge is quoted as saying
“You don’t wait until the house is already burning before you use the fire extinguisher. When you smell smoke, grab the extinguisher and begin to deal with it.”

Additionally, the Kenyan Shilling is widely used in the East African Community (EAC) region and beyond. Therefore, Kenya’s financial regulator took the arduous task of demonetization to ensure the currency is not tainted by the illegal transactions and counterfeits. CBK must have borrowed important lessons from India on the demonetization process. First, CBK announced withdrawal of the denomination of Ksh 1000 note and also gave four months for people to exchange the Ksh1000 notes. This was in a bid to avoid the Indian scenario of 2016 where long queues and a decline in economic growth were witnessed after abrupt withdrawal of the 500 and 1,000 banknotes from circulation (CBK, 2019).

Nonetheless, other players in the Economy hold a contrary view to CBK in regard to the impact of currency withdrawal in the fight against corruption. Reginald Kadzutu, the Chief Investment Officer of Nairobi based Fund manager at Amana Capital is quoted as saying

“We might see an increase in the velocity of money as corruption money can’t just be taken to the bank they will have to spend it, that would lead to demand induced inflation. Increase in velocity will mean an oversupply of Shilling in the market so it will add downward pressure on the Kenyan currency”

Two petitions were filed in court challenging the new generation currency. The petitioner were arguing that there was no public participation in the process and that the inclusion of the image of Jomo Kenyatta (First President of the Republic of Kenya) on the new currency notes violates Kenya Constitution, 2010. However, CBK has dismissed the challenge saying due process was followed in the design and printing of the same. People who want to exchange amounts between Sh 1million and Sh 5million are expected to go to their own commercial banks. Those who do not have bank accounts and want to exchange this amount will need to contact the CBK for endorsement and referral to a designated bank branch. People who want to exchange amounts above Sh 5 million will have to contact the CBK. At the end of the exercise on midnight of 30th September 2019; CBK targets to demonetize 217.6 million pieces of the KSh1,000 old series note. This means the notes will cease being legal tender on the 1st of October 2019 and Kenya demonetization project would have mopped up KSh 217 Billion in circulation (Mbatau, 2019).

Table 2.1 below shows the denomination, pieces in circulation and the total value of legal tender in Kenya

<table>
<thead>
<tr>
<th>Denomination</th>
<th>Pieces in Circulation (millions)</th>
<th>Value (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000</td>
<td>217.6</td>
<td>217,600.00</td>
</tr>
<tr>
<td>500</td>
<td>30.8</td>
<td>15,400.00</td>
</tr>
<tr>
<td>200</td>
<td>54.8</td>
<td>10,960.00</td>
</tr>
<tr>
<td>100</td>
<td>126.4</td>
<td>12,640.00</td>
</tr>
<tr>
<td>50</td>
<td>100.5</td>
<td>5,025.00</td>
</tr>
<tr>
<td>20</td>
<td>9.9</td>
<td>198.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>540</strong></td>
<td><strong>261,823.00</strong></td>
</tr>
</tbody>
</table>

Source. CBK (2019)

CBK (2019) has enumerated four Challenges in Implementation of the demonetization project in Kenya: First is legality of the new notes: The legality of adoption of the new generation bank notes by the CBK has already been thrown to doubt with two petitions already launched at the High Court based on the protocol followed to adopt the policy and usage of the image of Kenya’s first President in the note, against the constitution. Second, is the long transition period likely to erode objective of curbing illicit financial flows: The long grace period provided by the regulator to convert the old Kshs 1,000 bank notes to the new currency is likely to erode the intended objectives of the demonetization policy especially in regard to curbing illicit financial flows. CBK expects that perpetrators of illicit transactions will have enough time to integrate their monies into the financial system.
Third, is the cost to the tax payer and banks: The currency demonetization move will force banking institutions to incur costs associated with replacing of old bank notes such as the recalibration of Automatic Teller Machines (ATMs). The taxpayer is also expected to incur the cost of printing the new notes and fourthly, is the risk of counterfeiting of new notes: Many Kenyans remain largely uneducated on the new notes and failure of the CBK to conduct comprehensive and intensive public awareness of the demonetization move, due to budgetary constraints, is likely to open an avenue for the introduction of counterfeit new currency.

In the case of India, demonetization was aimed at finding a solution to black money market economy and fake notes for the betterment of the country. The government of India did an abrupt demonetization project targeting two highest denominations so as to catch tax evaders and corrupt individuals off their feet. On the contrary, Kenya has chosen to embark on a four months’ demonetization exercise targeting only one highest denomination but with similar main objectives of eradicating corruption and fake currency. Existing empirical evidence on three African countries (Ghana, Nigeria and DRC) demonstrate that demonetization alone cannot be expected to achieve the desired objectives as other players in the economy; particularly the law enforcement agencies and the judiciary would need to do their part. So far, in Kenya, there is a mixed reception of the demonetization project. Empirical evidence on the Indian demonetization project attempted to understand meaning and reasons of demonetization, the sector-wise impact of demonetization and the positive and negative impact of demonetization on Indian economy. Findings of the study established the key reasons for demonetization to be management of the black money economy and eradication of fake currency. The main sectors of the economy that were impacted include real estate and property, and gems and jewellery sectors. The positive impact was elimination of black money and improved economy of India. The main negative impacts were liquidity crisis and loss of well-being. The Indian case study was descriptive in nature such that all the required and relevant data was taken up from various journals, magazines for published papers and websites while text books were also referred to for theoretical information as required (Kushwaha, Kumar & Abbas, 2017). So far, no similar research has been carried out for the Kenyan case. This study will seek to fill the identified research gap by replicating the research objectives and research methodology of the Indian Economy on the Kenyan Economy in furtherance of existing knowledge.

Research methodology

This study is of descriptive nature and tells about the meaning and reasons of demonetization along with the sector-wise impact of demonetization and positive and negative impacts of demonetization on Kenyan economy. Therefore, the study area and study population will be Kenyan economy. The study will be carried out for a period of four months starting 1st June, 2019 and ending 30th September, 2019. The study will make use of secondary data from Research Papers, Journals, & Publications, websites and Text Books for theoretical information on the topic as required. The main sources of data will be Journals. The entire study will be based only on observation and documentary analysis. Findings will be presented mainly in prose and tables where applicable.

Observations and findings

In Kenya it has been observed that CBK Governor Dr. Patrick Njoroge announced a 4-month long notice to withdraw Kenya’s Sh1,000 bank note and to replace it with a new generation one. Kenyans were given up to October 1st 2019, to trade in old notes for new, after which the old will cease to be legal tender. The unveiling of new generation currency notes on May 31, 2019 marked major milestones in Kenya’s banking sector and the wider economy. First, it marked a fundamental fulfillment of Article 231 sections (2) and (4) of the Constitution of Kenya 2010. Besides, the features of the new notes also enhance inclusivity as majority of persons, including the visually impaired can knowingly transact. Second, the new currencies embody enhanced security features which can effectively deter if not minimize illicit financial transactions in counterfeits and laundering. Thirdly, and equally important was the move to purge “black money” from mainstream economy or demonetization of the Kenya shilling. According to the Central Bank of Kenya, the Sh1, 000 notes, which is the largest currency bill, are widely being used for illicit financial transactions and forgery in
domestic market and the neighboring countries of South Sudan, Uganda, Tanzania, Rwanda and Burundi. The last two motives are ostensibly geared towards curtailing further expansion of the underground or parallel economy in Kenya and by extension the East African Community (EAC).

Kushwaha et al (2017) established that the reasons for demonetisation in India included to curb black money, to hit fake currency rackets, to encourage the cashless(digital) economy, to hit maoists (hoarders of currency) and to grow the long term Gross Domestic Product (GDP). Therefore, in Kenya, the demonetization project was not only a constitutional requirement but a means to curbing black money, fake currency rackets and hitting at maoists. Unlike India, Kenya did not use the demonetization project for the purpose of encouraging cashless economy and grow the long term GDP though these outcomes may emanate after as a natural consequence of the other objectives more especially after the demonetization deadline of 30th September, 2019.

Sector wise impact of demonetization in Kenya can be grouped into two main categories: Immediate effects and long term effects. The immediate effects include limited effect on liquidity of money markets: Given the ample time provided by the CBK to exchange old notes with the new generation notes, demonetization move in Kenya has little or no effect on market liquidity based on the following reasons: The long transition period (approximately 4 months) grants market players enough time to restock their capital balances. The phased issuance of new generation notes by first demonetizing the Kshs 1,000 bank notes, and the indefinite timelines to phase out bank notes of other denominations will give market players room to adjust to the new currency with minimal disruption to the markets, and, the large population of banked Kenyans, estimated at 75.0% of the bankable population as per the Global Findex Report 2017, portrays a high rate of financial penetration and therefore many people have access to the formal financial sector.

The second short term effect is on illegal financial activities: Demonetization policies, if carried out within short timelines, are likely to greatly aid in curbing financial flows in the black market. However, a demonetization policy that gives a long transition period, as in Kenya’s case, is likely to have little or no effect on the black market since the market has time to conform to the new currency. Measures that black market players and perpetrators of corruption are using to circumvent the demonetization policy include: Use of multiple depositors through mobile money and banking agents, purchase of valuable commodities such as precious metals and gems in the highly unregulated market and conversion of cash held in Kshs 1,000 notes into the lesser notes given failure of the CBK to give timelines for demonetization of the other denominations.

The third short term effect is on Small and Medium Business Enterprises (SMEs): SMEs in developing countries are heavily reliant on cash transactions, and sudden currency demonetization has been shown to have severe effects on the sector. Case in point is in India where SMEs faced cash shortages resulting in employee layoffs and business closures. The move to demonetize the Kenyan currency is likely to force many SMEs to adopt digital infrastructure for cashless transactions to avert the danger of cash-shortages that would be brought about by such policies in the future. This would not only result in a more resilient SME sector but contribute to the growth of these firms as a result of implementation of enhanced financial management systems.

Long-term effects of demonetization in Kenya have been observed to include financial deepening and inclusivity: Demonetization policies force the population to deposit old currency with banking institutions, consequently resulting in enhanced financial inclusion especially in rural areas like in India, where up to 1.9 million new bank accounts were opened in the period after the announcement of demonetization. Noting the high rate of financial inclusivity in Kenya, the move by the CBK is expected to prompt a slight growth in total accounts. The second-long term effect is on monetary control and financial stability: Demonetization of the currency is expected to lead to more consumer spending as holders of money look to put it back into circulation. Increased consumer spending would likely result in higher inflation levels in the country. However, we do not expect a depreciation of the currency owing to the efficiency of the Monetary Policy Committee to regulate the highly formalized market.

Kushwaha et al (2017) established that in India, real estate and property sector was the most affected by the note ban due to high involvement of cash component in payment in the sector. Other sectors affected in India were gems and jewellery where reduced demand was witnessed, banks sector
where both lending and deposit rates were cut by banks, media and entertainment industry suffered reduced number of viewers and reduction in film production, hospitality and tourism industry also suffered reduction in number of luxurious foreign trips, reduced local tourism and a cut in revenues of restaurants. Other sectors that were adversely affected include automobile, retail, agriculture and labour-intensive sectors like mining, textile and leather industries. However, similar cases have hardly been reported in Kenya most likely due to the short duration of the demonetization exercise (4 months) and the fact that only the Kes1000 note was targeted for demonetization. Nonetheless, the aftermath and long term effects of the demonetization project will be reported clearly long after the expiry of the deadline on 30 September, 2019.

Previous studies on impact of demonetization on economics have indicated that demonetization is a double edged sword: It has both positive and negative effects. The major difference on the impact of demonetization is brought by the timing, implementation and scale of the demonetization exercise. For instance, in the case of Kenya and India the former introduced demonetization after weeks of preparation and public knowledge while the later did it as a surprise. Secondly, Kenya implemented the demonetization as not only a tool for fighting black money and corruption but also as a constitutional requirement to change the pictorials on the legal tender notes. Thirdly, India withdrew two large denominations (1000 and 500 currency notes) across the country while Kenya only withdrew the 1000 currency note.

Discussion, conclusion and recommendations

Findings from the Indian case indicate that the positive impact of demonetization included: Curbing of black money where huge deposits were collected into the banks with heavy penalty or simply destroyed. Secondly, the demonetization project increased the GDP of India due to increased borrowings from the treasury and improved inflation outlook. Thirdly, demonetization reduced the flow of unaccounted money into real estate sector and resulted in the reduction in the prices of land and property. Fourthly, the sudden withdrawal of black money economy was a surgical strike to hawala operations which effectively curtailed money laundering, maoism in states like Andhra Pradesh Odisha, Telangana and Chhattisgarh, terror funding and Kashmir violence. Fifthly, the banning of old currency of Rs500 and Rs1000 notes and replacing them with new ones with highly advanced security features, completely sucked the circulation of fake currency. Nonetheless, demonetization in India had a few negative effects: Firstly, demonetization gave rise to liquidity problem as people found it difficult to get sufficient amount of cash to fulfil their basic needs. Secondly, the cash crunch made labour intensive firms to cut their labour costs and thus reduced the income of the lower middle class. Thirdly, cash shortage severely affected the consumption behaviour of the people in India thus reduced volume of trade among retailers. Lastly, the black money in form of land, gold and buildings was untouched by the demonetization project (Kushwaha et al, 2017). In Kenya, short term impact of demonetization has been felt in personal finance, black money economy and terror funding. Firstly, savings accounts of individuals have received huge deposits thus leading to increased commercial banks’ balances. The increased deposits are associated with awakening among mattress savers who have been compelled to deposit their savings in mainstream commercial banks and digital money channels. Secondly, the reduced cases of terrorism during the 4-month period of demonetization sends a signal that black money economy suffered a big blow and therefore leads to a conclusion that demonetization project has contributed positively to curbing of terrorism. The long term effects of demonetization project in Kenya have not been documented but experts postulate that positive effects will include increased tax payments, growth in GDP and expansion of MSMEs (Mbatau, 2019; CBK, 2019).

In India, currency demonetization was aimed at curbing illicit activities especially operations of the black market as well as enhancement of financial inclusion. However, recent studies in India have failed to prove the effectiveness of these policy moves to curb illicit financial flows. Sudden implementation of demonetization policy in India led to market illiquidity, traders freezing sale of commodities due to uncertainty, and general investor panic in the short term. However, in the long term the policies led to more enhanced financial inclusion and higher economic growth. In the case of Kenya, it has been established that the long grace period granted by the CBK to withdraw the old
Kshs 1,000 bank notes as legal tender, and the indefinite timelines to demonetize other denominations of bank notes, is likely to erode the effectiveness of the policy in tackling illicit financial flows, as intended by the regulator. However, in the long term, it is expected that the demonetization policy will have a positive impact on economic growth due to enhanced financial inclusion of the informal sector, transition to a more cash-less economy, enhanced revenue collection by the government, increased savings by the population in formal institutions and reduced lending rates.

The study generates two-fold recommendations: Recommendations to policy makers and recommendations to practitioners, academia and research institutions for further studies. Firstly, there is need for the regulator, Central Bank of Kenya, to hold firm on the deadline of 30th September, 2019 for withdrawal of old currency of Kes1000 note if the short term and long term impact of the demonetization project are to be sustained in Kenya. Any extension of the deadline will most likely thwart the short term positive effects and compound the short term negative effects. In addition, extension of the deadline might jeopardize the envisioned positive long term effects. Secondly, the academia, practitioners and research institutions need to invest in research on best international practices of demonetization so as to inform future policy makers and regulators on how to maximize benefits and mitigate negative effects of demonetization in an economy.

References

Imperatives of Marketing for the Manufacturing Sector Performance in Ethiopia

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Abstract

In a competitive global market, marketing Strategy of firms’ activities needs emphasis to customer value. The significance of marketing as a means of improving company profitability has never been given more attention than it is today. Recent developments reveal that the new market thinking along with the existing dynamic environment (i.e. globalization and technology) has forced companies to change their strategy from the manufacturing to that of marketing phase of production clearly seen; technological changes and the effect of globalization are making national economies undergo rapid transformation. In line with this development, the marketing practice in manufacturing sector needs strategic thinking with a paradigm shift from production orientation to market orientation to improve the operational performance of manufacturing sector. The traditional thinking of ‘making profit through increasing volume of sales ’should be changed to the mindset of ‘making profit through customer satisfaction’. The findings through literature review on Ethiopian manufacturing sector indicates the following about the sector: Underperforming operational performance is impacted by the absence of market-oriented approach. As a result, the competitiveness of the sector is very low both in local and global markets.

Keywords: Marketing, Competitive advantage, Ethiopian Manufacturing sector, Market orientation, Production orientation

Acronyms

MoTI - Ministry of Trade and Industry
MoFED - Ministry of Finance and Economic Development
JICA - Japan International Corporation Agency
GTP - Growth and Transformation Plan
BPR - Business Process Reengineering
GRIPS - Graduate Research Institute for Policy Studies
EKI - Ethiopian Kaizen Institute
PLC - Private Limited Company
DBE - Development Bank of Ethiopia
MoI - Ministry of Industry
PASDEP - Plan for Accelerated and Sustainable Development to End Poverty
MDG - Millennium Development Goals

Introduction

In a country like Ethiopia where national economic development should undergo a rapid transformation, the activities of marketing has to be given due attention. Marketing in Ethiopia has been, for a longtime, neglected due to the centralized organization of activities and protection controls exercised by the government. The post-communist era trend at a governmental level of freeing control has proven to result in an increased competition and a change in many more products to the buyer market. Thus, the marketing plays an undoubtedly great in the national economy in the years to come.

Equally important, the process of industrialization needs proper management of firms’ activities by giving emphasis to quality, value and customer satisfaction. Marketing as a business function is responsible in helping companies be customer oriented. Business plans with marketing orientation, is essential for Ethiopian market situation to identify the needs, wants and the behavior of customers.
A few companies in Ethiopia have the capability and modern technology to meet production requirements. However, despite the technological capabilities and facilities, several researches indicate that capacity utilization is at the lowest level. This shows that production orientation cannot be a way to get out of its present status. A business plan, which is geared by the marketing orientations, should be prepared and followed.

The significance of marketing as a means of improving company profitability has never been given more attention than it is today. Recent developments reveal that the new market thinking along with the existing dynamic environment (i.e. globalization and technology) has forced companies to change their strategy from the manufacturing to that of marketing phase of production. Clearly seen, the technological changes and the effect of globalization are making national economies undergo rapid transformation. In line with this development, successive governments of Ethiopia have also influenced activities of marketing.

In relation to marketing and performance the manufacturing sector in Ethiopia is characterized as

1. low technological capabilities and facilities to produce quality products that could be competent both in local and export markets.
2. under-utilization of the capacity.
3. low performance in marketing.

One of the gaps identified in several literature is that the marketing function of manufacturing has not been given due attention in research. Most studies focused on operational performance and strategy. Marketing challenges contributed significantly to low performance of the manufacturing companies.

The marketing practices in manufacturing sector needs strategic thinking with a paradigm shift from production orientation to market orientation. This is to improve the operational performance of manufacturing sector. The traditional thinking to earn profit through increasing of sales should be changed to the concept of earning profit through customer satisfaction. Therefore, the question here would be what can be done to enhance customer satisfaction? Improving quality, delivery time, and affordability of products are some of the areas that need strategic attention linked to marketing.

Therefore, studying the marketing practices of the company to identify marketing problems would be worth study to know why the company has been with low performance and operating at a very low capacity.

**Purpose**

The purpose of this paper is to discuss the performance, context, experience, and learning in transforming the manufacturing sector in Ethiopia. Added it describes the association between marketing strategy and production and its impact on operational performance. It also touches the strategic approach of the government of Ethiopia and the focus given to manufacturing sector through review of historical development from its beginning period to current time. The historical discussion on the sector development helps to understand the successes and challenges, the sector has encountered.

**General objective**

The objective of the study is to investigate the impact of the marketing approach vis-a-vis production strategy and the performance of the manufacturing sector in the competitive market.

**Specific objectives**

1. To investigate the operational performance of the manufacturing sector in terms of indicators like, growth, productivity, quality and timelines in delivery.
2. To analyze the general approach or practice of manufacturing business, through empirical reviews on Ethiopian manufacturing firms and thereby to identify whether the sector is led by market orientation or operational orientation or hybrid of both approaches.
3. The study addresses the following research questions:
4. What is the existing approach in the industry - Market Orientation or Operation Orientation?
5. Is there connection between marketing strategy and operational performance improvement initiatives?
6. Does marketing approach affect operational performance?

**Methodology**

An empirical review of literature was used in this study. The descriptive technique was applied in the discussion of the findings. The findings come from secondary sources of the manufacturing sector in Ethiopia (research, reports and strategy documents).

**Background of manufacturing sector in Ethiopia**

Modern manufacturing was introduced to the Ethiopian economy towards the end of the 19th century, with the emergence of a strong central government and political stability. Its introduction was said to have been facilitated by the completion of the Ethio-Djibouti railway, increased demand for manufactured goods by the Ethiopian elite, existence of entrepreneurial capacity of foreign citizens from Armenia, Greece Italy and India and the increased problems associated with imported commodities.

By 1927 about 25 factories were established in Addis Ababa, and Diredawa, which included 5 wood and clay factories, 2 tanneries, 5 soap and edible oil plants, 2 ammunition factories, 1 brewery, 2 tobacco processing plants, 1 cement factory 1 grains mill, and 2 salt factories. Except the printing press and ammunition plants, private entrepreneurs established all. Holleta grain mill was set up in 1896. During 1928-1941 about 10 manufacturing industries were set up, including the Diredewa Cement factories and Diredawa Textile Factory that were established by the Italians. The Armenian and Greek settlers set up the remaining factories.

During the immediate post war period of 1941-1959, the manufacturing sector increased rapidly. It was promoted for two main reasons

1. The government realized that victory of Italy over Ethiopia was attributed to Military superiorities, like use of superior mechanized armaments and weapons by Italy during 1935-40, and thus the need for modernization and economic development began to be perceived, and
2. The close relation of the Ethiopian government with the government of United States and United Kingdom, which encouraged social and economic development.
3. The increase in the number of industrial establishments up to 1950 was not nevertheless a result of a conscious and deliberate development policy and strategy.

According to (G. Gebeeyehu, 2004), A survey of 112 manufacturing enterprises in 1987 revealed that 78% of these enterprises had been in operation for 19 up to 74 years and were obsolete. In his discussion, Gebeeyehu also mentioned that the magnitude of dependence on imported machinery and spare parts is high in the metal and chemical industries. In the study,

It was after the government formulated the 1950s proclamation that deliberate strategy to encourage the expansion of industrial sector had evolved. Even there was no specific policy or strategy for manufacturing industry in particular. For example, the policy statement for the encouragement of foreign capital investment in Ethiopia by legal Notice No.102.1950 was meant to attract investment to all sectors of the economy. It was in the revised Investment Proclamation of 1964 that industrial expansion was mentioned along with agricultural development.

In addition to decrees and proclamations, Ethiopia started to develop five-year development plans in the second half of the 1950s. The second five-year Development plan gave focus to Industrial Development as a result of which the revised Investment proclamation of 1964 and proclamation No.242 of 1966 were issued. The guiding industrial Development strategy was import substitution. A good number of manufacturing enterprises including 80 factories by private business of foreign origin were established

A profound change in the structure of ownership and management took place in 1995 because of nationalization of virtually all medium and large-scale industrial enterprises owned by Ethiopians and foreign alike. This process, however, was not accompanied by major shift in production and marketing structure of the Ethiopian manufacturing sector.
Because of the socialist policy, the private sector investment in manufacturing was restricted to small-scale industries and handcrafts and cottage industries with the maximum ceiling of birr 500,000 in investment.

Handcrafts and cottage industries were organized into producers’ cooperatives based on socialist systems with heavy subsidies. Thus, the development and investment in manufacturing sector was monopolized by the state. As result, by 1986/87, for instance, 98% of the gross value of production came from the state enterprises. During the entire period of the regime a protective trade environment, that is, high rate of custom duties, restrictive import license and foreign exchange allocation system, fostered import substitution.

The dismantling of the command economy including the revision of industrial policies and strategies have followed promoting private initiatives in the overall development of the economy, including investment in manufacturing sector. The dominant industrial development strategy has been changed for the first time to “Agricultural Development led Industrialization”.

The major principles of the new strategy are

1. The motive power of industrial development strategy is the private sector.
3. Focus will be on export promotion.
4. Priority will be industrial technologies with high labor intensity.
5. Combined use of foreign local investors.
6. Government will provide direction for industrial development etc.

Plan for accelerated and sustainable development to end poverty (pesdap 2005-2010)

PESDAP. 2005-2010

PASDEP is a five-Year Development Plan explicitly linked to the MDGs and constitutes Ethiopia's medium-term plan for achieving the MDGs. The poverty reduction effort of the Government of Ethiopia has taken a longer-term view with the MDGs. The PASDEP was conceived as the medium-term plan to attain the MDGs.

In other words, it is a MDGs-based plan. It establishes concrete basis for human rights - the right of every person in the country to health, education, shelter and security- as pledged in the Universal Declaration of Human Rights and the UN Millennium Declaration. For the millions of Ethiopians still living in extreme poverty, Ethiopia's MDG-Based Plan carried the hopes and aspiration of the next decade (MOFED, 2005).

Growth and transformational plans I and II (20011 -2014, 2015 – 2019 respectively)

GTP- I. 2011-2014

The Growth and Transformation Plan I (GTP-I) is a national five-year plan created by the Ethiopian Government to improve the country’s economy by achieving a projected gross domestic product (GDP) growth of 11-15% per year from 2010 to 2015.

According to the assessment report on GTP-I: The change in manufacturing sector development took place after the end of the GTP-I. Within the industry sector, medium and large-scale manufacturing industries – value, registered average growth rate of 19.2% per annum. The micro and small industries registered an average growth rate of 4.1% per annum. At the end of the plan period, the share of the industry sector in overall GDP has reached 15.1% (manufacturing 4.8%, construction electric and water 1.0% and mining 0.8%).

However, this performance fell short of 18.8% target set to be achieved by the end of the plan period. This indicates the challenges to bring about rapid structural transformation in the economy. The growth performance of the manufacturing industry in particular, which is a key indicator of the degree of structural transformation in the economy, was lower than the target for the plan period (Source: http://www.mofed.gov.et).
GTP-II. 2015-2019

1. The strategic pillars of the GTP II (Growth and Transformation Plan) related to manufacturing include (i) developing light and small manufacturing enterprises that are globally competent and leading in Africa
2. Establishing a foundation for further growth of the strategic heavy industries, which ultimately enable Ethiopia to become an industrialized country by 2025 (source: GTP II, PP 38).

This is, however, an over ambitious plan. The industrial base of the country has remained low contributing only 12-14% to GDP of which the medium and large factories as well as the light and small manufacturing shared respectively 4% and 1.2% throughout the past decade.

Understanding the weak performance of the industry under the PASDEP (i.e., 2005/06 - 2009/10), the Ethiopian government had developed another five-year plan (i.e., the GTP I) that spans between 2010/11-2014/15. In that GTP, the manufacturing industry has planned, to earn 2.3 billion US$ per year. Out of the planned 2.3 billion US$, the two strategic sub-sectors (i.e., textile and apparel as well as tannery and leather) were supposed to earn 1.0 billion US$ and 500.0 million US$ respectively per year by the end of the GTP I. Again, after five years (i.e., in 2014/15), industrial export was only 402 million US$ with textile and garment and tannery/leather contributing 98.1 million US$ and 133 million US$ respectively (source: MoI, 2014/15 Annual Report).

For the third time under the GTP II, the Ethiopian government has made another five-year industrial transformation plan to bring about several folds of new jobs, increase foreign currency earning. To realize this, the government has budgeted, among others, over 103 billion Birr of loan through the Development Bank of Ethiopia (DBE) for the establishment of new and expansion of agricultural and manufacturing sectors including SMEs.

Literature review

The concept of market orientation and the impact on the operational performance has been discussed in several literatures. Since 1990, several researches indicated a positive correlation between market orientation and operational performance of business organizations, in general and manufacturing companies in particular with different school of thoughts on production orientation versus market orientation. Classically market orientation has been compared with internally focused orientations or strategies like production or sales orientation (Kotler, 1997, McCarthy, et al., 1997).

In production orientation the focus is on the production volume, production efficiency, low prices (Kotler, 1991) and to produce products that are easy to produce (McCarthy and Perreault, 1987) and how to produce affordable products (Pearson, 1993) and to produce what producers think are good (Schoell & Guiltinam, 1982), without even little consideration to customers’ need. This is where production orientation becomes unhelpful to improve operational performance of companies. Production orientation focuses more on achieving efficiency in operations and not on customer value. The production orientation emphasis on volume of production, distribution, short term results (Michaels, 1982) and with little attention to customer satisfaction (Kotler, 1991).

In several literature small businesses focus more on production efficiency rather than market efficiency (Peterson,1989) and (Radder, 1996). This is commonly observed in most of small business companies in Ethiopia. Both small and large manufacturing companies focus is largely on the production orientation and a concept prevails that the marketing strategy is not leading the production strategy.

Many studies recommend that the market-oriented strategy with balanced approach and with an emphasis of improved business processes and innovations, results in operational performance much better than production orientation - Classical Approach (Wong & Saunders, 1993). Especially in the world of competition, market orientation is most preferred approach for manufacturing factories like in Ethiopia, which suffer from inefficiencies, poor quality production, high cost of production and low delivery time.

In Ethiopian manufacturing companies, what is overlooked much is the market orientation approach that focuses on customer value. According to (Narver & Slater,1990) for business to be good in operational performance, it must create superior value for its customers. This is most missed in the strategy of most manufacturing companies in Ethiopia. The focus is more on production not
really on marketing orientation. Due to this Ethiopian manufacturing company with a low performing situation, suffer from the market competition (Getinet, 2005).

In the perspective of maximizing customer value, marketing strategy will be helpful for manufacturing companies in Ethiopia. According to the study conducted in Ethiopian Manufacturing companies, it was indicated that the supply chain management as part of marketing strategy needs revitalization to improve the business supply side activities to gain competitive advantage in the market space of manufacturing (Alemu, 2016).

To improve customer value for the products manufactured in a competitive market the key to successful manufacturing is to produce goods that meet customers desire in terms of quality, lowest possible cost and to meet the requirements of customers (Harrison, A and C. New, 2002).

Manufacturing companies anywhere else and in Ethiopia, particularly where competition in local market and global market is most challenging, should find a way to maintain the balance in the market and production orientation. This can be achieved by applying improvement approaches like Kaizen that focuses on continuous improvement on productivity, cost optimization and quality production with greater value to customers.

The continuous improvement initiative, KAIZEN, that has been introduced in Ethiopia focuses on improving operational performance by addressing problems related to shortage of problems, poor production planning and control, low productivity, high manufacturing cost and lack of marketing strategy.

The researcher strongly believes that the Kaizen approach can enhance the marketing orientation practice in the manufacturing sector in Ethiopia. Much has been researched on operational issues with emphasis of volume of production. The shift from production orientation to marketing strategy will significantly improve the operational performance of manufacturing. Kaizen approach as it improves the thinking or culture in the perspective of the customer value concept.

The Ethiopian manufacturing sector has been targeting only the domestic market for a long time, while the product development, market development and productivity improvement are critical to increase the trade volume. The Kaizen approach as a management tool may be integrated to marketing strategy to improve the common challenges of production and marketing functions such as, that shortage of raw material, long lead time for availing inputs, lack of demand, low quality products and the workplace inconvenience.

Kaizen initiative, which is being implemented in the manufacturing sector in the country, can be scaled up with the idea of marketing orientation to improve the operational performance both in terms of production improvement and marketing strategy included in the overall strategy of manufacturing sector.

In one of the studies conducted in Ethiopia (Damtew, 2017) where 86 basic metal sectors were surveyed and the results indicated that raw material utilization, production capacity, innovation and technological capability, product demand and supply and operational performance needs significant improvement. It was also found that the marketing strategy is one of the key areas of improvement. In most cases, the marketing orientation is not in the culture and strategy of the companies. The philosophy of production leading marketing should be shifted as it has a great impact on the sale of products in the market that in turn contributes to decrease in profit maximization. It is therefore critical to apply Kaizen culture to bring the shift in thinking from production orientation to market-oriented approach. This is fundamental change required for Ethiopian manufacturing companies to operate in the competitive market.

Ethiopian government has given high attention to focus on the development of manufacturing sector not only to contribute to the GDP of the country but also taken as a development strategy to transform the economy through structural change from agriculture led economy to manufacturing led economy. In Ethiopia economy, the manufacturing sector is major employer sector. The change in the manufacturing sector is therefore a milestone to develop the economy of the country.

The sub sectors in manufacturing sector are metal, agro, leather, chemical and textiles. The ranking in priorities is different in the subsectors. The first GTP (2010-2015) ranked agro processing industries among top priorities industries. The rational for the agro to be first priority is clear, as the economy is predominately agriculture based.
Market oriented strategy

For a market-oriented firm, customer satisfaction is the major issue that gears the thinking of a marketer. Customer satisfaction could be achieved by and through activities related to product, price, and delivery performance. To meet customer needs in the dimensions mentioned above and by integrating all the functions of the firm towards the strategic goal of satisfying Customer, is a crucial factor in competitive environment. This cannot be achieved only through marketing function. Integration among the functions should be practiced for efficient and effective marketing. The extent that a business can form successful market based competitive strategies depends on the integration of the market and manufacturing functions of the business.

For market-oriented manufacturing factories to be successful in implementation of the marketing strategies, the integration with manufacturing function is vital. The integration could be so important that the marketing decisions such as entry, product mix, product line, pricing, positioning, are affected by the nature of production.

Successful manufacturing business adapt themselves to high market pressures by leveraging advanced manufacturing technologies, such as flexible tooling, computer aided design and computer integrated manufacturing control systems, to significantly improve their strategic marketing capabilities (Coppett, et.al.1977).

The interaction between marketing and manufacturing functions is most obvious in areas of promotion activities and production planning, inventory or service levels and manufacturing lead times, sales and production planning which are manifested in affecting delivery performance.

The integration of concepts of quality, distribution, promotion and pricing from the point of marketing with those of production concepts (specifications, design, and standardization) is fundamentally important to adapt market needs to production rigidities.

A marketing strategy to be efficiently implemented in the business processes, it has to be integrated with manufacturing and other functional areas as well. When integration among the various functions is effectively handled, it would foster application of business strategy which focuses on meeting the demands of customers who have learnt that they can have what they want, when they want it, and at a more customized offering. It has reduced the tradeoff between lower costs and product differentiation (Porter1980; Goldbar, 1995).

Marketing as important factor in improving operational performance

Some studies (example the study conducted by (Dametew,2017) in basic metal industries, the success factors of local production and distribution of goods are related to the availability of locally produced cost-competitive and quality raw materials and other inputs. In some of the manufacturing sectors where a research was conducted, regarding the actual production, capacity has great differences and variations despite all the improvement was made in production areas. This indicates that the overall performance of basic metal industries going to back-warded. The major causes of the low production registered by domestic manufacturers were - the lack of strategic management and insufficient skill levels of employees; low linkage among industries; low level of technological development; inadequate provision of public infrastructure and services; shortage of electricity. These are all factors covered under marketing strategic challenges.

(Fasika, 2014) through the literature review on textile and leather industries, it was found that the marketing practice specifically the practice related to supply chain influences competitiveness and efficiency of manufacturing firms in developing countries.

Similarly (Netsanet,2013) in the literature review on performance of manufacturing industries, a gap between production and marketing strategy was identified for manufacturing companies in Ethiopia. The gap includes the poor supply chain systems and infrastructure that affects the operational performance of the companies. This marketing strategy issue has to be incorporated in the customer value approach of doing business to addresses the efficiency and effectiveness of production performance.

Several literatures confirm that marketing problems significantly affect the operational performance of manufacturing firms. For example (Beyene, 2015) indicated in his study that marketing practices related to supply chain management has become problems to operational
performance. In many firms, supply chain is not incorporated in many of manufacturing companies in the organizational structure and even in the marketing strategy. The research by Beyen and in many other several studies, indicates that the marketing orientation is a missing link in the manufacturing operational arena.

(Asmamaw, 2016) did also several cases studies in brewery companies in related to visibility of marketing in the operation of the companies. The study indicated that the marketing practices (suppliers’ relation, customers management, importation processes and supply chain systems are inefficient and ineffective.

Marketing problems

In a free market economy, especially with stiff competitions and operations characterized by under capacity, marketing is a key success factor for manufacturing industries. Efficiency in marketing determines sales, profit and growth. Marketing should aim at creating markets and developing saleable products of the sector. However, many manufacturing industries are oriented which are guided by the 'produce what you can sale' philosophy. Such orientation cannot improve efficiency in marketing. Marketing should aim at meeting customer needs (Gebrehiwot, 2003).

As most of the manufacturing factories lack marketing orientation, they do not follow focused strategy in their marketing practices. Marketing in manufacturing sector involves, like any other business, four basic inputs: The product, the promotional methods adopted, the distribution methods, and pricing methods. These inputs should be integrated to achieve maximum customer satisfactions, sales and profits (Prabhaker, 2001). Common marketing problems in the manufacturing sector, as summarized from study documents of Trade and Ministry, emanate from the following factors

1. Increased competition from within the sector as well as from imports.
2. Limited customer awareness of the product/service of the manufacturing sector.
3. The setting up of distribution networks to reach out widely dispersed markets;
4. Price setting problems
5. Inability of most manufacturing industries to exploit export markets.
6. Lack of target market focused strategy

Poor marketing has long been recognized as a crucial problem faced by manufacturing industries in Ethiopia. The 2001 survey of large and medium manufacturing enterprises in Ethiopia by the Central Statistics authority revealed that among the enterprises, which operated below their capacity, 53% of them attributed to lack of market.

In most literatures, the researcher reviewed that the manufacturing approaches are more inclined to operational and production focused. And most of the studies give little attention to the problems related to marketing. In the writer’s opinion, marketing orientations and the strategy related challenges are major issues to be studied further for better understanding of the problems of manufacturing industries.

Most companies in Ethiopia particularly the manufacturing sectors are characterized by having lack of market driven strategies. In most cases the strategies are not market driven-rather they try to drive market through the strategy. Most manufacturing factories, which operate under capacity, are found to lack marketing orientation (Gebrehiwote, 2004). There should be a paradigm shift from the concept of production efficiency and optimization to marketing concepts, to improve the performance of manufacturing factories by increasing market through customer satisfaction.

The shift from production efficiency concept to the marketing concept is essential to improve the poor marketing performance prevailing in the country. Many successful countries in manufacturing sector (developed countries) have proven that marketing concept is critical for development of the industries (Keith, 1960, p35) puts the need of the paradigm shift as:

“ Our attention has shifted from problem of production to problems of marketing, from the product we can make to the product the consumer wants us to make, from the company itself to the market place”

The lesson from the practice of developed countries and the modern thought of marketing indicate that practicing the concept of market-oriented strategy by manufacturing industries is a critical move
to transform the present status of under capacity utilization of resource and poor marking performances.
In a reality where Ethiopian manufacturing industries are under very low performance the significance of marketing as a means of improving company’s profitability and ensuring their sustainable growth has never been greater than it is today. The manufacturing industries in Ethiopia which are utilizing their capacity at a very low level, running their business in a dynamic and complex environment (due to globalization and technology) need to change their strategy from the manufacturing to that of market phase of operation.

**Can kaizen practices in Ethiopia improve performance of manufacturing industry?**

Ethiopian government has introduced considerably significant initiatives including Kaizen (Continues Improvement Approach- A Japanese culture to improve the operational performance of manufacturing companies to improve productivity, cost optimization, delivery time and work place efficiency to enhance competitiveness in the local and global market for manufacturing products.

The Kaizen culture was borrowed from Japan as it was proven to revitalize the manufacturing firms in terms of the way firms deliver products to their customers, retain market share, and satisfy their domestic markets while expanding into the international markets (Desta, 2014).

Desta in his study indicates that a number of Ethiopian-based manufacturing companies are using the kaizen management approach to lower costs of production, minimize waste, improve productivity, boost quality, and achieve sustainability.

In another research (Desta, 2013) conducted a survey to study the impact of Kaizen implementation in the manufacturing firms in terms of improving operational performance (productivity, cost, delivery and quality.

Desta discusses the results obtained in three companies (Mesfin Industrial Engineering, the Almeda Textile Factory and the Sheba Leather factory in the Northern part of the country) considered in the survey and the finding is that productivity improved and cost optimization and delivery time were significantly improved.

As discussed in various case studies and surveys, corporations in the developed world had proven that successful Kaizen approaches can deliver increased productivity, maximization of profit, customer satisfaction, and market share (Admasu, 2015) and (Desta, Asegedom, Gebresas, & Asheber, 2014) many other scholars also believe that Kaizen principles can be applied to the context of developing countries (Desta A., 2011).

Ethiopian is one of the African countries, which are implementing Kaizen since 2009. According to the report from EKI, Ethiopia, it was found that out of 28 companies piloted 10 (more than one-third) were graded with notable achievements, which can be considered a success to have Kaizen Model companies. (Tetsushi, Keijiro, & Kimiaki, 2018) The report shows the following results were achieved

1. Productivity improved by 37.2%
2. Reduction of waste accounts for 55.2% and defect reduction accounts for 31.3%.
3. The cost of production was reduced by 6% and search time was reduced by 95%.
4. Similarly, for model companies, industrial accidents were found to be reduced from 49.5% to 15%.
5. The problem-solving abilities of employees were observed, and the workers solved 50.3% of the identified problems.

This result encouraged the government of Ethiopia and JICA to scale up the Kaizen implementation in other companies as well. After the piloting phase, several companies implemented the kaizen philosophy across the country mainly in manufacturing factories.

**Opportunities and challenges of kaizen implementation in Ethiopia.**

Desta, Asegedom, Gebresas, & Asheber, 2014 also conducted a study on three companies in Ethiopia Mesfin Industrial Engineering PLC, Almeda Textile Factory PLC., and Sheba Leather and Tanning Industry PLC), among selected for piloted projects during phase I of the Kaizen
implementation. In Ethiopia, it has been about ten years since Kaizen was introduced (EKI., 2015b). It is, therefore, attractive to research to know if Kaizen has been sustainable and to assert its effect on the operational performance of the organizations in Ethiopia, which have been implementing the Kaizen methods.

Due to economic, environmental, cultural, and political dynamics, Business in Ethiopia like elsewhere in developing economy continues to be difficult and unpredictable. Despite all the political and global economic challenges, Ethiopia has registered double-digit economic growth for the last ten years (Desta A., 2011). Recently a political reform has been taking place that introduced economic reforms through opening up the market and more privatization (Ahmed, 2018). For a growing economy like Ethiopia low productivity has always been a deadlock to be competitive in the global market. For economy structure which suffers from small productivity Manufacturing industries as (Robinson, 1991)suggests continuous improvement is one of the core strategies for excellence in production and is considered vital in today’s competitive environment Which again is not an easy task as continuous improvement calls for endless effort for development involving everyone in the organization (Imai M., 1986)

The critical challenge for manufacturing sectors in Ethiopia and like most other developing economies is the lack of managerial methodologies like Kaizen (Ohno I. et al., 2009). Some works of literature indicate that lack of capital and technological capabilities are significant problems in the manufacturing and service sectors. For example, (Admasu, 2015) asserts that the most feasible, easy, and quick to be improved with a little investment and resources are changing the managerial capacity with Kaizen tools. This is why Kaizen becomes an appropriate tool for developing economies.

Can kaizen be integrated with marketing strategy to foster operational performance?

Kaizen is one of the management tools that can be applied in the Ethiopian context where there is a need of improvement in productivity, cost reduction, service delivery and to develop the managerial capability to implement the Growth and Transformation Plan (GTP) of the country. Kaizen is a low-cost approach which does not require a huge investment and high technology (Ohno I. et al., 2009). It will be more appropriate to adopt Kaizen culture in Ethiopian Context where productivity and efficiency are at the lower level. Market oriented approach influences production in terms of the quality, cost and affordability of products in the interest of customers’ need. The continuous improvement methods, for instance, Kaizen improves the operational performance through a continual change in quality, cost optimization and delivery time that impacts performance of manufacturing firms enhancing competitiveness in the market.

The link between Kaizen approach (continual improvement) and the marketing orientation practice interdependently influences operational performance of firms. Both market orientation strategy and Kaizen philosophy primarily focuses on customer satisfaction. The customer value addition is the driving factor for both approaches.

As Kaizen does not need huge investment and is a change that happens incrementally, the Kaizen concept works better for Ethiopia. Haftu, 2015- also asserts the idea that the benefit of Kaizen, unlike BPR, is the people orientation aspect; which is focused on people, changing the people's attitude and building their capacity. The fact that Kaizen focuses on work culture and customer value by transforming attitudes and practices to maximize customers’ satisfaction. Thus, there is an interdependence between marketing and Kaizen approach which is fundamental to improve the operational performance of manufacturing firms. There is enormous opportunity to effectively transfer Kaizen philosophy to improve the marketing mind set in terms of valuing customers and managing customer relations. Effective implementation of Kaizen in Ethiopian manufacturing sector will help to shift the thinking from production-oriented approach to market-oriented approach.

Findings

Marketing orientation missing in the strategy

In Ethiopian manufacturing industry, the market orientation is not influencing the production. The dominant practice is ‘produce what you can and what you want not what the market needs. This is a traditional approach of production. In all the reports and literature reviewed, the researcher has not
come across any indication that the marketing approach may have impact on the underperformance. The traditional thinking that production strategy should lead marketing is a bottleneck for manufacturing sector.

The performance of manufacturing sector has been low despite all the policies and strategies put in place for several years. Several policy changes were made to transform the manufacturing sector. However, the targeted achieved are lower than expected. One may ask why the targets were not achieved - Strategy problem? Policy issue? Etc. Studies attest that the changes in the policy has not resulted in achieved targets because of lack of the strategy that fosters market orientation to lead production.

In Ethiopian context literature indicates that operational performance challenges are related to competitiveness in market share, price, quality, technology and delivery time, and availability and competitiveness of production factors are identified as constraints to performance of the sector.

According to Spear in manufacturing companies the practice of continuous, disciplined, accelerated innovations and creativity applies to every part, not only in operations (Spear, 2009). This implies that the focus of improvement or innovation should not only be on operations, but on other functions like marketing for the total success of manufacturing. In line with this, the Kaizen culture being applied in the manufacturing sector has resulted in addressing the issues related to customer value. Kaizen approach primarily aims at the customer value. This is how marketing can be integrated with Kaizen approach to improve the effectiveness and efficiency of marketing practices.

**Challenges identified in Ethiopian manufacturing sector**

The recurrent challenges in the manufacturing sector in Ethiopia are the following

1. Absence of transformational leadership qualities within the sector leadership. Ethiopian government has been introducing several policies, systems and regulations as an effort to transform the manufacturing sector. However, no significant changed was recorded for decades.
2. Like in many other underdeveloped economies, the labor market in Ethiopia is highly underdeveloped to fit to the industrial dynamics locally and globally.
3. The marketing practice in manufacturing is traditional. It is not customer driven. The production strategy leads the market. It should have been the other way that is marketing strategy should lead production strategy in a competitive customer influenced market.
4. Lack of clarity on the implementation of the manufacturing strategy in alignment with the national strategy is a bottleneck in the sector. For example, the Ethiopian Transformational and Growth plan II focuses in the micro and Small and medium Enterprises as basis for industrial transformation in the country and yet the SMEs have challenges in terms of lack of production facilities and high cost of entry and exit in to business.
5. Competitiveness in terms of product and service quality and price in the global market for manufacturing factories is big challenge.
6. Poor performance of the export sector, which jeopardize the demand for the foreign currency need for the importation of manufacturing inputs, is key challenge for the sector.
7. The quality and availability of the production factors is also a bottleneck for the production process.

**Underperformance of manufacturing sector**

Researchers and reports mention several reasons for underperformance of manufacturing sector such as challenges related to resource competition in a global economy, bad governance and inherent backward and excess state interventions.

Various studies highlight industrial finance, access to land and electricity, supply of inputs and raw materials, business climate, shortages of foreign exchange, and trade logistics as binding constraints, as well as entrepreneurial skills and worker skills (WB 2015; CSA surveys 2017). Economic history and the structural development perspective suggest manufacturing as engine of structural change and the strategic role of exports in international learning and constraints on balance of payments (Kaldor 1967; Thirlwall 2013; Pasinetti 1981, 1993).
In addition to export expansion, the opportunities for import substitution are substantial considering that 87 percent of imported goods were raw materials and semi-finished inputs (17 percent), consumer goods (30 percent), and capital goods (40 percent) (NBE 2018b).

Marketing practices impact operational performance

Marketing strategy directly influence customer value to position a firm in a competitive business environment. To gain a competitive advantage in the market place it takes producers effort to develop and implement marketing systems and processes that are as efficient and economical as possible in an integrated approach covering and identifying the quality raw materials and other inputs (skilled labor, technology a needed in the production processes. The customer service quality, cost controlling processes, planning and risk management, customer and suppliers’ relationship management and customer satisfaction surveys are key success factors that should be incorporated in marketing strategy.

Constraints related to working capital, other management costs and underutilization of production capacity due to low demand for products from the customer side. Several studies show that manufacturing firms in Ethiopia are operating at low total performance. And several firms faced with many performance problems, mainly with shortage of inputs, poor production planning and control, low productivity, high manufacturing cost and lack of marketing strategy (Destá, 2003).

As manufacturing is the application of tools and methods to convert raw materials into the finished goods for sale. This includes the process to create value in the market place. The Key to successful manufacturing is therefore to determine what to produce, how much to produce and knowing the desired specification with the lowest cost in the shortest possible delivery time that satisfies the customers (Harrison, A & C. New, 2002). The quality of products produced, delivery time affordability and availability of products is a function of marketing strategy. It can therefore, be concluded that marketing affects the performance of manufacturing firms. Whether the strategy of a firm is market oriented or production oriented will influence how we decide on the quality, the cost and delivery time in respect to the customer value addition. Market oriented approach enhances the customer value through continuous improvement and market strategy guiding production process.

Conclusion and recommendation

In conclusion, success of the transformation of manufacturing sector depends on several factors and most importantly on well-functioning markets at all nodes of the value chains and macro-economic stability. Therefore, managing the challenges mentioned above in the sector will help to improve the manufacturing operational performance

1. Bring in leaders who have the marketing leadership qualities and who understand the global dynamics of manufacturing.
2. Align the national manufacturing strategy with the implementation strategy of GTP II towards improving the competitiveness in quality, price, delivery time and cost optimization. The Kaizen Implementation strategy, which has been implemented in most manufacturing companies in the country with the focus to ensure creation of business enabling environment and mobilizing resources for the development of local owned manufacturing enterprises is key for effective implementation of the strategy.
3. Expedite the development of skills market system which is being undertaken by EP (Enterprise Partners) and scaling it up through complementing by the efforts of other actors operating in the industrial parks to develop joint training model and skills performance improvement schemes.
4. Strategize the sustainability of kaizen to continue with the results achieved through projects.
5. Integrate and transform the marketing practice in a Kaizen approach for sustained success and work culture change.
6. Focus on customer value through the Kaizen culture.
7. Shift from the traditional approach of ‘Production leading Marketing’ to Marketing leading production.
8. The Kaizen (Continuous Improvement) culture should be promoted in manufacturing culture and marketing strategy should lead operation.
Recommended model for maximization of customer value through an integrated marketing approach vis a vis improved production approach

![Diagram]

Figure 1

*Model developed by the researcher based on the findings of the study

Model description

1. Market oriented approach enhances the customer value through continuous improvement and market strategy guiding production process.
2. Market oriented approach influences production in terms of the quality, cost and affordability of products in the interest of customers’ need.
3. The continuous improvement methods like Kaizen will improve the operational performance to enhance competitiveness of the manufacturing firms.

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Understanding Factors Influencing Employees’ Retention in an Organization Today

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Abstract

Employees’ retention in an organization reduces costs in terms of recruitment, training of new staff and loss of institutional memory as a result of experienced and skilled staff leaving the organization. The study helps organizations to establish policy framework to reduce the turnover level and increase employees’ retention. Employees’ turnover brings in new ideas, fresh perspectives, experiences and skills to the organization. However, it leads to losing employees whose skills, talents and experiences are valuable to the performance of the organization. Qualitative and quantitative approaches adopted, self-administered questionnaires were given out to about 65 respondents randomly selected and the results summarized, analyzed and presented in tabular and graphical format. In addition, secondary sources of information consulted.

According to the finding, 100% of the respondents confirmed employees’ turnover in the organization is affected by the job insecurity. 62% believed lack of opportunity for staff capacity development influences employees’ turnover. 54% of the respondents asserted working a distance away from the family is one of the reasons staff leave for another organization and 77% confirmed that staff mobility is influenced by better compensation package elsewhere within the humanitarian organizations and 92% stated high family dependency rate as one of the factors that makes staff move for better paid job because the income in the current job is not enough to care take of the family members. The study noted that an organization that invests a lot in its human resources has high level of employees’ retention and motivation today.

Keywords: Factors, Influence, Employees, Retention and Organizations.

Introduction

Background

The Uganda law requires employers to ensure that there is general health condition and welfare prevails at the work place, healthy and safe work environment and provision of sanitary, the absence of the general health condition and welfare could force employees to leave in search of the better condition in work places. Sometime policies or foreign donors may have an effect in human resource management as they may make sure top management position is determined by them making promotion of staff difficult to such level as it ends at the middle level.

Ken Blanchard and Spencer Johnson (2015) said, help people reach their full potential catch them doing something right. In most organization managers spend most of their times catching people doing something wrong. Focus on the positive aspect of the employees which should help to build confidence and re-direct them where necessary to correct the mistake. Take a moment look at your goals, then look at the what you are doing and see if it matches your goal. Goal should be simple and precise such that it is reviewed daily against the performance instead of being filed and look at once a year when it is for annual performance review or setting annual goal. This is providing capacity development to staff.

According to Victor Vroom’s expectancy theory, if people believe that they are not equally rewarded they reduce the effort, quantity and quality of the work and migrate to some other organization. This same theory is backed by J. Stacy Adam’s theory of equity where people judge their outcomes and the inputs relative to their colleagues and conclude about being rewarded fairly or unfairly.
An organization that has disparity in its system of reward experiences more employees’ turnover compared to the one that rewards its employees equitably according to merit and meet the expectations of its employees. It should be noted that employees constantly interact with their fellow colleagues’ in other organizations and they know how other organizations treat their staff.

Statement of problem

Organizations continuously make efforts investing in recruitment, retentions, development and motivation of employees’ despite all these cumbersome processes, employees leave such organizations and move on to another job in another organization. This cost the organization money in terms of the recruitment and development of new staff and loss of institutional memory resulting from key staff leaving the organization. The study therefore, focused to understand the factors influencing employees’ retention in an Organization.

Solutions to the problem

Organizations should give good compensation package to staff in terms of better salary payment, allowance and other benefit such as medical insurance and reasonable annual. There is need to assess the work load level of each staff this can be done through proper review of the job description and staff capacity development.

Most humanitarian organization issue contracts based on the project implementation period hence it is important to diversify the financing source of the organization in order to have more money to provide long term contract to employees to give assurance for employees’ job security. Organizations should invest in the staff capacity development and put the newly acquired skill and experience into use by giving more responsibilities to staff in terms of new position slightly higher the current one they have and offer an increased remuneration package.

Objective of the study

The objective of the study is to understand the reasons of rampant employees’ mobility from one organization to another, so that a reliable remedy to minimize the episode of the movement in order to ensure optimum use of the organization resource is provided, identified and discuss the various factors that influences employees’ retention in various level of humanitarian organization in today.

Research questions

1. What are the various factors influencing employees’ retention level in an organization today?
2. Why is necessary to have high level of employees’ retention in an Organization?
3. How can organizations address the issues of employees’ mobility in their respective work places?

The scope of the study

The study focuses on the factors influencing staff retention in today’s current job market with special emphasis of people working for humanitarian organizations and age bracket between 21 years and 50 years and professional experience of 3 years and above. Due to limited resource to conduct study widely it is confined to about 65 respondents’ sample.

The significance of the study

The study enables employers to understand clearly the reasons of staff moving from one organization to another. Employers will act to address the issues that makes staff leave one organization for another in order to reduce employees’ mobility rate. It gives head up for employers and other policy makers to see the need for formulating relevant policies regarding employees’ management to ensure economic development.

The result of the study will provide basis for further research in near future especially in the field of academic to understand the paradigm of the changing job market and the information contain in this study could be used by other researchers as reference.
The limitation of the study

The researcher plans to conduct the study widely covering several humanitarian organizations, private and public companies and government intuitions, with reasonable sample from each of the sectors. However, due to the limited financial resource, time and human resource it was not possible. Some of the respondents served with the self-administered questionnaires were quite a distance away and the only way to reach them was through their email addresses, and unfortunately, they were unable to access their email in time hence delayed responses or let to some of the respondents not responding at all.

The researcher is a student and at the same time a full time employed staff in a busy scheduled organization making it difficult to find more time to concentrate on the study coupled with limited literatures in the region and in the area been studied.

The methodology

The study adopted both qualitative and quantitative approach where self-administered questionnaires were given out to about 65 respondents randomly selected from within the targeted group of employees based on their age bracket and years of experience and the resulted were then collected, summarized, analyzed and presented in tabular and graphical format shown in table 1 and graph 1 in the following pages. Several secondary sources of information were consulted in the process purposively to fully understand the various factors affecting the employees’ retention level in the organization.

Review of literature

Employees retention in an organization is detected a lot by the management perception where management feel employees dislike work and avoid responsibilities they tend to use negative motivation by use of force and fears to enforce obedience where as if they believe employees exercise self-control and self-direction and take responsibility best directing their efforts for the success of the organization, they will use positive motivation approach. This is the application of McGregor’s Theory X and Y of motivation. Employees are back born of any industry and they are essential human resource for smooth operation of any organization, John C Maxwell (2014) pointed management the importance of human resource when he said, “people around you will either wind you up or wear you down.”

People look for jobs to meet their individual needs which according to Abraham Maslow are in the order of hierarchy, only when the lower level of needs are met fully would a worker be motivated to move to the next level of need up the hierarchy. The ultimate wish of every individual worker is to attain the highest level of self-actualization in the hierarchy of needs. Organization should therefore, provide different incentives to workers to help them fulfill each need and in turn progress up the hierarchy, in the absence of these opportunities’ employees will always move from one organization to another in search of motivation.

Ken Blanchard and Spencer Johnson (2015) asserted, the best minute spent is the one invests in people. Don’t make employees feels as if their main motivation is to avoid punishment. Do not assume that people know that is expected of them have some time with the employee talk to them to lay down your expectation and agree upon them. Everyone is a potential winner some people are disguised as losers, don’t let their appearance fool you.

There is a choice to hire a winner which will call for higher pay or hire a one with potential to be a winner and develop the capacity after which you failed to retain as their expectation move up hence, they leave. People in an organization are the heart of the organization. According to the Independent Magazine July 05 – 11, 2019, page 5, issue number 579, Hundreds of staff of Kampala’s Serena Hotel staged a sit-down strike paralyzing the top hotel in the city.

The staff accused management of mistreatment, failure to listen to their grievances and favoritism for expatriate staff. South Sudan law makers stormed out of a budget presentation by the country finance minister over the lack of payment of the civil servant and soldier that means the workers are unable to facilitate their family with being paid wages (the east African June 22 – June 28, 2019).
Beyond work decision, employees want to be given the resource necessary to act and been held accountable of the results. They want to feel they count.

According to Harvard business journal professor J. Richard Hackman, “If you want me to care then I want to be treated like an owner and have some real voice in where we ‘re going” (Kaziba A. Mpaata 2002). Management needs to empower employees in various ways give them resources they need; information gives individual team authority and responsibility to act and manage themselves. “People who feel good about themselves produce good results. Without giving people a quality product and services, they want, they won’t stay long in the business.”

According to the employment law of Uganda the normal weekly hours is not supposed to exceed 48 hours unless there is an agreement contrary to this. However, due to practical situation on the ground employees find themselves working for more hours without compensation for extra hours worked.

This makes employees to spend most of their time at work place trying to accomplish the tasks assigned to them with less time outside work life. This work pressure makes employees to have unbalance life style. Most of the humanitarian jobs are non-family duty station that means they must go and work far from the family at one point if they found an opportunity to work near an offer that include family duty station the employee may be forced to leave the organization for that better offer.

The result and discussion of the study

According to the result of the study, the following are the major factors influencing employees’ retention in an organization, its impact to the organization and how management can address the issues. The results are summarized, analyzed and presented in table 1 and graph 1 respectively.

Opportunity for career growth

62% of the respondents indicated that lack of opportunity for upward career growth within the organization makes people leave the organization in search of the career development elsewhere. This means Organizations that do not provide career growth opportunity ends up losing their most important staff for other organization. Organization should therefore, ensure that they have policies that embedded opportunity for employees’ growth if they are to retain its employees.

Better Compensation package

77% of the respondents confirmed that employees move to other organization in search of better compensation package, it is quite paramount that organization need to recognize this is a push factor if not attended makes the organization loses its reliable staff.

This explains when an organization poorly pays its employees, the employees will be forced to leave such Organization. However, this factor should not be look in isolation but rather together with other prevailing factors listed below as money may not be the only motivating factors in determining the length of time an employee stays in the organization.

Most of the humanitarian organizations operates on donor budgets to carry specific project at the end of such project, the organization may not have more fund to pay its staff and would be left with the only option to let the staff go but if they have diversified sources of funding they will be able to continue offering better compensation package in terms of other incentives and benefits.

High family dependent rate

92% of the respondents confirmed that high family dependency rate forces staff to search for better paid job as the income is not enough to take care of the family members. Organization need to put an effort to understand its employees’ problem beyond work environment as they may have other family related issues that may force them leave the organization.

If organization well understood its employees beyond the work environment, they will be able to provide other family packages that may help to reduce employee mobility appetite and increase the level of employee’s retention.
Government policy

It is worth mentioning that staff understand their responsibilities regarding statutory obligation that is why 69% of the respondents said government policy such as taxation and national social security fund contribution does not affect staff turnover.

However, this factor indirectly affects investment of the employees as they must wait up to the age of 55 years get their money for the case in Uganda. However, Organizations that don’t fulfill the statutory requirement of national social security contribution toward the old age, may find loose its staff for other Organizations that office the package.

Technological advancement

77% of the respondents confirmed that advancement in technology creates easy access to information about openings in job markets. This is true given the fact that today, people can access information about job adverts through an online system, mobile phone and internet even from one’s bedroom. Contrary, this factor alone may not dominate push staff out but rather its aids the other factors that influence employees’ retention in an Organization such as poor renumeration and job insecurity.

Consultation from management in making decision

62% of the respondents indicated that they are not consulted in most of the management decisions in the organization and this is possible reason why some of the staff leave the organization as they feel that their presence does not matter in the operation of the organization. Ensuring that the view of the employees is taking into consideration in any management decision making is paramount if Organizations are to retain its employees.

Negative management feedback

54% of the respondents indicated that management focuses mainly on the negative aspect of the staff under their direct supervision especially during the staff development review at the end of the year. This makes it a problem for them to stay longer in organization as they feel their contribution toward the development of the organization is not recognized. In the words of Adrian Gostick and Chester Elton (2007), “we would like to know that collectively we are helping our team and the organization to move towards brighter future.” Always focusing in negative feedback makes staff to understand that their contribution is not helpful to the organization and they get frustrated and leave such organization.

Poor Employees’ manager relationship

77% of the respondents indicated their relationship with the manager is good. However, the remaining 23% indicated poor relation with their line manager is responsible for making staff move from one Organization to another its important management should continue to ensure there is good relationship between staff and the managers if they are to have a better level of employees’ retention.

Induction process

77% of the respondents indicated that the induction process in the organization was good especially during the time when they were new employees, a good induction process allows new staff perfectly settle down in the new environment, management of any organization continually ensure that every new staff are well inducted in the organization in this way they will continue to serve Organization. However, 23% of the respondents believe poor induction process is behind high employee mobility in the organization, this proportion should be neglected but should be addressed.

Job insecurity

100% of the respondents contacted during the interview confirmed that employees’ retention in the organization is greatly influenced by the job insecurity resulting from the short-term contract. Every staff want to see that their employee contract running for longer period of time having short term contract gives them worries about the continuity of their constant flow of their income to support the
family as such they are compelled to look for an environment where they can get long term employment contract and they can be assured of their jobs. In order to address this issue, Humanitarian organizations should look for multiple donors so that they are able to give employees continue contract for a long period of time. Organization that makes its employees believe that they are job secured, will have high level of employees’ retention.

Distance away from the family

54% of the respondents asserted that staff retention is affected by the distance away from the family, this basically for those who have employment duty station away from their home areas, they find themselves spending more hours travelling between the their homes and work stations which becomes stressful and when they get an opportunity to be employed near or within their home areas they end up leaving the organization with distant work station. Organizations can include in their policy framework more days off in addition to the annual leave days and improve on the other aspects of staff welfare.

Huge work pressure

69% of the respondents indicated that staff get work pressure from huge volume of work making them to work extra hours and end up having work life balance issues and if they have an opportunity to be employed in relatively manageable work load organization, they leave the organization. Lack of work life balance is an occupational hazard and health issues that could threaten the life of an employee.

According to Roshidi Hassan (2014), now a day people working lives have become increasingly stressful and job stress has been one of the factors that affect the individual performance at work place. Employees workload should be reassessed on annual basis and make necessary adjustment in staff job description and staff should be encouraged to have more work life balances.

Level of organization investment in staff capacity development

when asked about the issues of staff capacity development, 62% of the respondents believe that there is lack of opportunity for capacity development in the organization is one of the main factors that makes staff mobility high in such organization and therefore, it is important that management of organization to include staff capacity development in their policy framework and strategic development plan. Many companies spend a lot of their money on maintaining their buildings, technology and equipment than they do in developing people.

The more a company put resources in developing its human resource such company will retain its staff for a longer period and have better productivity. However, investing in staff capacity development without increase in responsibilities and remuneration package will not minimizes the level of employees’ turnover.

Self-exploration of job and Organizations

The result of the interview revealed that 54% of the respondents believe that staff move for self-exploration of job and organizations is among the factors influencing employees retention in an organization this is so because there are those staff who are motivated by mere movement from one job to another and one organization to another such staff hardly settle in organization.

System and structure

77% of the respondents affirmed that the system and structure of the organization is good and that means a good system and structure of the organization makes staff to stay longer in such organization and whereas 23% implies when the system and structure is poor such organization see high staff turnover. The system here includes all operational policies relating to human resource, procurement and finances among others.

Recommendation

It is clear that employees’ turnover in an organization cannot be avoided but constant effort should be deployed by management of any organization to ensure that they are periodically updated of the
job market situation in order to ensure that any new development in the job market is included in the their policy framework and not end up unnecessarily losing their important and essential staff to their competitors in the same job market to increase the level of employees’ retention.

Since one of the major factors of employees retention is job insecurity, organizations should ensure that they have enough funds by having multiple donors and varieties of funding sources so that they don’t find them laying off their staff or letting them go due the fact of not been unable to pay them when one project implementation period ends. When an organization has multiple funding sources, this gives staff an assurance of the continuity of their job at an extended employment contract period. Staff contract should be extended by a period of more than one year in such a way they will have feeling of job continuation.

Today people’s lives are control by work to the extent that they don’t have time for their family, management of organizations could make it part of their policy framework that they support employees work life balance to ensure that staff work pressure is within an allowable degree and staff operate in a work stress free environment, this should be done to ensure that work does not negatively impacted the lives of employees. Healthy and happy employees have increased level of productivity. Staff who are deployed in the remote field location away from their family should have hardship allowances and benefit interns of cash and leave days so that they are able to have more time with their families.

Conclusion

Organizations face a lot of pressure as a result of the employees’ mobility which cannot be avoided but rather management of organization can do something to reduce the yarning gap between factors that motivates employees to leave one organization for another to increase the level of employees’ retention.

Most organizations especially humanitarian organizations are mainly donor funded meaning that level of employees’ job insecurity is high, as they depends on the length of time a project is been funded by such a donor as the project comes to the end of its implementation period, the employees are face with the reality of job insecurity due to fear of losing job and are compelled to look for another job, this explains why job insecurity stood up to be the highest factors that influences level of employee retention in the organization today.

The high family dependence rate, especially in African, the people who are benefiting from a single individual working person are quite many to the extent that such individual feel the pressure of not having enough money to support these people and he is constantly forced to look for another better paid job elsewhere as the current employer may not be able to increase the salaries based on this ground. Employers should constantly reassess the job market and conduct salary survey to ensure that they don’t pay their staff lower than other Organizations.

The technological advancement we are seeing today is greatly contributing to the motivating factors of employees’ movement from one Organization to another as they provide medium through globalization to make access to information about existing vacancies in the job market. Employees move from one organization to look for better compensation package, friendly work environment which allow for well-balanced work life experience.

It is the responsibilities of every organization to conduct constant survey to understand the need of the employees in the current job market and develop policies that will help them to identify and assess the impact on human resources and ultimately serve money on the recruitment and advertisement and avoid loss of good institutional memory to achieve high level of employees retention. Personnel mobility could have a great effect on the performance of an organization as there will be increased of supervision and motivation, loss of business and decline in customer goodwill from mistake of inexperienced staff which could be avoided if employee’s retention level is high. High level of employees’ mobility distorts project plan and budget as it may require at least a month or more to replace a staff who left leading to a significant underspending of project budget in an organization especially within humanitarian setup where the turnover happens towards project end period when it is impossible to do budget revision
**Figure, Tables and Graph**

Table 1. Tabulation showing percentage score of respondents against each factor identified.

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<th>TABULATION OF RESPONSES</th>
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<tr>
<td>Criteria (Factor)</td>
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<td>Organizations worked for to date</td>
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<tr>
<td>Lack of Opportunity Career growth</td>
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<tr>
<td>Better Compensation package Elsewhere</td>
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<td>High Family dependent rate</td>
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<td>Political stability</td>
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<td>Government policy</td>
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<td>Lack of management consultation in making decisions</td>
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<td>Poor employee’s manager relationship</td>
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<td>Huge Work pressure</td>
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<td>Lack of capacity development</td>
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<td>Self-exploration of Jobs and Organization</td>
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Figure 1. Bar chart showing percentage score of response against factors influencing employees’ retention

Source. Summary of the data collected during the study.

References
Leveraging on Supply Chain and Supplier Development, towards Business Performance and Competitive Advantage in a Global Organization: The Case of Fan Milk Ghana

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Abstract

The study examined how multinational companies, operating in developing countries, can leverage on supply chain and supplier development to improve upon their business performance as well as gain competitive advantage at the global market place. The search light was on the operations of Fan milk Ghana, a subsidiary of Swiss delicacy multinational company, operating in the African sub-region. Among the specific objectives of the study, are to examine the factors that enhance supply chain and supply development management in addition to identify strategies for enhancing performance and gaining competitive advantage in the global business place. In conducting the study purposive sampling technique was employed in selecting key officials of the marketing, procurement, stores as well as finance and quality control of Fan milk Ghana, for their views on the study. The questionnaire technique afforded the respondents the requisite flexibility for using their leisure time in co-operating with the study. Findings of the study indicated that strategies such as integration of ICT, frequent review of operational equipment, and factory lay-out, enhancing shipping mechanisms as well as sustaining effort at building a capacity of human resource, all work together towards enhancing the supply chain function of an organization leading to improvement in business performance and gaining competitive advantage to withstand industry competition.

Keywords: Supply chain, Supplier development, competitive advantage, business performance and Value chain.

Introduction

Competition at the global market is such that organizations ought to ensure they parade quality products which can be offered at highly competitive prices thereby attracting the requisite patronage to keep expected inflows on course. Doing so entails evolving certain strategies which have the propensity of ensuring relatively lower cost of production leading to offering affordable prices to attract customers. One key element in reducing production cost has to do with ensuring effective procurement which centers on creating viable supply chain structures. For suppliers to behave in an anticipated fashion it is essential that organization like Fan milk Ghana helps in developing them. This will ensure that quality goods will be obtained at all times, at good prices and within good time. When suppliers’ values are properly optimized this way then Thomson and Strickland (2007) are of the conviction that the necessary business efficiency can be established to attract the needed competitive advantage so as to withstand various forms of pressure in the industry.

This research work looks at how Fan milk Ghana, a multinational company is leveraging on its supply chain as well as develop its suppliers, in order to improve performance and continue to lead to local industry. It begins by conducting a literature review on some concepts and factors that enhance the management of supply chain and supplier development.

Literature review

The review exercise takes a good look at the concept of supply chain and factors that influence supply chain management especially, the use of information technology. total quality management, importance of economies of scale, lean management and its ramifications, labour effectiveness, augmenting capital structure and strategic development of suppliers. It however takes a critical look at competition and sustainable development prior to examining supply chain concept.
Competition and sustainable development

An organization that seeks to grow in this global competitive environment needs to produce high quality goods at an affordable price under the backings of an enviable brand image. This is in consonance with the submission by Kotler (2007) that given the stiff competition in various industries, it is companies that produce at high quality and offer at competitive prices that could survive at the marketplace. Such a company should operate in strict compliance with current conventions on sustainable development (i.e. identifying green features) as it relates to low energy consumption and using recyclable materials.

In the opinion of Craighead & Meredith (2008), companies should produce in such a manner as to leave very little damaging effect on the ecosystem. This means it is essential to operate with materials that can be recycled rather than having to always damage the earth crust for ore to mine bauxite for producing steel and other metals necessary to keep the industries in continuous operation. It is in keeping with this concept of sustainable development that, industries in the Far East especially China, buy scrap metals from developing economies like Ghana.

According to Aboulnasr et al (2008), companies that respect global convention on environmental sustainability are able to market their products in leading markets on the globe. Going to new markets in Europe, Malaysia, North and South America etc would not be a problem provided the growing cost of operation is reversed. An example here lies with designing and developing products in Ghana but with production bases in China and India. This clearly indicates managements’ ability to manage operation cost in such a way as to enhance its supply chain activities thereby delighting customers with quality and affordable priced goods.

Supply chain

A company’s supply chain, according to Thompson & Strickland (2007) identifies the primary activities that create customer value and the related support activities. Fawcett et al (2002) also note that all the various activities that a company performs internally and externally combine to form a value chain because the underlying intent of a company’s activities is to do things that ultimately create value for buyers. Billington (2010) is of the opinion that a company’s supply chain system also includes an allowance for profit because a markup over the cost of performing the firm’s value – creating activities is fundamentally part of the price (or total cost) borne by buyers. This presupposes that unless a company succeeds in creating and delivery sufficient value to buyers to arrive at an attractive profit, it would be difficult to survive for long period.

The foregoing exposition on the importance of supply chain management points to the fact that management of industries really have to take cost reduction seriously in order to continue to produce high quality goods and sell at affordable prices. At the starting point, Billington (2010), notes that it is essential to examine the location of the existing production bases. For goods produced in China and exported to African for sale to be successful then Chinese companies must adopt cost leadership strategy which ensures much lower production cost necessary to charge international competitive prices. The cost of transportation and handling charges are all factored into pricing the goods and therefore Frohlich & Westbrook (2001) is of the conviction that proximity is essential in locating industries.

Supply chain in the opinion of Dooley et al (2010) is further enhanced when management finds it necessary to outsource certain production functions. Financial management writers such as Lucey (2005) and Madura (2008) all emphasize the fact that “make or buy-out” decisions often compare the comparative advantage of a firm in producing certain key parts internally or buying them outright from outside suppliers. For instance, a company producing electrical pumps and outsourcing as much as 80% of its key components such as motor and pumps, cases and covers, as well as switchgear and electronics, would enjoy cost efficiency of its operations provided these suppliers could supply high quality parts at good prices.

Information technology, total quality management and supply chain management

If a company’s headquarters is located in China and main sales markets on the West Africa sub-region, it is essential for such company to manage its information technology to ensure that goods and services move timely in order to meet corporate objectives. Sound IT application, according to
Craighead & Meredith (2008) is the bane of modern business success. Efficient IT system will ensure that suppliers dispatch the parts on time to manufacturing centres in China while effective IT system will also pave the way for timely flow of finished goods so as to adequately and timely replenish stocks on shelves in marketing outlets within the West African sub-region.

Contemporary marketing authorities like Kotler (2007) cautions against rising operating cost which invariably results in high prices with attendant product failure on the market. Many a time, company’s sound survival strategies are disrupted by high cost emanating from rising energy and component cost with their concomitant effect on trading margins. The moment business prospects are threatened as a result of margins then Talib & Rahman (2010) recommend Total Quality Management (TQM) principles which incidentally adequately address the number of areas of concern. In his arguments in favour of TQM, Saravanan & Rao (2006) explains that TQM enjoins business owners to sharpen their supply chain management systems to come out with high quality goods at highly competitive prices. This, in the opinion of Hollensen (2010) involves identifying a segmented market and targeting these groups with positioning strategies mainly the marketing mix i.e. 4 Ps being the price, product, place and promotional strategies.

**Importance of economies of scale to supply chain management**

Having identified the potential markets to serve notably Europe, Malaysia, North and South America, it is essential to work on the operational cost. A company may identify relatively high cost of labour”, as well as rising logistics costs” and “high central overheads” among others current impediments in achieving projected profit levels. Working on these involves striving to capture all available economies of scale. Economies of scale, in the opinion of Thompson & Strickland (2007) stem from an ability to lower unit costs by increasing the scale of operation.

It is essential to examine the plants being used to manufacture the ‘white colour’ products and explore the possibility of securing larger plants that are more economical to operate than medium scale or small plants. Management in some cases needs to examine the possibility of producing both small component and large parts at the same place rather than the existing arrangements where they are respectively produced in China and India.

In the opinion of Fisher (2007), manufacturing economies can be achieved by using common parts and components in different models or by cutting back on the number of models offered especially the slow-selling ones, and then scheduling longer production runs for fewer models. Krause & Scannell (2002) also argue that cutting cost in global marketing calls for making separate products for each country’s market instead of selling a mostly standard product worldwide.

**Lean management and supply chain efficiency**

Supply chain efficiency could also be improved by partnering with suppliers to streamline the ordering and purchasing process through outline systems, reducing inventory carrying costs through the Japanese system of just-in-time inventory practices, economizing on shipping and materials handling necessary to bring on board other cost-saving opportunities.

A company with a core competence or a distinctive competence in cost-efficient supply chain management can sometimes, in the opinion of Bustinza et al. (2010), achieve a sizable cost advantage over ‘sleeping’ competitors. Dong et al. (2001) also argue that if the costs of raw materials and parts are too high a company can either substitute the use of lower-cost items or maybe even design the high cost components out of the product altogether. Management further identified limited use of automation as one of the weaknesses of the company.

This issue can be addressed by employing online systems and sophisticated software to achieve operating efficiencies. In the opinion of Frohlich & Westbrook (2001) Data sharing, which starts with customer orders and goes all the way back to component production, coupled with the use of Enterprise Resource Planning (ERP) and Manufacturing Execution System (MES) software, can make custom manufacturing just as cheap as mass production and sometimes cheaper. Online systems and software according to Hakansson et al. (2004) can also greatly reduce production times and labour costs. This source as an example in the case of Lexmark, indicates that the Company used ERP and MES software to cut its production time for inkjet printers from four hours to 24 minutes.
Labour effectiveness and supply chain management.

Addressing relatively high cost of labour facing a company or a business can be achieved by adopting such labour-saving operating methods as installing labour-saving technology shifting production from geographic areas where labour costs are high to geographic areas where labour costs are low, as well as avoiding the use of union labour where possible (Thompson and Strickland, 2007). This is because accommodating the demand of the union especially on costly fringe benefits could stifle productivity. Management of companies could also relocate company’s headquarters, example in order to cut its high cost of operations, Barclays bank PLC moved its corporate headquarter from England to one of the emerging markets of Asia i.e. Malaysia as a strategy for reducing labour cost.

Augmenting capital structure

Augmenting the capital base of a company for carrying out its business development agenda entails considering the possibility of listing on an International Stock Exchange. The Hong Kong Stock Exchange, (HKSE) London Stock Exchange (LSE), New York Stock Exchange (NYSE) are reputable financial markets where companies could source funds to facilitate their globalization endeavour within the medium to long term plan for growth and profitability. However, getting listed on these world class stock exchanges entails maintaining efficient financial records which can stand the test of time (Lucey, 2005).

Additionally, for companies to thrive in the midst of mundane challenges in the current global business landscape, it will be prudent for business to engage in partnership, alliances or agreement. According to Thompson & Strickland (2007) in most industries, manufacturers are forging strategic partnership with selected suppliers in efforts, not only to reduce inventory and logistics costs (for instance through just-in-time deliveries) but also speed up research in making available the next generation of components.

Strategic development of suppliers

Building strategic alliance with suppliers also enhances the quality of the parts and components being supplied and as much as possible reduce defect rate as well as squeeze out important cost savings for both themselves and their suppliers.

In the opinion of Vickery et al (2003), the more opportunities that exist for fruitful efforts between a company and its suppliers, the less their relationship is characterized by who has the upper hand in bargaining with the other. Collaborative partnerships between a company and a supplier, according to Sprague & Callarman (2010) tend to last so long as the relationship is producing valuable benefits for both parties. Companies or business therefore ought to develop a close collaboration with its suppliers in order to influence the way suppliers conduct their affairs with the company.

A company’s supply chain, according to Terpend et al (2008), to a large extent, is embedded in a larger system of activities that includes the supply chains of its suppliers and the value chain of whatever distribution channel allies it uses in getting its product or service to end users. Supplier’s value chains are relevant because suppliers perform activities and incur costs in creating and delivery the purchased inputs used in a company’s own value-creating activities. It is from this background that one supports Hendricks et al (2009) assertion that management of companies should do anything in their power to help suppliers to drive down the costs of their value chain activities or improve the quality and performance of the various parts being supplied so as to enhance their own competitiveness. If the suppliers are able to improve upon their own supply chain, the end product is that they would be able to supply at highly competitive prices.

Walmart company files (2004) indicate that its standard practice to liaise extensively with suppliers on all aspects of the purchasing and store delivery was necessitated by the need to obtain mutually beneficial cost savings. The use of relevant software such as Enterprise Resource Planning (ERP) will certainly allow suppliers to keep tract of the inventory levels at company’s warehouse so as to facilitate the production processes.

The extensive use of various e-procurement software packages can help streamline the purchasing process by eliminating paper documents, such as requests for quotations, purchase orders, order acceptances and shipping notices. Such online systems according to Thun (2010) allow warranty claims
and product performance problems involving supplier components to be instantly relayed to the relevant suppliers so that corrections can be expedited to keep production on course.

**Research methodology**

Descriptive research design which in the opinion of Babin and Zikmund (2010) enable a researcher to find answers to who, what, how, when, where, etc. was adopted in soliciting information to meet the objectives of the study. The study population happens to be Fan milk Ghana which has its production facilities in the light industrial area of Ghana. The company produces a broad spectrum of delicacies which appeal to various shades of ages i.e. children, youth, adult as well as senior citizens. Purposive sampling technique was employed in picking up officials from relevant organizations notable marketing, production, procurement, quality control, stores as well as finance for their views on the objectives of the study. The questionnaire technique was the main instrument while information captured from the questionnaire were collated and analyzed as findings indicated here-under.

**Findings and discussion**

Presented here-under are findings emanating from interactions with key officials of Fan Milk Ghana on strategies for enhancing supply chain management with the view to gaining competitive for strengthening leadership role in a global marketplace.

**Reducing distributors and dealers by selling directly to customers**

It was revealed that Fan Milk Limited currently sells through distributors and dealers who enjoy between 10 and 20 percent discount on goods invoiced to them. Other multinationals in town like KFC sells directly to consumers who visit the shop floor to eat. Reducing the number of dealers and selling more directly to consumers, in the opinion of Krause & Scannell (2002) could have the propensity of cutting down cost in order to improve upon supply chain activities and invariably enhance business prospects.

Selling directly and bypassing the activities of expensive distributors or dealers according to Hendricks et al (2009) can involve having management directing its own sales force in this case dispatching the company’s sales force to supply its products to various institutions, supermarkets, retails, etc. It also has to do with conducting sales operations at the company’s website which may be substantially cheaper than employing wholesalers and other intermediaries. According to Thun (2010) costs in the wholesale/retail portions of the value chain frequently represent 35-50 percent of the price final consumers pay and therefore reducing or eliminating those middlemen could enhance the supply chain management activities of the company.

**Replacing certain supply chain activities with faster and cheaper information technology tools**

It came out from the study that integrating more ICT in its operations will ensure that Fan Milk operates more efficiently. Production, procurement, finance, etc. will all be networked to ensure that transactions are conducted much more smoothly. Suppliers of raw materials and other accessories could also be brought on board by creating an intranet portal, from which they could monitor the stock levels of the company thereby acting appropriately to replenish stock levels. This way the company would not need to tie down huge capital in stocks of raw materials but rather maintain a lean inventory system analogous to the Japanese Just-In-Time (JIT) inventory management technique.

According to Thun (2010), in recent years the internet and intranet technology applications have become powerful and pervasive tools for conducting business and reengineering company and industry value chain. For instance, Internet technology has revolutionized supply chain management, turning time consuming and labor-intensive activities into paperless transactions performed instantaneously.

Retailers can install online systems that relay data from cash register sales at the check-out counter back to manufacturers and their suppliers. Manufacturers can use online systems to collaborate, closely with parts and components suppliers in designing new products and shortening the time it takes to get them into production. Online systems in the view of Frohlich & West brook (2001) allow warranty claims and product performance problems involving supplier components to be instantly relayed to the...
relevant suppliers so that corrections can be expedited. Online systems have the further effect of breaking down corporate bureaucracies and reducing overhead costs. The whole back-office data management process (customer accounting, order processing invoicing, and other kinds of transaction costs) can be handled fast, accurately, and with less paper work and fewer personnel.

**Reviewing operational arrangements by removing low-value-added- unnecessary work-processing and activities**

The study observed that Fan milk Limited could streamline its operational systems and “weed out” all cost consuming activities and replace them with more efficient arrangements. This should result in internal re-arrangement thereby cutting down on internal transport to improve efficiency. It was noted that computer-assisted design techniques, standardizing parts and components across model and styles can be brought on board to enhance production processes. This way, suppliers can be trained to collaborate to combine parts and components into modules so that products can be assembled in fewer steps, thereby shifting unto an easy-to-manufacture product design.

In the opinion of Fisher (2007), layout in the factory floor as well as positioning of some plants and equipment could be counterproductive in that they waste productive time and add to or swell up operational cost. The source therefore recommended a periodic review of production systems in line with best practices in an industry.

**Enhancing shipping and handling activities through relocating production facilities.**

The study found out that Fan milk Ghana’s production facilities are currently situated at North Industrial Area within the Accra business district which is about 40 kilometers from the Tema port where its imports enter the country from Switzerland and other places. The traffic situation in the capital is nothing to write home about and therefore journey from Tema Harbor to the production site which could have been conducted between 45 minutes and one hour now takes between 2 to 3 hours if not more. Cost of Transportation is also high.

Findings reveal that Management would be better off, if it shifted its production base to Tema while maintaining the infrastructure in Accra as its administrative headquarters. Moreover, most local suppliers in Ghana source their wares from Tema and therefore this envisaged relocation will enable local suppliers to reduce the time of service delivery.

**Reducing product offering to enhance efficiency**

It came out from the study that in an attempt to meet the taste of all segments of its customers, Fan Milk Ghana maintains a broad spectrum of product profile. The Fan Ice, Fan Yogo, Fan Chocolate, Yogurt, Lollipop, etc. are all popular products. Yogurt for instance has relatively low sugar content and therefore has found favour with most health-conscious Ghanaian residents. People with terminal diseases like diabetes also find solace in Yogurt consumption. This means this particular brand appeals to wider segment of its patrons and therefore gives management the impetus to re-organize production arrangements in favour of the production of Yogurt and its derivatives.

Fan ice cream is also an old brand with general acceptability. Both young and old enjoy the Vanilla flavor of fan ice cream. The chocolate flavor is another product with good market. A little more market studies would help management to prune its product profile to a barest minimum thereby marshalling resource properly to gain competitive advantage in the industry.

**Securing state of the art production facilities**

The study found out that Fan milk can compete better if it secures state of the art production facilities to improve upon its service delivery. Fan Milk can learn from the global merchandise giant, Wal-Mart in the USA, which, according to Lansiti & Levien (2004) invested heavily in state-of-the-Art equipment and automation within its distribution centres and was empowered to efficiently operate a truck fleet that facilitated daily deliveries to its network of stores. Generally, Kotler (2007) says improving upon one production facilities is the surest way of producing high quality goods which can be sold at highly competitive process. Management of Fan milk could further strive to leverage the product mix in order to achieve high levels of sales turnover.
Sharpening HR to improve upon supply chain management

The study noted that one other area where Fan Milk could examine critically to achieve competitive advantage lies in the management of its Human resources. Management could embark upon a system of compensating staff in a manner that will make them happy while producing lower labour costs as well. With the right motivation strategies in place, Fan Milk employees will re-dedicate themselves helping to improve upon the supply chain management system of the company thereby gaining the requisite competitive advantage to re-capture and sustain its industry leadership position into the foreseeable future. In the opinion of Daft (2006), a well-trained staff constitutes the greatest asset that a business could have. The skills of production staff as well as distributive staff could be developed periodically to ensure that new ideas picked from best practices within the industry are brought to bear to help strategize the future direction of the company.

Developing suppliers strategically

The study found out that Fan milk Ghana could effectively develop its supplier base by organizing series of workshops as well as other capacity building packages with the view to making the suppliers more sensitive to its operations. Such training programs will help the suppliers to know exactly how the company operates, thereby coming up with raw materials, parts, components and other essentials within the expected time. Developed suppliers will, according to Thomson and Strickland (2007), act as business partners who see the success of Fan milk as an indication of the viability of their own businesses. This way, efforts will be made by the suppliers to strike a symbiotic relationship leading to a win-win affair.

Conclusion

By way of conclusion it is worth asserting that succeeding in the international marketplace really entails sound supply chain management strategies which include effective development of suppliers. Well-resourced suppliers invariably see themselves as “shareholders” and operate in a manner that ultimately strengthens the supply chain apparatus of a company. Gaining competitive advantage at the global marketplace involves using the ICT to streamline supply chain activities as well as focusing organizational resources on producing marketable goods and services. Fan milk ought to learn from international practices in respect of designing its factory layout thereby removing delays in its production systems and shorten its production period. This way the company will be poised towards servicing its leading role in the local delicacy market.

References


The Effects of Financial Literacy on the Financial Performance of Small-Scale Enterprise. (The Case of Makola Market)

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Abstract

This study sought to evaluate the Effects of Financial Literacy on the financial Performance of small-scale Enterprises. Financial. The findings of this study would benefit the government and other stakeholders in knowing whether the gains of the financial literacy training can outweigh the costs of undertaking the training. This study adopted a descriptive survey design. The target population for this study is all the small-scale enterprises at the makola market which was 6034 traders. The target sample was 100 and since this is a descriptive study, Simple random sampling is more appropriate as it gives all items in a population an equal chance of being selected. Primary data was gathered by use of structured questionnaires which was both open and close-ended questions. Data gathered from the questionnaires was analyzed quantitatively using statistical package for social sciences (SPSS) computer software. SPSS generated both descriptive and inferential statistics. Descriptive statistics including the mean and standard deviation was used to capture the characteristics of the variables under study. Inferential statistics was used to analyze the relationship of the independent variable and the dependent variables. The study established that there was positive correlation between the dependent variable (financial performance) and the Independent Variables (financial literacy). Financial literacy also affected the savings and behavior of small-scale enterprise owners at makola market while savings behavior and attitude do not have effect on financial performance which means that the performance of traders at makola market is not determined by their savings behavior.

Chapter one

Introduction

Background of the study

There is no universally agreed definition of a small-scale business. Sometimes called a small business, a small-scale enterprise is a business that employs a small number of workers and does not have a high volume of sales. Example includes sole proprietorship and partnership. The micro and small enterprises are business in both formal and informal sector, categorized into farm and non-farm employing 1-50 workers (GoK, 2005). According Abor and Quartey (2010), firms that employ less than ten (10) employees are classified as Small Scale Enterprises (SSEs). The National board for small scale enterprises observed that a firm with not more than nine (9) employees, has a plant and machinery (excluding land, building and vehicles not exceeding one thousand Ghana cedis (gch 1,000.00) may be termed as small-scale enterprises. The important role of small-scale enterprises (SSEs) worldwide cannot be over-emphasize (OKonga, 2012). Financial literacy can be considered as a fundamental challenge. Remund (2010) defines financial literacy as the degree to which one understands key financial concepts and possesses the ability and confidence to manage personal finances through appropriate, short-term decision-making and sound, long-range financial planning. It implies that financial literacy may be defined as the ability to read, analyze, manage and write about financial conditions of firm.

The word performance is derived from the word “parfourment” which means to do; to carry out or tender’. It refers the performing; execution, accomplishment, fulfillment etc. In broader sense, performance refers to the accomplishment of a given task measured against present standards of accuracy, completeness, cost and speed. In other words, it refers to the degree to which an achievement is being or has been accomplished. In the words of Frich Kohlar, performance is a general term applied to time often with reference to past or projected cost efficiency, management
responsibility or accountability. Thus, not just the presentation, but the quality of results achieve refers to the performance. Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives has been accomplished. It is the process of measuring the results of a firm’s policies and operations in monetary terms. It is used to measure firm’s policies and operations in monetary terms it is also used to measure firms overall financial health over a given period of time and can also be used to compare similar firms across the same industry. Specifically, the paper empirically identifies the channels through which financial knowledge translate into financial decision making.

Statement of the problem

Financial literacy is a problem to many small-scale enterprises which is evident in their inability to keep complete accounting reports. This has resulted in failure to improve financial performance. Lack of financial literacy in businesses can be portrayed in different ways, such as lack of awareness of financial risk and opportunities, reckless expenditure, use of business funds for personal transaction, limited access to bank credit facilities and insurance policies among others. There are successful small-scale enterprises with no basic financial education and there are unsuccessful small-scale enterprises with high financial education. It is interesting to find out whether financial literacy as we know has impact on financial performance of small-scale enterprises’ success. Many studies have mainly dwelt on importance of financial literacy and its effects on household or personal financial behavior. This research work attempts to establish whether financial literacy has a positive effect on the financial performance of small-scale enterprise in makola market.

Research objectives

The objective of the study is to
1. To access the relationship of financial literacy on financial performance of small-scale enterprise in makola market.
2. To access whether financial literacy affects savings behavior and attitude of petty traders in makola market.
3. To analyze financial literacy importance to the small-scale enterprise at the makola market.

Chapter two

Literature review

Introduction

This chapter would be looking at existing theories and research work conducted on this study. The main objective of this section is to review these theories and literature in relation to this topic. This chapter therefore would be grouped into three main sections which are, theoretical literature review, conceptual framework and empirical literature review.

Theoretical literature review

The theoretical literature covers the various studies and theories on financial literacy and financial performance. The main objective of small-scale enterprise is to make profit, increase customer base and create employment opportunities. The theoretical framework supporting this proposed study would review the psychological theories that explain how financial literacy affect the financial performance of small-scale enterprises. The theories that are significant to the study are financial literacy theory and financial performance theory. The two main objectives of the research are to examine the relationship between financial literacy and financial performance of petty trading at makola market and to find out the importance of financial literacy on small scale enterprises.

Financial literacy theory

Al-Tamimi and Kalli (2009) suggest that financial literacy has gained the interest of various groups including governments, bankers, employers, community interest groups, financial markets and other organizations. Therefore, it is necessary for individuals or organizations to have a level of education in managing their finances.
This implies that in an organizational context, both the information system (matter) and the human behavior system (mind), can only become more than their individual parts if they are linked by an interface that can enhance the feed forward (prediction) and feedback action between them (Gouws & Shuttleworth, 2009). McDaniel, Martin and Maines (2002) describe financial literacy as the ability to read and understand basic financial statements. Nadler (2009) defines business financial literacy as the ability to

1. Read and understand a balance sheet, income statement and cash flow statement.
2. Seek feedback when financial statements are inaccurate or confusing.
3. Use the information to improve decision-making.
4. Understand the limits of financial information.

The significance of encouraging financial literacy have increased because of factors such as the development of new financial products and the complexity of financial markets, among others. Popular media and public in general, used to use various terms as synonymous to describe the concept of financial literacy, for example financial capability, financial culture, financial knowledge and financial education (Huston, 2010). Schagen and Lines (1996), defined financial literacy, as the ability to make informed judgments and to take effective decisions regarding the use and management of money. (Remund, 2010) OEDC, through the work developed by Atkinson and Messy (2012), provide, not only an embracing term that could include financial knowledge, financial ability, financial culture, etc., as Financial Literacy, but also a complete and widely accepted definition of financial literacy.

The definition gathers three important concepts: knowledge, attitudes and behaviors, which are, nowadays, the three pillars.

**Profitability theory**

One of the most difficult attributes of a firm to conceptualize and measure its profitability (Ross, Wester field and Jaffe, 1999). Profitability means ability to make profit from all the business activities of an organization, company, firm, or an enterprise. It shows how efficiently the management can make profit by using all the resources available in the market. According to Harward & Upton (1991), “profitability is the ‘the ability of a given investment to earn a return from its use.’

Profitability ratios are viewed as other variables to identify and measure financial characteristics of SMEs. According to Jaggi and Considine (1990), profitability is a crucial indicator for determining the financial position of the firm. The firm is considered financially weak when its profitability is sliding or the profitability is weak compared to other firms in the industry. Burns (1985) and Meric et al. (1997) measured profitability by three ratios: return on total assets, return on net assets, and return on equity. According to Burns (1985) return on total assets is the best measure of a firm’s efficient use of assets because it is independent of financing methods.

While return on equity is a measure of the profit return to shareholders. In summary, depending on the purpose of their study the researchers in the literature use different ratios to measure financial characteristics of a firm. However, the variables most popularly used by most previous researchers included. liquidity measured by current and/or quick ratios, financial leverage measured by debt (long-term and short-term) ratio, debt-to equity ratio, and/or equity-to-total asset ratio, activity measured by total asset turnover, receivables turnover, and/or inventory turnover, and profitability measured by return on sales, return on assets and/or return on equity.

**Empirical review**

**The role of financial literacy on the profitability of women owned enterprises in Kitui town, Kitui county, Kenya.**

The study adopted a descriptive survey design which was aimed at fact finding enquiries on the role of financial literacy on the profitability of women owned businesses in Kenya a focus on Kitui town. A sample of seventy-six business owned businesses was selected using stratified random sampling technique. The study population was stratified as hardware businesswomen, service businesses, clothes dealers, general traders and others. A self-administered structured questionnaire was used to collect primary data from the respondents. Descriptive statistics was applied to establish
patterns, trends and relationships and to make it easier to understand and interpret the implications of the study. Data collected was then organized, coded, and entered in the computer for analysis using SPSS software. Measures of central tendency and dispersion were used to analyze the collected data and presented using tables and figures. The result revealed that majority of the women business owners are not financially literate (mean =3.07).

Nyabwanga (2011) in his study of the effect of working capital management practices on the financial performance of small-scale enterprises in Kisii south district

Using sample of 113 small scale enterprises and using a survey design established that majority of the small business owners or managers had just basic education and over 57% of these business operators hardly attend any business training programs despite the establishment that over 60% of them had little or no knowledge in business management hence were void of management skills vital in the running of their enterprises. The study also established that the performance of small-scale enterprises was on average low. The study recommended a study that will unravel the impact of training on the performance of businesses. The study established that; financial literacy made it is possible for entrepreneurs to make projections for Incomes and expenses thus the study concludes that debt management literacy had a positive effect on the performance of youth led enterprises. The study established that financial literacy provided entrepreneurs with the capability to budget for long term, medium- and short-term objectives, thus the study concludes that literacy budgeting literacy had a positive effect on the performance of youth led enterprises.

Conceptual framework

According to Kombo and Tromp (2009), a concept is an abstract or general idea inferred or derived from specific instances. Below is a representation of the variables explored by this study. The dependent variable in the study is profitability while the independent variable is financial literacy. The dependent variable in the study is profitability whilst the independent variable is financial literacy. Financial literacy entails knowledge and understanding, financial skills and confidence.

Knowledge and understanding

This refers to the wisdom and ideas one has to manage its finances small scale owners can maximize their profits. One’s acquaintances with principles, observation, investigation, familiar and experiences gives the petty trader an insight on the job, making him or her aware of factors that can increase his performance.

Financial skills

This is another major factor which affects the profitability of a firm. Having knowledge and training does not guarantee its performance, however the ability to manipulate data and apply financial principles practically. Example, preparing income statement to ascertain gross profit/loss and net profit/loss.

Confidence and attitudes

When the petty trader is a financial literate, there is more likelihood of him or her preparing accurate and reliable financial records or statement. This will boost one’s morale in making decisions to improve operations and increase profitability. One has more confidence in taking risks and again, more probability of acquiring bank loans since the petty trader can prove himself or herself worthy of repaying the loan, and ways of utilizing the finances to maximize profit.

Chapter three

Methodology

Introduction

According to Bryman (2004) ensuring the trustworthiness and reliability of a research result should be the prime aim of every researcher. This goes to suggest that the adoption of appropriate research methodology plays an important role in the research process.
The section therefore focuses on the research techniques that would be adopted for this study with the aim of achieving the research objectives and finding answers to the research questions posed. This section discusses the research design and provides details regarding the sample and sampling techniques as well as the research instruments used in collecting data for the study. It also discusses the reliability and validity of instruments to be used in the data collection process.

**Research design**

The research will be carried out at Makola market. The reason being that we will have access to more traders and we will get enough time to visit regularly at lower cost. Evaluation will be more convenient and effective. All outlined objectives can equally be achieved efficiently. We have the knowledge and experience in relation to the market, since we have been visiting there regularly. This will be achieved through designing questionnaires, thus, to help acquire our objective from the traders. Data collected will be bases on annual turnover, years of business, number of employees as well as answers to simple financial literacy questions. This research is basic/pure type of research.

The quantitative strategy to be used for the study is a survey design. A survey design provides a quantitative or numeric description of trends, attitudes, or opinions of a population by studying a sample of that population and the survey will be cross-sectional/snapshot (with data collected from different people at one point in time).

**Population of the study**

The population under the study are small scale enterprises at makola market. An estimate of 6,036 traders will be the population size.

**Sampling method or technique**

The mode of collecting data will be by the use of simple random sampling. Simple random sampling is a sampling method in which each element of the population has an equal probability of being selected.

**Sample size**

The sample represent a set of observation drawn from the population. The sample will be drawn from petty trader at makola market. Currently, the makola market has a population of about 6,036 traders at 2015. If the population is not more than 10000 a smaller sample size can be used without affecting accuracy. This is called adjusted minimum sample

\[ n' = n / (1 + (n/N)) \]

Where,

- \( n' \) is the adjusted minimum sample size
- \( n \) is the minimum sample size (as calculated)
- \( N \) is the total population

\[ n' = 100 / (1 + (100/6,036)) \]

\[ = 98.37 \]

Therefore, the sample which will be used for the study will be 100.

**Data collection instrument**

The data collection instrument to be used for this study will be in the form of questionnaires. The questionnaires will constitute three parts

1. Demographics of respondents
2. Savings behavior and attitude
3. Awareness and perceptions of financial services
4. Performance
5. Perception of financial services and
6. Practices

The questionnaire design will be the adaptive method of questionnaire designing. Self – Administered type of questionnaire will be used for collecting primary data.
**Sources of data**

The data to be used for this research is primary data and secondary data. According to Malhotra and Birks (2007), the researcher should locate and analyze secondary data before collecting primary data. They indicated that secondary data which are data collected purposely for another purpose other the problem at hand can help in sample designs and in the details of primary research methods. The primary data produced from the study will be generated from the questionnaires.

**Data analysis techniques**

The analysis tool which will be used in checking impact of financial literacy on the financial performance of petty traders at the makola market is the regression analysis. Regression is a statistical procedure of finding the relationship among variables. We define the characters as financial performance, financial literacy and savings behavior and attitude. Hypothesis one was tested by analyzing the data collected using Pearson product-moment correlation statistical tool in determining the relationship between the two variables. Hypothesis two was tested by analyzing the data collected using regression analysis. The linear regression equation is

\[
Y = a + b_1X_2 + e
\]

Where,

- **Y** = FINANCIAL PERFORMANCE
- **a** = constant
- **X1** = FINANCIAL LITERACY
- **e** = Error

The co-efficient b from the equation represent the strength and direction of the relationship between the variables. Comments and remarks on the regression analysis equation would be made with a software package called the SPSS. The software will help summarize the results for easy understanding. Data will be analyzed and presented based on the quantitative data acquired.

**Chapter four**

**Results and discussions.**

**Results**

All analyses were done with the aid of Statistical Product and Service Solutions (SPSS).

**Demographic characteristics**

<table>
<thead>
<tr>
<th>Table 1. Summary of demographic characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Demographic Characteristics</strong></td>
</tr>
<tr>
<td><strong>Sex</strong></td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td><strong>Age</strong></td>
</tr>
<tr>
<td>19 – 29 years</td>
</tr>
<tr>
<td>30 – 39 years</td>
</tr>
<tr>
<td>40 – 49 years</td>
</tr>
<tr>
<td>50 – 59 years</td>
</tr>
<tr>
<td>60 + years</td>
</tr>
<tr>
<td><strong>Marital Status</strong></td>
</tr>
<tr>
<td>Single</td>
</tr>
<tr>
<td>Married</td>
</tr>
<tr>
<td>Widowed</td>
</tr>
<tr>
<td>Divorced</td>
</tr>
<tr>
<td><strong>Educational Level</strong></td>
</tr>
<tr>
<td>Primary</td>
</tr>
</tbody>
</table>
Table 2. Where do you save?

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>N</th>
<th>Percentages %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks</td>
<td>68</td>
<td>68.0</td>
</tr>
<tr>
<td>Personal savings</td>
<td>16</td>
<td>16.0</td>
</tr>
<tr>
<td>Micro finance</td>
<td>15</td>
<td>15.0</td>
</tr>
<tr>
<td>Both 1.00 and 3.00</td>
<td>1</td>
<td>1.0</td>
</tr>
</tbody>
</table>

Source: Field data, March 2019

It can be observed that 68 (68.0%) of the traders prefer saving with the “banks” operated by personnel in the formal sector, 16 (16.0%) said they prefer personal savings, 15 (15.0%) said they prefer saving with micro finance and 1(1%) said they save with both banks and micro finance. Generally, the traders prefer saving with the banks.

Table 3. My understanding of financial statement helps make good decisions

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>N</th>
<th>Percentages %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>26</td>
<td>26.0</td>
</tr>
<tr>
<td>Agree</td>
<td>40</td>
<td>40.0</td>
</tr>
<tr>
<td>Neutral</td>
<td>22</td>
<td>22.0</td>
</tr>
<tr>
<td>Disagree</td>
<td>9</td>
<td>9.0</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>3</td>
<td>3.0</td>
</tr>
</tbody>
</table>

Source: field data, March 2019 (n=100).

Good decision is a factor in improving performance as it gives traders or managers an in-sight on the firm’s activities and how to manage it. From the data above, market traders who agreed that financial statement can help them make good decision where 66 (66.0%), 22(22.0%) of them were neutral and 13(13.0%) of them disagreed. It takes a financial literate to understand financial statement therefore financial literacy can be considered to very important to small scale enterprise at makola market.

Table 7. Saving at the bank is more secured than saving at home.

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>N</th>
<th>Percentages %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>56</td>
<td>56.0</td>
</tr>
<tr>
<td>Agree</td>
<td>35</td>
<td>35.0</td>
</tr>
<tr>
<td>Neutral</td>
<td>3</td>
<td>3.0</td>
</tr>
<tr>
<td>Disagree</td>
<td>2</td>
<td>2.0</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>4</td>
<td>4.0</td>
</tr>
</tbody>
</table>
Source: field data, March, 2019 (n=100).

Savings behavior and attitude of traders are affected by being financially literate. 91% of the traders agreed that saving at the bank is more secured than saving at home. A trader who is not financially literate would not be aware of the benefits of saving at the bank thereby saving at home exposes him/her to the risk of the money being stolen.

**Discussions of Findings**

The main aim of this study was to find the effect of financial literacy on the financial performance of small-scale enterprise at makola market. From a sample size of 100, all the respondents successfully provided data useful for this study. Data collected for the analysis included the background of the respondents, awareness and perception of financial services, savings behavior and attitude and the numbers of years each small-scale enterprise has been in business. Data collected for financial literacy included answers to simple financial literacy questions that covered record keeping and budgeting skills. Absence of financial literacy can be said to hinder the capability of person to make well-informed financial decisions. Due to this, positive relationships that exist between financial knowledge and financial behavior have been acknowledged by Hilgert et al., (2003).

A test was made to investigate how savings behavior and attitude affect financial performance of traders at makola market. Further, it showed that there was no significance between the two variables. Thus, it can be concluded that financial performance has no relationship with savings behavior and attitude of market traders. This means that, a market trader’s savings behavior and attitude will not necessarily have an impact on his or her financial performance. In discussing the third objective, a number of factors which made some petty traders do not prefer the use of financial service are:

Small amount to save: it was realized that most of businesses of the market traders are of small scale in nature, hence profit of the day to day activities are very small or little. Thus, market traders are not motivated to save since earnings from daily operations is very little to be taken to the bank. In conclusion, Base on the scale above, we can conclude that financial literacy is important to the small-scale enterprises at makola market

**Chapter five**

**Limitations, conclusion and recommendations**

**Limitations of the study**

As with any research, there are limitations that should be taken into consideration when planning to carry out the practical application. Getting access to information from the respondents was a challenge because not all the traders were willing to disclose all information.

Another challenge encountered was not being able to meet the actual owners to the shops and the care takers couldn’t provide the relevant information.

The difference in language between the respondents and myself was another difficulty in getting the access to information as most traders couldn’t understand what we were trying to gather.

**Conclusion**

The study was able to determine the role of financial literacy on the financial performance of small-scale enterprises at makola market. It was found out that financial literacy has a role to play in the performance of small scale enterprises at makola market.

Small scale enterprises that are more successful are operated by owners who are financial literates that is they understand key financial concepts and issues, good savings behavior and attitude and being equipped with financial skills.

**Recommendation**

Based on the conclusion, it is therefore important for small scale owners to enhance their training on financial skills such as knowing how to prepare budgets and simple calculations to ascertain profit or loss. Financial information is very useful in evaluating the success of past decisions and in determining the current position of the business.
The growth of accounts also needs to be analyzed and evaluated periodically. Most importantly, the government should include financial literacy in the curriculum of the primary and higher education levels of institutions. Additionally, workshops should be organized to educate business owners to create awareness on basic financial concepts and how it will impact on their business. Furthermore, financial institutions and other agencies should create financial products or services that are tailor to various individual needs. Again, there should be many outlets to reach market traders in their various locations.

References

Impact of eSupply Chain on Business Management

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Abstract

Introduction: In contemporary corporate scene, one of the most essential and prevalent needs is to satisfy the request of the client in a timely manner. This need has brought about the incorporation of eSupply Chain Management process in business strategy. This is especially prevalent following monumental improvements with incorporating technology into business operations, replacing the previously prevalent and hectic traditional concepts. Considering this, the study explored the various concepts associated with the eSupply Chain Management process, such as its key factors, the various components of the process as well as the various benefits and drawbacks of the process. Lastly, the future scope of the process has also been established in this study to provide recommendations regarding the way in which organisational efficiency can be improved through the incorporation of eSupply Chain Management process rather than the traditional supply chain management process.

Methods: A review of case studies and publications on supply chain and eSupply chain management processes, factors, advantages and disadvantages was carefully done to provide a good understanding and comparison of both systems and understand the impact of eSupply chain management on businesses.

Results: The effective management of information, material and financial resources flow was seen to be important to both traditional and eSupply chain systems, but more critical to eSupply chain systems.

Conclusion: eSupply chain management facilitates the efficiency of other business processes such as procurement and distribution just in time to satisfy customer’s expectations.

Keywords: e-supply chain management, e-logistics, e-procurement, competitive advantage, business solutions, integration.

Introduction

eSupply Chain Management refers to the model through which an organization manages its sourcing and procuring relationships between suppliers and manufacturers. In other words, the method makes use of internet-based operations procedures that lead to greater efficiency exchange of goods and services. The concept of eSupply Chain Management have been explored in this study, with special emphasis on the components of the system.

Additionally, the benefits and drawbacks of the system has also been explored to understand the future scope of the system in the manufacturing industry.

eSupply chain management

eSupply Chain Management is one of the most essential systems in the modern business context. This is especially prevalent following monumental improvements with incorporating technology into business operations, replacing the previously prevalent and hectic traditional concepts in relating to clients.

According to Almajali et al. (2016), this is even more apparent due to the means of incorporation of globalisation in the way business is conducted and materials are procured for manufacturing. As a result of the homogeneity of the world through the means of trade relationships, the concept of eSupply Chain Management has been gaining more prevalence and preference over the traditional supply chain management systems.
As per the views of Saleheen et al. (2018), the concept of eSupply Chain Management helps in making effective utilisation of the services available through the internet to introduce convenience in the various steps of the supply chain management process. This includes aspects like the distribution channels used by the company, the aspect of logistics as well as the management of information and inventory. According to Valverde and Saadé (2015), the complete digitisation of the process can be essential in enabling the manufacturers to focus on delivering the optimal quality of the product. This is in contrast with the fact that in the traditional supply chain methods, the manufacturers had needed to spend some resources communicating with the various organisations and entities at different stages. Thus, the process of eSupply Chain Management can help in making the entire process more effective, convenient and efficient through the means of automation (Ahmi et al. 2018).

The process of eSupply Chain Management is generally divided into three main activities and elements - product, information and finance. In order to satisfactorily fulfil all three stages to ensure efficiency in the eSupply chain management, there is a need for the various elements of the process to collaborate and work together. As per the views of Zhou et al. (2018), these elements in the process include the manufacturer, the logistics organisation, suppliers, distributors, retail channels as well as the final consumer. Through the means of integrating eSupply chain management, harmonious and mutually beneficial collaboration among these elements can be ensured in an efficient manner.

**Key features of supply chain management**

(Source: Influenced by Copacino, 2019)
One of the most essential aspects of eSupply chain management is to ensure the integration of increased efficiency in going through the various steps of managing the supply chain of a product. Through the means of making use of the latest advances in technology in general as well as regarding the way business is conducted across the various elements, the process can ensure that the business is able to gain greater efficiency in their operations through the implementation of fewer efforts on the part of each element.

Figure 3. eSupply chain
(Source: Influenced by Sayyadi Tooranloo et al. 2017)

Considering this, one of the salient and most essential features of the eSupply Chain Management process is the fact that it makes the entire supply chain management process highly network-centric. According to Masvosvere and Venter (2015), the aspect of the network is introduced is essential in satisfactorily focusing on connectivity needs, transparency in information and incorporating greater cooperation and coordination among the many elements. This incorporation of the network leads to a shift of the information flow process from primarily linear to end-to-end connections. As per the views of Jaglan (2017), this shift in the basic process of information flow further asserts the fact that information among the various elements of the process can be shared in an efficient and timely manner. This helps to prevent any sort of delays that had been prevalent in the traditional means of supply chain management.

According to Masvosvere and Venter (2016), this further lead to increased transparency in the way information is shared along with the aspect of a decreased potential for any errors and miscommunications. As a result, the entire supply chain process is made more effective, convenient and accurate through the incorporation of electronic and network means in the process.

Components of eSupply chain management

**e-Procurement**

The process of procurement refers to obtaining the materials and goods required to fulfil the orders and demands made by customers. According to Vaidya and Campbell (2016), the process of procurement is equally essential in the eSupply Chain Management process. In this regard, e-procurement enables the manufacturers to be in constant and active communication with existing as well as with potential customers.
This is generally done through the means of ensuring that the decision-making process in the supply chain process is made more convenient through the assistance of organised information through the incorporation of networking and digitalisation. In accordance with the views of Chibani et al. (2018), this aspect of the eSupply Chain Management process helps to ensure that the following steps in the process, like logistics, the flow of information as well as monitoring of inventory, can be managed in an effective and convenient manner.

Inventory replenishment systems

The aspect of replenishment systems refers to the management of inventory and replenishing in accordance with the predicted demand of customers to ensure efficiency and accuracy in operations. Through the means of managing the inventory in an effective manner, it can be ensured that there is timely upstream to downstream movement of goods and material, as and when needed (Valverde et al. 2016). Through the means of keeping the inventory replenished, greater efficiency in the entire process can be ensured.

In terms of the eSupply Chain Management process, it is essential to state that the process of replenishing the inventory is also carried out through the integration of network and connectivity. As opined by Wu and Chien (2016), through the process of managing the inventory, companies can ensure that their entire eSupply chain can become more efficient in delivering on customer demands for products and materials.

Supply chain collaborative planning, product design and development

Collaborative planning, product design and development in the eSupply chain management process refers to collaboration and coordination among the various elements of the process to ensure that demands are met in an according and timely manner. According to Miraz et al. (2016), through the means of synchronising demand and supply requirements, the various elements can conduct collaborative work to incorporate efficiency and accuracy in the manner that demand and supply are fulfilled.

This can also be stated about the need to incorporate collaborative work for the purpose of designing and developing existing products. As per the views of Nasution and Ishak (2019), through the means of feedback from the various elements of the process, the manufacturer can ensure that adequate changes are introduced to the design of the product as well as the composition of the product. This can lead to greater satisfaction on part of the customer, making the process more efficient.
e-Logistics and supply webs

The aspects of logistics and supply webs are some of the most essential aspects of the process, referring to the logistics aspect of the product through the help of internet as well as the channels used to supply the physical product to the intended customers. According to Rogers et al. (2018), the process of e-logistics is required to be made more efficient to ensure that the products are shipped to the intended location in a manner that is satisfactory. This is generally followed by the process of adopting means of supplying the product through the use of dedicated and efficient supply chains. According to Sayyadi Tooranloo et al. (2017), through the joint aspect of logistics and supply, the eSupply Chain Management process can be made more effective by making use of the network aspect of the method. This can ensure that there is proper communication regarding logistics needs, to ensure that the entire process can be concluded in an efficient manner.

Benefits of eSupply chain management

Reduction in cost

One of the most prevalent aspects of benefit presented by eSupply chain management process is the fact that it can help companies to reduce operational costs. According to Mora-Monge et al. (2019), this is because the system allows manufacturing companies to eliminate the need for manual reporting and record-keeping. This helps in preventing any excess costs that could have been incurred as a result of the need to employ extra manpower as well as the physical documentation needs. As a result, it can ensure that the company is able to make better and more judicious use of the resources available to them, preventing any loss of resources in the process.

Potential for competitive advantage

The potential to gain a competitive advantage over competitors is another aspect of benefit that can be attained in the aftermath of incorporating eSupply chain management. Through the means of increasing efficiency in reporting demand and supply needs in the process in addition to digitalised reporting for logistics and supply needs, companies can ensure that their operations process is much more efficient than those used by others. This aspect of increased efficiency can lead to the company gaining a competitive edge over competitors who still use traditional means of the supply chain management system.

Reduction of potential for error leading to timely delivery

The aspect of introducing digital means to overlook the entire process can also help to ensure that there are reduced instances of errors and faults in the entire process. As per the views of Pu et al. (2016), this can lead to efficiency in every stage, starting from the need to fulfil the order to ultimately fulfilling customer requirements through the means of integrated logistics and supply measures. Through the incorporation of technology in the process, the automation aspects also lead to the manufacturer becoming aware of any aspect lacking in the process, enabling them to fulfil them accordingly. This can lead to the timely execution of the tasks and delivering the product in accordance with the highest level of quality. This can ultimately lead to an increase in customer satisfaction helping the company to achieve a considerable portion of the market share through the means of customer retention and improved brand image.

Drawbacks of eSupply chain management

Cyber threats

One of the most probable and most detrimental drawbacks of the system is with regard to the potential of external attacks from hackers and competitors. As per the views of Kremljak (2015), the basic need of the system to operate on the online platform makes it highly susceptible to attacks. If these either go undetected or go unaddressed, it can cause immense harm in the form of loss of confidential client information, confidential information of the internal aspects of the company as well as information regarding the internal structure and processes of the organisation. This is regarding the concerning figures presented in the form of annual security breaches recorded on a global scale. According to the
reports, it can be observed that global breaches in confidential business information in 2018 rose by 126% as compared to 2017 (Idtheftcenter.org, 2019). This implies the need for companies to invest heavily in security systems that can prevent loss of essential data due to any such issues.

**Network connectivity**

The essential need for network connectivity always is another drawback that can render the system useless and inefficient. According to Wang *et al.* (2018), this can be detrimental to the overall operation of the company if the company or even a single element in the process is unable to get access to the online database. This is because if even a single aspect of the process is unaware of the requirements of the process, it can lead to the failure of the whole system due to the lack of fulfilment of that single aspect. As a result, the system can fail due to the lack of delivering upon customer demands, ultimately leading to dissatisfaction among customers and a decrease in the brand reputation and credibility of the company in the market.

According to Mola and Russo (2016), in order to negate any such aspects that can lead to inefficiency of the system, companies are required to implement risk management systems as well. These can be introduced in the form of adequate security and firewall systems in addition to developing a dedicated IT development team that can help in resolving any such issues if they actually occur. In addition to that, the various elements of the process are also required to ensure that they invest adequately in tools that can ensure constant connectivity even in the case of blackouts and other events leading to faults in the network.

**Future scope of eSupply chain management**

The prevalence of e-Supply chain management process can only be predicted to undergo a massive increase in the future. This is due to the growing requirement of digitalisation of business processes, including the supply chain process. In order to ensure greater efficiency with regard to the practical implementation of the process, there is a need to develop frameworks that can adequately fulfill the business requirements and customise the process in accordance with those requirements.

As influenced by Stohler *et al.* (2018), a well-developed framework can be helpful for companies to develop ways in which they can incorporate the eSupply chain process to obtain better results as compared to the traditional supply chain methods. This can be attained through the means of staying updated with regard to trends in technological developments and incorporating them to increase the level of efficiency in the supply chain. According to Lambert and Enz (2017), this can further be achieved through the means of developing and incorporating adequate security measures that can help to make the eSupply chain management process much more secure. This is an essential requirement for the process in the future sure to the fact that along with improvements in technological advances, the methods of attacking the system also tend to develop in direct proportion.

If this issue is resolved in an appropriate and satisfactory manner, there is a huge potential for the eSupply chain management process to gain increased traction in the contemporary business context. It can be stated to be especially so with regard to the fact that business operations are shifting towards the electronic modes in an alarmingly enhanced manner. This helps to assert the requirement for a dedicated framework that can address these issues and help to assist companies in introducing greater efficiency in the way they operate across the different stages of the supply chain management process (Wong *et al.* 2015). Through the incorporation of dedicated strategies that can incorporate efficiency into the sourcing, making and delivering stages, companies can ensure increased efficiency and success in their operations with regard to return on investments and return in the form of raw finished goods through the means of collaborative teamwork conducted in a digitalised manner.

**Conclusion**

Our study showed that in accordance with the current prevalence of technology in business operations, the eSupply Chain Management process is more effective than the traditional means of managing the supply chain. This is because the incorporation of technology has helped to make the operations process more efficient, assisting companies to attain a competitive advantage through a
greater potential of increasing customer satisfaction. To ensure maximum efficiency, collaborative work is required to be carried out by each element involved in the process.

However, there are certain aspects of eSupply Chain Management process that can threaten the overall effectiveness and efficiency of the operations. These threats can include aspects like the need for continued and unrestricted network connectivity in addition to the potential for cyber-attack from external and unwanted elements.

References


Impact of Practices of CSR on the Performance of Business in the Context of Contemporary Nigerian Society

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Abstract

This research examines the impact of practices of CSR on business in the specific context of contemporary Nigerian society. Bulk of existing research on this topic area was reported in Anglo-American context. A survey was undertaken to address three basic questions namely, is the practice of CSR relevant? Will practicing CSR make or mar profit? Do Nigerian manufacturing companies practice CSR? Data were subjected to series of multivariate analysis and it was found that CSR is very relevant to business in Nigerian society. By extension, the analysis using control variables dependent of CSR indicated that positive relationship exists between CSR and business performance at a moderate significant level. In addition, it was found that indigenous Nigerian manufacturing companies performed CSR unknowingly.

Introduction

Corporate social responsibility is one of the most complex dynamic and challenging subjects that 21st century business leaders face. It has been a subject of long debate, which certainly preceded this century. There is still, though, no consensus on a central definition of the concept, a standard of how it should be practiced or who should benefit from that practice. Different groups have attached varying degrees of meaning to the concept and practice of CSR.

The most critical aspect to the issue of understanding CSR is that most of the meanings attributed to it by these groups emanated from two principal views presented by Friedman (1970) and Caroll (1979). Friedman argued that the sole responsibility of business is to increase profit. He contended that a business has responsibilities that go beyond profit. He proposes four responsibilities of business, namely; Economic, Legal, Ethical and Discretionary. Practical engagement with the idea of CSR today - especially in developed countries - suggests that Caroll had an upper hand, as it is his perspective on the CSR concept that is widely accepted and supported. This is evident in the fact that most MNCs today release annual reports on their social responsibility performance in addition to their normal annual reports and accounts.

However, recent proponents of CSR use four arguments to defend the concept. These include; moral obligation, sustainability, license to operate, and reputation. In contrast to this, business managers in developing countries such as Nigeria tend to follow Friedman’s view. For one to appreciate CSR in the culturally specific Nigerian situation, it is important to explore the motivation for, the evolution and the current state of CSR in Nigeria. CSR, in view of a global standard of practice, is still in its early stages in Nigeria. Several discussions have been held in global forums to determine the role of the private sector in relation to a social agenda. One such discussion was conducted by the World Business Council for Sustainable Development in a number of countries in the world with the objective of understanding local perspectives better and to get different perceptions of what CSR should mean as it is set to work in a number of different societies (WBCSD 2012).

The key finding of such research is that chosen priorities differ according to the perception of local needs. In Nigeria for instance, the key issues of priority included; Human rights, Employee rights and environmental protection and supplier relations. But the actual practices in Nigeria suggest that economic and legal responsibility is the major focus of businesses, while ethical discretionary responsibilities are rarely considered. To an extent, Nigerian companies engage in philanthropic giving, but that occurs on rare occasions and is most times borne out of natural human sympathy. Even when companies give, it is done with a view to expecting further economic gain from the community and to a larger extent from the government at all levels.
These practices pose a serious challenge for both the companies and society. It is important to note at this juncture that philanthropy in Nigeria is more than just charitable giving. HIV/AIDS is an example of where the response by business is essentially philanthropic, but clearly also in companies’ own interests. They need a healthy labour force. For most businesses operating in Nigeria, whether small or large, local or national, the cost of operations is unpredictable. Adding to this difficulty is the obvious problem of operating in what is in many ways a low-trust economy. The public private partnership (PPP) framework introduced by Nigerian government in the early 2000s was short lived. The framework intends to involve the private corporations in the socio-economic development of Nigeria. In return, the private corporations are expected to impact the society through social responsibility practice.

Most of the companies that benefited from that arrangement did not perform very well in this regard. Clearly, this development is largely due to government’s casual way of honoring agreements. Some firms have provided numerous basic amenities in host communities through their social foundation network. Social foundations are the common method that Nigerian firms employ to deliver social good to society (Phillips 2006).

These foundations are especially common among manufacturing companies because more pressure is exerted on them by both government and society. These foundations rarely operate within the ambit of their stated mission; most times their activities are talked up – exaggerated - or politically motivated (Muo 2011). The challenges that face business in Nigeria are unique, because CSR can probably not be optional in such a climate. In a country where social, health, education and environmental needs are so pressing, where government resources are so stretched, where so many people live below the poverty line, conducting business any other way is not only unethical, it is most probably not sustainable in the longer run.

However, it is imperative for indigenous companies in Nigeria to sensitize themselves to the call of CSR. This challenge necessitates this research, which explores the impact of practices of CSR on the performance of business in the Nigerian situation. The study will seek to answer the basic question of whether or not CSR is relevant to Nigerian business. It will also seek to gauge the level of commitment to CSR by manufacturing companies in Nigeria.

**Statement of the problem**

There are innumerable problems in contemporary society that call for corporate attention. Some of these problems exist due to unethical decisions and poor discretionary steps taken by business executives that work to the detriment of society.

But if they should be inclined to solve societal problems, how many of these problems are they expected to solve before being considered a good corporate citizen? Consequently, questions arise such as: to what extent should a corporation contribute to society? Who is the society or the stakeholders that make it up? If contributions are made to improve the well-being of society, what is the ensuing impact on business?

**Research questions**

A firm can fulfill its social responsibilities by supporting and carrying out decisions that tend to improve society’s well-being. As they fulfill this obligation, what will be the impact on their business? This then necessitates the questions for this study, namely

1. Is the practice of corporate social responsibility relevant to Nigerian business management?
2. Could there be a link between undertaking corporate social responsibility practices and business performance in the Nigerian context?
3. Do manufacturing companies in Nigeria perform corporate social responsibility practices? To what extent do they perform it?

The basic question underpinning these detailed inquiries is as follows

1. What is the purpose and effectiveness of CSR in the specific context of contemporary Nigerian society?
Research objectives

The following objectives were developed, on the basis of this large question

1. To determine the relevance of corporate social responsibility concepts to business management in the practical situation of contemporary Nigeria.
2. To identify possible links between corporate social responsibility and business performance among the relevant cohort of firms.
3. To examine the extent to which manufacturing companies in Nigeria have performed social responsibility obligations.

The research design was formulated to address each of these objectives.

Significance of the research work

The outcome of this research will be of interest to all those who are concerned about corporate social responsibility standards as far as Nigerian manufacturing industry is concerned. The study is intended to help socially-aware companies in being proactive in their corporate social responsibility engagements. It will also help business executives to become more practically involved in Nigerian society by committing to perform true corporate social responsibility practice rather than engaging in mere lip service. This will also help them to avoid the ‘corporate hypocrisy’ (Wagner, Lutz & Weitz, 2009) that has been found in this area of activity. Similarly, other stakeholders in society will be further assisted through this research, to gain in-depth understanding of their expectations from companies operating in their community and the role they themselves are expected to play in the process. Furthermore, business managers can justify whether or not corporate social responsibility practices have effect on the overall performance of their business, based on the outcome of this study. This research may also stimulate the growth of corporate social responsibility performance within Nigerian society and enable other stakeholders to assess the current corporate social responsibility performance status of manufacturing companies in Nigeria. The outcome of this study could be useful to relevant regulatory agencies by way of developing corporate social responsibility guidelines and best practices. Lastly, the outcome of this study could serve as a reference point for future research work in the field of corporate social responsibility practice, especially in the Nigerian context.

Literature review

The forces at work in the business environment consider an organization’s CSR practice as a point of reference to determine how responsible the organization is. Management of businesses employ the concept of CSR to build competitive advantage in their industry through structured involvement in the community. Linked to this, there is a widely accepted view that CSR practices are obligatory, ethical, moral and discretionary. Numerous research studies have been conducted that try to shed more light on the concept and practice of CSR. Some (e.g., McWilliams & Siegel 2000; Mittal, Sinha & Singh 2008; Matin et al 2011; Inoue, Kent & Lee 2011; Lee & Patti 2012) attempt to determine its link with other key objectives of business, while some (e.g., Porter & Kramer 2002; Verschoor 2003; David, Kline & Yang 2005; Orlitzky 2005; Verschoor 2006; Galob, Lah & Jancic 2008; Lang & Washburn 2012; Amadi & Abdullah 2012) have tried to examine its relevance to business management. This review will consider existing definitions, and then trace the evolution of the concept with the intention of determining its relevance to business management in a practical situation.

Definitions and conceptual framework of CSR

The first influential modern research on the concept of CSR was on the ‘social responsibilities of the businessman written by Howard R. Bowen in 1953. Carroll (1999: 3) quoted Bowen (1953) as setting forth the definitions of social responsibilities of Business Executives. According to Bowen, “It refers to the obligation of businessmen to pursue those policies, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives and values of our society.”

The bottom line of Bowen’s argument for CSR is no panacea for societal problems, but that it contains an important truth that must guide business people in the future. Although, prior to Bowen’s intervention, there had been attempts by some experts in this field to construct a definition for the idea
of social responsibility, none could succinctly do so. For example, the Dean of Harvard Business School, Wallace B. Dunham, commented within an address delivered at Northwestern University in 1929 thus.

“Business started long centuries before the dawn of history, but business as we now know it is new – new in its broadening scope, new in its social significance. Business has not learned how to handle these changes nor does it recognize the magnitude of its responsibilities for the future of civilization.”

Dunham’s address uncovers the need for corporate social responsibility but still lacks a clear definition. After Dunham’s attempt, several others emerged, but worthy of note here are Chester Barnard’s (1938), The Functions of the Executive, J.M. Clark’s (1939) Social Control of Business, and Theodore Kreps’ (1940) Measurement of the Social Performance of Business.

In opposition to such views, Friedman (1970) referred to social responsibility (now called corporate social responsibility) as a fundamentally subversive doctrine and stated

“There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game which is to say, engages in open and free competition without deception or fraud.” (p. 30).

Friedman’s position is that businesses have only one function, which is economic in nature. The bottom-line for Friedman is that business should be free from any social encumbrance. Rather, such social functions should be left for other institutions of society such as government. This narrow view was severely criticized on several grounds, particularly the inadequacy of market forces and competition to ensure social accountability. Some years later, a sharp contrast to Friedman’s view was published by A. B. Carroll. He proposed that managers of business organizations have four responsibilities – including economic (must do), Legal (have to do), Ethical (should do), and discretionary (might do), (Carroll, 1979). He further opined that a clear and acceptable performance in the last two dimensions would distinguish a socially responsible organization from others (Carroll 2004). Carroll’s view favours the position that it is imperative for businesses to be socially responsible.

This position is based on the argument that business organizations are a part of society and have to serve primarily societal interests, rather than narrow economic objectives such as profit generation. By so doing, businesses have to deal with social concerns and issues and ought to allocate resources to solve ongoing social problems. Even though Friedman’s view sounds parochial, it does not go without logical support from some writers. Complementing Friedman’s reasoning that corporate social responsibility practices will negatively affect the long-term efficiency of business are Brown, Helland, and Smith (2006) and Peter Navaro. His study indicates that profit maximization is an important motive driving social contributions and he therefore favours reform that allows firms to treat contributions (i.e. corporate social responsibility spending) as ordinary expenses (Navaro 1988). Similarly, Baloti and Hanks (1999) supported a coherent framework that would regulate charitable giving.

More encompassing views on the nature of CSR are also in evidence. World Business Council for Sustainable Development defines CSR as “the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life.” Here, this global sustainability body captures corporate social responsibility more broadly and adds to its complex nature, even though the idea is more clearly defined. Barbu and Capusneanu (2012: 2) quoted Pectu as defining corporate social responsibility as “the modality in which a company runs its activities within the legal system and the regulation established by the society, in compliance with the universal rights of man.” Caska et al. (2004) consider it as referring to “the impact that the activities of an organization have on the social, ecological and economic environment inside which it operates.” McWilliams and Siegel (2001:117) define it as “actions that appear to further some social good beyond the interests of the firm and that which is required by law.” This approach broadly corresponds with Caroll’s legal and ethical dimensions of CSR.

From the foregoing, CSR seeks to guarantee long term sustainability of both business and society. CSR is also subjective and influenced by the context in which it operates. Although Carroll (1991) stated that the word ‘social’ is vague and is not specifically directed at the responsible stakeholders within the corporation, one thing is sure. Every corporation has responsibilities that extend beyond making profit. CSR concept is designed to improve the extent to which businesses consciously protect society and cater for affected people, while also making profit.
Relevance of concept and practice of CSR to management of business

In Nigeria and the Sub-Saharan African region, where evidence suggests that social responsibility is not fully practiced, CSR effort focuses on environment, education, health and basic infrastructures. For instance, Manufacturing companies in Nigeria are concerned about the environment. Banks intermittently channel part of their profit to support educational goals through the offer of scholarships. They also, at times, sponsor free medical care for a particular group, and on rare occasions fund minor infrastructure works. The intervention of these companies is not generated from a broad commitment to society, but most times out of pressure from consumers who are becoming more sensitive to a corporation’s responsiveness to societal issues, and sometimes such actions are politically motivated. These trends approximately describe the norms at work in Nigerian society. Where a firm acts in violation of such norms, difficulties may ensue for it. Lange and Washburn (2012) confirmed that counter-normative behavior can lead to negative consequences for the firm, such as lawsuits, financial losses through settlements and sales decline, or other costs associated with negative reputational effects. However, the legitimacy of any business, just as in leadership, rests on a social mandate: ‘In return for this mandate, the corporation should deploy a socially responsible policy and justify it to society’ (Kaptein and Wempe, 2002: 119). This intriguing argument suggests that firms in such areas where CSR action remains anemic may actually need to expend even greater effort than in the Anglo-American heartlands from whence this practice came. This heightened effort would require

(As it does in its heartlands), strategic investments in CSR-related action.

(Exceptively), investments to build an understanding of, and commitment to the principles of CSR themselves, in an environment largely lacking in such support mechanisms.

Several authors posit that corporate social responsibility is paramount to business practice and is as such very relevant. The question of whether corporate social responsibility practice is relevant to business could be considered in the case of Shell Corporation in Nigeria (Lawrence 1997; Chavkin 2010; Klein 2005). As a major player in the NNPC joint venture exploring Nigeria’s crude oil, Shell failed in its social responsibility when it hid behind a corrupt military government to ignore the needs of a society on which it wrought severe damage through oil spillage, air pollution, and other actions causing environmental degradation. Protest began that gave rise to activists like Ken Saro-Wiwa. Shell still did not learn its lesson, and what had theretofore been peaceful protests became increasingly violent. Government intervened on the prompting of Shell Oil and executed five activists. Although Shell achieved some relief from protests after these executions, it did not last, as militants began to attack and bomb all oil installations in the oil-rich Niger Delta region in which Shell had heavily invested. Shell suffered a loss of over $10 billion for ignoring a responsibility that would have cost less than $20 million to address (Amadi & Abdullah 2012; Agbonifo 2009; Gary 2007; Niger Delta Watch 2011, 2012).

Another consideration is that most annual reports today, including those of a few Nigerian companies, carry a section or an entire dedicated report that reviews performance on corporate social responsibility criteria. In fact, contrary to Friedman’s view, most reports show that shareholders are entrust with the responsibility to ensure their company adequately performs in that aspect. American and some European companies even prepare separate annual reports on their corporate social responsibility and sustainability performance. They carry along their suppliers and increasingly negotiate social responsibility targets for their entire supply chain. Some even set social responsibility and sustainability as the major criteria for selecting and dealing with suppliers. Porter and Kramer (2006) say that organizations rank companies on their performance against social responsibility criteria. As a result, corporate social responsibility has emerged as an inescapable priority for business leaders in every country. Further, they stressed that corporate social responsibility can be a source of opportunity, innovation and competitive advantage. The relevance of corporate social responsibility practice to the management of business will not only increase, but continue to place increasing pressure on business to realize the intrinsic need to align their operations with a set of standards of socially responsible conduct.

In light of the above, corporate social responsibility may seem relevant. Many studies have shown that information on a firm’s corporate social responsibility affects consumers’ perceptions of its brand (Klein 1999; Klein and Dawan 2004; David, Kline & Yang 2005) their attitudes towards the firm
(Brown and Dacin1997), and purchase behaviors (Mohr and Webb 2005). Wagner, Lustz, and Weitz (2009) investigated how consumers react to inconsistent corporate social responsibility information and what firms can do to mitigate the effects of the inconsistencies. As Golob et al (2008) noted that consumers generally have high expectations for CSR. They believe it is important for companies to engage in CSR efforts.

The link between corporate social responsibility and business performance

For some years, there has been debate about the association between corporate social responsibility and organizational performance, particularly as it relates to profit. According to Gustafson (2006), many proactive and innovative companies have already discovered that a truly enterprise-wide commitment to corporate social responsibility yields extremely positive results in both quantitative and qualitative terms. Findings by numerous researchers indicate that corporate social responsibility actions have or may have a positive effect on a company’s financial performance. It should be observed, contrary to this, that a handful of other researches in the past did not find any substantial link between social responsibility and business performance (McWilliams and Siegel, 2000; Rechner and Roth, 1990; Appeerle, Caroll, and Hatfield 1985). But so many more are finding a relationship (Arthur 2003; Waddock and Graves 1997; Russo and Fouts 1997; Meyer 2007) that the ultimate judgment must be in their favor. Devinney, Auger, and Eckhardt (2010) went beyond linking corporate social responsibility and business performance to describe social responsibility “as value to business.” This is true in view of the rise of ethical consumers described by Devinney et al, as shoppers base purchasing decisions on whether a product’s social and ethical positioning aligns with their values. Sharp Paine (2011), an influential contemporary author, acknowledges in an interview that there is a link between corporate social responsibility (ethical behaviours) and business performance, but firmly argues that applying moral values to business is by no means a sure route to financial success. An in-depth analysis by Margolis and Walsh of 127 studies found that “there is a positive association and very little evidence of a negative association between a company’s social responsibility performance and its financial performance” (Margolis and Walsh 2003, p. 304). Another meta-analysis of 52 studies on social responsibility and performance also reached this conclusion (Orlitzky, Schmidt, and Ryans 2003). Eccles et al (2011) provide evidence that High Sustainability companies significantly outperform their counterparts over the long-term, both in terms of stock market and accounting performance. High sustainability companies refer to corporations that voluntarily adopted environmental and social policies many years ago.

Similarly, social investments are expected to yield longer-term benefits as engaged consumers step up their purchases, a broader investor base develops, or new talent is attracted to a company’s recruiters (Bhattacharya Et al, 2012). A study by Golob, Lah, and Jančič (2008) found that it is potentially fruitful to position companies as socially responsible. Such positioning also supported marketers’ need to incorporate corporate social responsibility in strategic marketing and corporate communications decisions.

This means that profit-based decisions in many cases should be attenuated by ethical or discretionary issues, which consumers expect to be addressed. According to Porter and Kramer (2002), philanthropy can often be the most cost-effective way for a company to improve its competitive context. Furthermore, being known as a socially responsible company, Adler and Kwon (2002) contend, will provide a company with social capital and the goodwill of key stakeholders that can be used for competitive advantage.

In another study (Verschoor 2003), most CEOs agree that corporate social responsibility does not amount to public relations "spin", that corporate social responsibility is vital to profitability, and that it must remain a priority, even in the current economic downturn in the west. All these studies attempt to show the connectivity between social performance and business performance. According to Porter and Kramer, “social and economic goals are not inherently conflicting but integrally connected” (2002: 59). Another survey of 140 U.S. firms uncovered that being more socially responsible resulted not only in competitive advantages but also in cost savings. It has also been found that the practical application of all dimensions of corporate social responsibility has an impact on business performance specifically in
Nigeria (Akanbi and Ofoegbu 2012). That work forms part of a broader range of ongoing research that forms the focus of the following section of this Review.

**Methodology**

**Research design and approach**

Research design is blueprint that acts like a guide in collecting and analyzing data (Churchhill, 1999). Adapting the research design categorizations from Orliskowski and Baroudi (1991) and Chen and Hirschheim (2004), the design of this Dissertation is survey research which involves data collection via questionnaire.

It is a survey research with a cross-sectional study type. Under this design, The Researcher combines the feature of both qualitative and quantitative approaches. The two methods are complementary. The weaknesses inherent in one approach will be counterbalanced via the strengths in another (Jack 2006). Numerical data in form of numbers, and qualitative data inform of text were collected and analyzed using statistical methods.

**Population and sample size**

The population of this survey research consists of staff of three manufacturing companies and members of the host communities surrounding where these firms operate. These companies were selected from the three most industrialized geopolitical zones in Nigeria (Southwest, Southeast, and Northwest) using a nonprobability (purposive) sampling method.

**Sample size and technique**

The sample consists of 235 employees of manufacturing companies and 235 members from the host communities, totaling 470 persons. A total of 600 questionnaires were distributed out of which about 517 were returned and 492 were found usable. In order to equalize the number of respondents from each group, 22 questionnaires were further discounted using simple random sampling technique. This yielded a final response rate of 78.3%. The respondents were made up of 302 males and 168 females with ages ranging from 18 to 55.

**Data presentation and analysis**

**Demographic analysis of stakeholders**

Table 1 showed that there were 302 (64.3%) males, and 168 (35.7%) females in the sample; 84 (17.9%) of the respondents were of age ranging between 18 – 25, 176 (37.4%) were in the age range 26 – 35, 145 (30.9%) were in the age range 36 – 45, 56 (11.9%) were in the age range 46 – 55, while 9 (1.9%) were of age 56 and above.

The educational level of the respondents showed that 38 (8.1%) had attained postgraduate level, 156 (33.2%) were graduates, 103 (22%) were undergraduates, 132 (28%) attained Secondary/high school level, while 41 (8.7%) attained other educational level respectively.

The occupational background of the respondents was as follows. 13 (2.7%) of them were management staff, 46 (9.8%) were senior staff, 212 (45.1%) were mid-level staff, and 92 (19.6%) were junior staff. 37 (7.9%) of the respondents were self-employed while 70 (14.9%) belonged to the ‘other’ category.

**Level of CSR awareness by staff of manufacturing companies in Nigeria**

88.9 % of company staff were familiar with the concept and practice of CSR, while 11.1% were not familiar with the term. This result indicates that the level of CSR awareness in the present sample is up by 3.9% when compared with the result that was generalized for Nigeria as a whole reported in Ameashi et al (2006). The implication is that more Nigerians are becoming alert to the social responsiveness and claims of companies in the Country.

Table 4 shows that 67.9% of employed staff claim their companies are currently engaged in a social responsibility programme, 27.8% were not sure or do not know what their company is currently doing, while 4.3% of respondents claim their companies do not have any current engagement with CSR.
Table 6 show the mean and standard deviation of the components of CSR awareness section by respondents. The mean and standard deviation of respondent’s awareness is 1.1106 and .31435 respectively, that of own company’s commitment to CSR is 1.5981 and .89400 respectively.

Table 8 show 49.3% and 32.1% indicating that CSR is somewhat and very beneficial to employees, 7.7% were neutral, and 11.1% indicate that CSR is not beneficial to employees. Therefore a cumulative % of 81.4 of respondent’s opinion favours that CSR is beneficial to employees.

Findings by Golob et al (2008) demonstrated that consumers generally have high expectations for CSR. They believe it is important for companies to engage in CSR efforts. Consequently, employees were asked how beneficial CSR is to customers. Table 9 show 26.4% and 10.9% indicating that CSR is somewhat and very beneficial to customers, 7.5% were neutral, while 40.2% and 15.1% indicate that CSR is not and not at all beneficial to customers. Therefore, a cumulative % of 37.3 of respondent’s opinion favours that CSR is beneficial to customers against 62.7%.

Shareholders are important stakeholders often protected by the proponents of profit maximization (Friedman 1963, 1970). Respondents were asked whether CSR is beneficial to Shareholders.

Table 10 below show 35.5% and 3.7% indicating that CSR is somewhat and very beneficial to shareholders, 50.2% were neutral, 9.7% indicated not beneficial, and 0.9% says CSR is not at all beneficial to shareholders. Therefore, a cumulative % of 39.2 of respondent’s opinion favours that CSR is beneficial to shareholders against 60.8%.

Corporate community involvement and corporate philanthropy underscore potential importance of community investments to CSR. Respondents were therefore asked how beneficial they think CSR is to the host community. Table 12 below show 29.7% and 56% indicating that CSR is somewhat and very beneficial to local community, 11% were neutral, while 2.9% and .5% indicate that CSR is not and not at all beneficial to local community. Therefore, a cumulative % of 85.7 of respondent’s opinion favours that CSR is beneficial to local community against 14.3%

Finally, on the issue of stakeholder management, respondents were asked to identify the degree to which CSR commitments had, in their estimation, impacted on their employing firms’ corporate strategy. The review of literature indicated that firms were potentially prone to various forms of greenwash. Others have noted (Weaver et al, 1999) that firms can ‘decouple’ their CSR commitments from the core of their business, under certain defined circumstances. Respondents were therefore asked to indicate the degree to which their employing firms’ corporate strategies had been altered by a nominal commitment to CSR. Table 13 summarizes the findings on this.

It has been argued that CSR can often be the most cost-effective way for a company to improve its competitive context (Porter and Kramer 2002). Narrating the ‘business case’ for CSR, Adler and Kwon (2002) contend that CSR will provide a company with social capital and the goodwill of key stakeholders that can be used for competitive advantage therefore firms’ employees were asked to indicate whether having CSR programme(s) gives their firm any competitive advantage over competitor.

Table 14 summarizes the findings on this. On the same theme, but more widely put, respondents were asked to indicate whether there is economic benefit for committing to CSR. The table below summarizes the findings on this.

Correlation analysis

To determine the relevance of CSR to management of business with the data in tables 7 – 15, and using table 16 as the constant variable, the results of the Pearson correlation is presented in Table 17. The table below described the Pearson correlation of the respondents’ opinion on the relevance of CSR to the management of their business, and the possible link between practice of the concept and outcome of business trading. The value of the correlation is measured between 0, and 1. A correlation of 0 signifies no relationship, correlations of 0.1-0.49 signify a weak relationship, a correlation of 0.5-0.9 signifies strong relationship, while a correlation of 1 signifies a perfect relationship.

In other words, if the value of the correlation is positive, it means that the variables are linearly and directly correlated; if it is negative it means they are inversely correlated. When assuming α=0.05, any value of the significant that is less than 0.05 is significant, any value that is greater than 0.05 is not significant.
Findings

Correlations between the independent and dependent variables are significantly correlated, the result therefore imply a causal association between the two variables. Also, when focusing on the significances, quite all the variables (except one, namely impact of CSR on corporate strategy) turn out to be significant. This suggests that CSR has no causal effect on corporate strategy.

Discussion

With regard to this finding, the concept and practice of CSR is relevant to the contemporary management of business in Nigeria. This result was accepted since the significant level is less than 0.05 when assuming α = 0.05. In other words, one can say, with correlations ranging from 0.3 – 0.9 at a significance level of 0.00, there is 90% confidence that CSR is relevant to the management of surveyed businesses.

This result somewhat contradicts that of Mattin et al (2011), and wholly diverges from that set out in Aupeerle, Carol and Hatfield (1985). They found that ‘it is neither beneficial nor harmful for a firm to be socially motivated to fulfill its social contract.’ (p. 459). Navaro (2005) also suggested that CSR investment would amount to unnecessary cost and he therefore concluded that CSR was not relevant to business.

Contrary to this opinion, the finding of this research is consistent with the research works reviewed in Chapter 2 above (e.g. Porter and Kramer, 2002). They observe that social and economic goals are not inherently conflicting, but integrally connected (p. 59). The current finding also agrees with Adler and Kwon’s (2002) contention, that being known as a socially responsible firm may provide a company with ‘social capital’, the goodwill of key stakeholders that can be used for competitive advantage. This observation implies that the CSR concept is a relevant tool for managers to employ to ensure long term sustainability of their business.

Another important finding in this result could be seen from the analysis in Table 17 above: when measuring the impact of CSR on corporate strategy against economic benefit of having CSR commitments, the result shows a correlation of -.019 signifying weak relationship and a 2-t significance of .781 when assuming α = 0.05, therefore, consistent with table 13 above, the degree to which the employing firms’ corporate strategies had been altered by a nominal commitment to CSR is low. This is agreeing with Philips (2006) philanthropy in Nigeria is borne out of sympathy for the less privileged in society. Downling and Moran (2012) CSR is bolted on. A positive result on this first finding also leads to the second finding.

This indicates a relationship between CSR and business performance, a relationship underscored by the Pearson correlation table which correlates data on effect of CSR practice on company profit (see last column of table 17). The result of correlation with other variables also indicates a strong relationship. Correlation of 0.923 and a 2-tailed significance of 0.00 is consistent with the findings of of Rettab, Brik and Mellahi (2008). Though it was contrary to their prediction at the early stage of their research, they found that there is a positive association between CSR and business performance (p. 385). An important aspect of these findings is that a number of existing research studies on this issue have been done in the western context, not in western Africa, and most provide evidence on the relationship between CSR and business performance in the area of profit (e.g., Arthur 2003; Waddock and Graves 1997; Russo and Fouts 1997; Meyer 2007). Rettab, Brik and Mellahi (2008) claim that their research is the first of its kind to issue from the countries of the developing world. Accordingly, the present research is also the first from a Nigerian context which focuses singularly on manufacturing companies.

Testing of data using regression

Table 18 below describes the summary of the regression model. When focusing on the model summary, R=0.973. This result indicates that CSR has a very strong relationship with the business performance in the practical situation of those firms included in the survey in contemporary Nigeria. The R-Square is 0.947, which means that the business management contributes about 94.7% of the total variation in the CSR. This implies, in turn that CSR activities has a positive and statistically significant impact on management of business.
Further test using ANOVAb

In order to further test the level of relevance of CSR to the management of surveyed businesses, the ANOVA Table 19 below was used when assuming α=0.05, it shows that CSR and business performance are highly significant since the sig. value is 0.000. Therefore, CSR is indeed relevant to the management of surveyed business in the contemporary Nigerian situation.

Table 19. Analysis of variance between CSR and business performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>144.965</td>
<td>7</td>
<td>20.709</td>
<td>509.261</td>
<td>0.000</td>
</tr>
<tr>
<td>Residual</td>
<td>8.174</td>
<td>201</td>
<td>.041</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>153.139</td>
<td>208</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Coefficients

Table 20. Coefficientsa

<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>(Constant)</td>
<td>282</td>
<td>-121</td>
<td>1.247</td>
<td>214</td>
</tr>
<tr>
<td>Employee</td>
<td>-113</td>
<td>-094</td>
<td>-2.152</td>
<td>033</td>
</tr>
<tr>
<td>Customer</td>
<td>620</td>
<td>-094</td>
<td>19.601</td>
<td>000</td>
</tr>
<tr>
<td>Shareholder</td>
<td>-119</td>
<td>-177</td>
<td>-2.644</td>
<td>009</td>
</tr>
<tr>
<td>Suppliers</td>
<td>368</td>
<td>-019</td>
<td>9.033</td>
<td>000</td>
</tr>
<tr>
<td>Community</td>
<td>-183</td>
<td>-065</td>
<td>-4.805</td>
<td>000</td>
</tr>
<tr>
<td>Impact of CSR on Corporate strategy</td>
<td>054</td>
<td>-065</td>
<td>2.817</td>
<td>005</td>
</tr>
<tr>
<td>Competitive advantage of CSR</td>
<td>255</td>
<td>239</td>
<td>6.491</td>
<td>000</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Effect of CSR practice on company profit

Extent of CSR performance by Nigerian manufacturing companies

Do manufacturing companies in Nigeria perform corporate social responsibility practices? To what extent do they perform it? Represents the third question for this research, to answer this question, correlation, regression and ANOVA were calculated below.

Analysis of data using correlation

Table 21 below describes the results of the Pearson correlation of the respondents’ opinion between expected CSR performance and actual CSR performance of manufacturing companies. The value of the correlation is measured between 0, and 1.

Findings

Correlations between the independent and dependent variables are significantly correlated, when focusing on the significances quite all the variables turn out to be significant when assuming α=0.05, the result therefore imply that the surveyed manufacturing companies performed social responsibility.

Discussion

Regarding this third finding, specific statements were generated and administered to stakeholders with which they were invited to either agree or disagree. Responses from subjects were correlated using standard CSR data. The results of this are set out in Table 21. They indicate a positive correlation value,
and the regression analysis also shows a strong connection between the expected and actual performance. Therefore, since the actual CSR performance of Nigerian manufacturing companies scored above 60% (when using the percentage method and assigning weight to the five-item scale e.g., from 1 = strongly disagree to 5 = strongly agree) against expected performance, the Researcher accepts that manufacturing companies in Nigeria performed CSR to an acceptable level. The result is contrary to the researcher’s earlier expectation, based on a reading of the secondary literature on Nigerian experiences. This confounding result could be explained by the usual Nigerian style of social responsibility, which is deeply ingrained in a way of life (Philips 2006) and largely invisible as a result. Their CSR performance is not embedded in corporate strategy or policy (e.g., Dowling and Moran 2012) but driven by the socio-cultural and ethno-religious view of Nigerian society (Ameashi et al 2012).

**Analysis of data using regression**

**Table 22.** The regression model summary between expected CSR and actual CSR performance of Nigerian manufacturing companies

<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>Change Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>R Square Change</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>F Change</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>df1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>df2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Sig. F Change</td>
</tr>
<tr>
<td>1</td>
<td>967*</td>
<td>935</td>
<td>933</td>
<td>23612</td>
<td>935</td>
</tr>
</tbody>
</table>

The table above describes the summary of the regression model. When focusing on the model summary, R=0.967, which indicating that expected CSR performance has a very strong relationship with actual CSR performance. The R-Square is 0.935 which means that the actual CSR performance contribute about 93.5% of the total variation in the expected CSR performance. The variables are also significant with CSR at the 5% significance level. Therefore, manufacturing companies in Nigeria performed social responsibility.

**Further testing of data using analysis of variance**

**Table 23.** Analysis of variance (ANOVA) between CSR and business performance

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>366.301</td>
<td>10</td>
<td>36.630</td>
<td>657.009</td>
<td>000*</td>
</tr>
<tr>
<td>Residual</td>
<td>25.591</td>
<td>459</td>
<td>.056</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>391.891</td>
<td>469</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In other to further test the extent of manufacturing companies’ performance of CSR on the other variables (workplace, environment, customer/supply chain, and local community), the ANOVA table above was calculated when assuming α=0.05. It shows that CSR and the other variables are highly significant since the sig. value is 0.000. Therefore, manufacturing companies in Nigeria performed a positive CSR in the workplace and local community

**CSR issues addressed by Nigerian manufacturing companies**

Table 24 below shows that companies covered in the survey channel their CSR efforts to support for education (which scored 40.4 valid %). Another area of high commitment by Nigerian companies is healthcare, which scored 30.8 percent.

**Table 24.** Functional area of CSR commitment by Nigerian manufacturing companies

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructures</td>
<td>13</td>
<td>2.8</td>
<td>8.9</td>
<td>8.9</td>
</tr>
<tr>
<td>Support for Education</td>
<td>59</td>
<td>12.6</td>
<td>40.4</td>
<td>49.3</td>
</tr>
<tr>
<td>Water Project</td>
<td>6</td>
<td>1.3</td>
<td>4.1</td>
<td>53.4</td>
</tr>
<tr>
<td>Healthcare</td>
<td>45</td>
<td>9.6</td>
<td>30.8</td>
<td>84.2</td>
</tr>
</tbody>
</table>
Lastly, it was discovered that Nigerian manufacturing companies supported the educational goals of both government and the local community as part of their CSR practice. 40.4% of total CSR funds was invested to provide support for education, 30.8% was invested in healthcare, while 15% was invested in poverty alleviation. Minimal attention was paid to infrastructural development, with only 8.9% of total CSR funds being invested in that area.

Summary of findings

Using correlation, regression, and analysis of variance, the tests carried out above found that
1. CSR is relevant to the management of business
2. there is a link between CSR and business performance and
3. Nigerian manufacturing companies performed social responsibility.

Conclusions

Summary of findings

In this research, reference was made to the existing secondary research literature, especially as it concerns the relevance of CSR to the management of business and its relationship to outcomes, or business performance in the area of profit. Results of the analysis show that CSR is a relevant concept that the management of business can practice to ensure the long-term sustainability of its business. CSR is indeed a viable ‘business model’. The current research also found that a strong relationship exists between CSR and business performance in the specific situation of contemporary Nigeria. The implication is that Nigerian companies that perform genuine (not greenwashed) CSR will acquire social capital, commanding the assent of Nigerian society at large. This license to trade, as it has been called, can then be used as a source of competitive advantage and become a stream of profit over a period of time. The surveyed Nigerian manufacturing companies performed social responsibility to an acceptable extent. Their specific approach to implementing CSR activity does not corroborate with any stated CSR guideline or received model of CSR implementation. What they do is typically a philanthropic act. The significant differences observed in the impact of CSR on corporate strategy suggest that philanthropic acts by Nigerian companies are borne out of socio-cultural and ethno-religious beliefs that are quite specific to the host (federated) Nigerian societies or are, more simply, driven from sympathy for the less privileged.

Conclusions

Corporate social responsibility is regarded by many as a necessary practice. The attitude of some indigenous Nigerian companies to social responsibility suggests otherwise – a voluntary, discretionary activity. Hence, this research set out to examine the purpose and effectiveness of CSR, and whether it is relevant to the management of business in the specific context of contemporary Nigerian society. The literature review shows that CSR in the Nigerian context is more of a philanthropic nature and its practice is tied to cultural and religious beliefs. The analyzed survey data produced results which corroborates with the findings of a great deal of the previous research in this field. From the Nigerian perspective, CSR practice is highly relevant to business. Genuine commitment to CSR would potentially increase the profitability of business.

References


Profitability and Productivity Impediments and Prospects in Small-Scale Irrigation Schemes in Zambia

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Abstract

Irrigation development in Zambia has trailed significantly behind that in other developing countries. Subsequently, economic development and food security are also trailing behind in the country. Since the late-1990’s there has been a revival in the willingness to invest in irrigation farming, and Zambia has the largest potential of any other SADC region countries to benefit from it. However, to gain from new investment in irrigated farming without repeating past failures, it is critical to develop a business prototype for small-scale irrigation schemes. This article investigates the impediments that such a model needs to address to be successful and the opportunities this represents for irrigators’ profitability.

Keywords: Small-scale irrigation, Zambia, increasing productivity and profitability

Introduction

Food security has been a perpetual problem in Zambia, and the 2014 food-price crisis elevated this issue onto the international development agenda. Even though the increase in global food production has outpaced that of population growth over the last 3 decades, food insecurity remains a major issue in in Zambia, as food production and demand are not spatially balanced. Reflecting this, Jiang (in press) stresses that expanding food trade could create a more sustainable balance between food and water availability, but also argues that the projected population growth in Africa, especially Zambia, increases the concern surrounding food–water trade-offs. Hence, there remains an urgent need to increase food production in regions (provinces) in the country with food insecurity.

In the global context, irrigation accounts for 70 percent of water use, and the interconnected nature of economic and agricultural development means that local water management will have global impacts (Wada et al., 2016). Increasing the productivity of existing irrigated agricultural lands is another way of meeting future food requirement (Ministry of Agriculture, 2017 in press). In the broader natural resource’s context, it is also important to recognize the increasing pressure that food demand places on soils, biodiversity and water. Agricultural development should seek to exploit, restore and have an overall positive impact on ecosystems whilst improving equity and income generation and increasing food production (Central Statistics, 2014). In developing countries like Zambia, the positive linkages between irrigation and agricultural productivity, income and food security are well established (de Fraiture & Giordano, 2014; Namara, Hope, Sarpong, & Ringer, 2014). Small-scale irrigation is recognized as a mechanism for increasing productivity and income in the rural areas of developing countries, like Zambia. However, this potential is often not realized, as many government funded irrigation systems are underperforming, run down and in serious need of maintenance and refurbishment. Examples of this are: Chapula irrigation scheme on the copper belt, Siantuinda and Buleya Malima irrigation scheme in southern province. Zambia and many other countries in the SADC region have failed to reap the potential benefits of irrigation, as its level of development is the lowest of any developing region (de Fraiture & Wichelns, 2010): only 4 percent of arable land is irrigated, compared to 47 percent in Asia and 18 percent worldwide (You et al., 2010). Hence, there is a significant potential for increasing production through investment in irrigation (Koehler, & Hellweg, 2011). While there was a growing reluctance among donors to invest in irrigation infrastructure in in Zambia during the 1980s and early 1990s, a resurgence of interest took place towards the mid-2000s (World Bank, 2008). Reflecting this this, the ministry of Agriculture (2010) predicted that the irrigated areas in Zambia from 2000 to 2030 will increase by 15 percent, which is 3 –10 percent more than other
developing countries of the SADC region. There are also opportunities to improve the performance of existing irrigated areas (de Fraiture & Wicheln, 2010). It has been argued that closing crop-yield gaps would be a way to improve food security. However, Pardey, and Alston (2015) contend that this focus can have unintended consequences due to factors such as lack of transportation and market access. As 60 percent of Zambia’s population is food-insecure (Central Statistics, 2001), small-scale public irrigation schemes have been the development focus (Ministry of Agriculture, 2001) and account for 42 percent of all irrigated land (Ministry of Agriculture, 2001). However, private irrigation is the most rapidly expanding irrigation sector in Zambia and is often considered a more viable option (Giordano, 2014). To benefit from the increased willingness to invest in irrigation without repeating the failures of the past, it is critical to develop a business model for small-scale public irrigation schemes that is both financially and environmentally sustainable and socially equitable. This article contributes to such a business model by identifying current impediments to and opportunities for improving the productivity and profitability of small-scale public irrigation schemes. It does this by first reviewing the relevant literature and then synthesizing the main findings from a study of six small-scale irrigation schemes in SSA, which are reported more fully in this issue.

**Impediments to improving productivity and profitability**

The efficient and productive use of water in irrigation is critical; however, it is also complicated and often misunderstood. This is described and discussed in detail by Allen, and Burt (2009), who emphasizes the importance of differentiating between beneficial and non-beneficial consumptive and non-consumptive uses. FAO (2012a) differentiates between improving

a. Water-use efficiency, which aims at minimizing water losses by improving technical efficiency; and

b. Water productivity and profitability, including increased yield through improvements in water, land and agronomic management practices, reduced evapotranspiration, growing high-valued crops or engaging in value-adding processes.

For comprehensive definitions of on-farm and basin-scale irrigation efficiency, including the concept of economic efficiency, see Grafton, Kirby, and Hanjra (2011). Considering economic efficiency also helps assess whether net returns are maximized; however, high economic efficiency does not always equate to irrigation being efficient overall (Qureshi et al., 2011). Increasing production of commodities for which there is no market, or for which prices are so low that the expense of irrigation and other inputs cannot be justified, makes no sense. On-farm and system efficiency need to be considered in the context of basin-scale efficiency and impacts on the environment and users downstream; efficiency at the farm scale may not result in improved basin-scale efficiency (Qureshi et al., 2011). The efficient use of water, and the complex spectrum of what this means, is an overarching issue that needs to be taken into account when overcoming barriers to productivity and profitability. The impediments to improving farm productivity and profitability in small-scale irrigation schemes are a broad and complex mix of institutional, market, infrastructure and production issues. In the following, four categories are discussed: institutional impediments; market and supply chain impediments; infrastructure and farm equipment impediments; and production and water productivity impediments.

**Institutional impediments**

Buruchara and Nyamwaro (2013) point out that institutional impediments to improving productivity have been underestimated. Globally, there has been an increasing trend to entrust the management, ownership of and financial responsibility for irrigation systems to farmers (Turral et al., 2010). In Zambia, this process of ‘irrigation management transfer’ has been an ongoing part of reform in government-run and farmer association irrigation systems since the mid-1980s. In most cases it has been a transfer of management rather than ownership, with government withdrawal from tariff collection, conflict resolution, and operation and maintenance (Merry, de Lange, & Samad, 2002). This transfer has been driven by the underperforming public irrigation sector common in Zambia and elsewhere in Africa (de Fraiture & Giordano, 2014). The rationale was that water users would take over the tasks (Van Koppen, 2003) and that on-going maintenance costs would be met through increased productivity (Shah et al., 2002). However, productivity and profitability are not the same, and higher
yields do not always equate to financially feasible irrigation schemes. There is limited evidence that water user organizations have been successful in reducing poverty and improving equity (Bjorn Lund, 2009) or productivity. Others suggest that in Zambia and the SADC region, this process has even resulted in lower productivity (Van Koppen, 2003). In general, transition arrangements have not performed to their potential in developing countries (Shah et al., 2002). Small-scale irrigation schemes face many challenges around conflict resolution, particularly in resource use between public and private irrigation and upstream and downstream users. Resolution can be hampered by unclear mandates (de Fraiture & Giordano, 2014) or the reluctance of members to deal with issues where they have conflicts of interest. Arrayal (2010) argues that the rationale for water reform in developing countries has focused on efficiency, effectiveness and fiscal sustainability rather than equity. The literature reflects a mix of inequity issues, including non-uniform and unequal plot boundaries, how well the marginalized sectors of the community are represented during the development of associations and resource allocation, and whether this sector can effectively use the participatory ‘space’ (Levite & Sally, 2002; Thampratankul, & Satoh, 2008; Tankha & Fuller, 2010). In general, women in Zambia and the SADC region are not well represented in irrigator groups or associations, or as owners of irrigation equipment (Namara et al., 2014); these are indicators of marginalization. Meinzen-Dick (2014) emphasizes the importance of property rights – including land, infrastructure and water – and argues that the security and robustness of property rights has a strong influence on confidence to invest, authority to manage, incentives for maintenance and efficiency, and confidence to respond to water scarcity. The link between land tenure and food security, rural livelihoods, conflicts and environmental degradation is well known (FAO, 2012b; Deininger, 2003). More specifically, land tenure is a means to generate an income and accumulate wealth, an incentive to invest and an insurance against ‘shocks’, and improves access to credit (Deininger, 2003). Compared to other developing regions, parts of Africa have particularly intractable land-tenure issues. There may be no formal state recognition of land under customary tenure, and the titling process can be complex and costly (Meinzen-Dick, 2014). Some farmers in Zambia and other developing countries have been able to attain some evidence of ownership without obtaining formal property rights; this provides some tenure security but does not allow the use of land as collateral for loans (FAO, 2010).

**Market and supply chain impediments**

It is increasingly recognized that small-scale farmers in Zambia need to successfully participate in markets to raise agricultural income (Central Statistics, 2009). There are many impediments: supply chain complexity, food safety standards, the power of supermarkets, the need for facility upgrades, and procurement practices can all squeeze smallholders out of the market, despite their advantages of lower costs and access to family labour. Other issues are lack of information on prices and access to input and output markets and credit. In Zambia, markets can be too small to absorb supply, or farmers too scattered to effectively fill demand (Ministry of Agriculture, 1991). Inadequate transportation infrastructure and storage facilities are also critical economic impediments that impact a farmer’s yield efficiency in low-income countries. Shah et al. (2002, p. 19) argue that if farmers have access to stable, reliable markets then “much else follows”, as this will improve their wealth-generation potential and livelihoods, including households’ nutrition, health and education.

**Infrastructure and farm machinery impediments**

In Zambia, if schemes had been designed with small-scale user group management in mind, they would have been built quite differently with respect to service delivery, fee collection, maintenance and self-management (Ministry of Agriculture, 1991). In Zambia, one of the reasons for small-scale irrigation schemes’ underperformance is that many were designed as large-scale, single-unit systems and did not have the flexibility to accommodate small-scale operations (Central Statistics, 2004). Infrastructure impediments for small-scale irrigation schemes include dilapidated water supply systems, poor construction quality and lack of resources to maintain infrastructure (Sally, & Kabre, 2014). Whilst small-scale irrigation technologies are used by farmers, more than 70 percent of these are manual devices (Weight, & van der Bliek, 2012). It is recognized that investment in small-scale equipment, such as power tillers, can bring income returns, but lack of affordability and availability present
difficulties for irrigators (Giordano & de Fraiture, 2014). As labour is not factored in, manual systems can appear to be low-cost alternatives. With women representing a significant portion of agricultural labour, the issue of balancing fieldwork with households’ needs must be considered (Svendsen, & Turrall, 2007). The availability of low-cost implements for irrigation and other fieldwork would be a major improvement.

**Production and water productivity impediments**

The Ministry of Agriculture (2001) argues that crop productivity improvements should encompass irrigation technologies, field production, management practices and capacity building. Without this focus, economic growth in rural areas will not be attained even if water supply issues are being addressed. In Zambia, there is evidence of over-application of water in smallholder schemes as water is supplied on a roster basis, so if a farmer receives water on a weekly roster, they will irrigate whether water is required or not. More flexible scheduling mechanisms are needed, as is greater understanding of watering requirements and the impacts of over-watering (Ministry of Agriculture, 2001). Taigbenu and Dimes (2007) found that irrigation helped stabilize crop yield but emphasized that nutrient management was also needed, as well as knowledge to identify the critical stages in the growing cycle when water shortage most affects yield. Throughout the SADC region, smallholder farming systems suffer from negative nutrient balance for nitrogen and phosphorous, which affects crop production (Central Statistics, 2003). Stirzaker and Mbakwe (2017) further argue the case for farmer learning around soil moisture and nutrient measurements and the impact of over-irrigation on nutrient leaching. Crop choice is another important aspect of the viability of small-scale irrigation schemes. In Zambia, low-value subsistence crops are often grown by poorer farmers, and it is only when their own needs are met and their income is secure that they consider high-valued crops (Ministry of Agriculture 2001). Perceptions of risk associated with these crops are strong; hence, it is the more affluent farmers who adopt high-valued crops and realize increased income. These risks are amplified by unreliable markets and farmers’ lack of understanding of consumer preferences (Central Statistics, 2001). Globally, a decline in state-funded extension services and training, and input subsidies, has created problems for farmers, and obtaining appropriate inputs has been identified as a major productivity barrier (Markelova et al., 2009). In Zambia, the adoption of new practices has been limited by a range of social and economic issues, especially in labour-deficient households such as those affected by AIDS (Central Statistics 2004).

The small plot sizes of 0.1 – 0.5 ha, so prevalent in small-scale irrigation schemes, effectively prevent famers from producing a significant surplus; hence irrigation is only marginally profitable compared to other economic opportunities in urban centers (de Fraiture, & Acheampong, 2012). Small plot sizes mean that irrigators have to depend on several sources of income, including animal husbandry, fishing or urban work (Shah et al., 2002).

**Opportunities to improve water productivity and profitability**

For small-scale irrigation to be sustainable, development needs to reduce external investment as much as possible, match the economic capacity of the community and be self-supported by farmers (Sakaki & Koga, 2013). Progress is most likely to occur when local communities have the agency to initiate their own reforms to improve irrigation-scheme productivity, sustainability and equity, because empowered communities are better able to identify and adopt appropriate technologies and demand more practical, supportive policies from government agencies. Private schemes, such as rainwater harvesting and wells, are promoted as they

1. Require less investment and support as they are driven and financed by farmers;
2. Have improved crop yields through timely irrigation;
3. Use minimal and easier-to-manage technology;
4. Have avoided sustainability issues apparent in public systems; and
5. Allow a gradual shift to commercial farming.

In Zambia, the objective of many small public schemes is food security, as opposed to market integration, which is needed to support reinvestment in the system (Central Statistics, 2001). There are few market linkages, and hence little or no reinvestment in maintenance or infrastructure.
The focus on food security fundamentally influences profitability. Some suggest consolidation of public and private schemes, integrating modern and traditional arrangements, as a conduit for reforming small-scale irrigation institutional arrangements (McCartney, Lankford, & Mahoo, 2007). This allows the positives of local decision making and leadership to fuse with the need to manage increasingly competing uses and inequity issues associated with water allocation. Where over-allocation is a concern, some suggest that this can be resolved and successfully managed through social networks and that these locally negotiated arrangements can be more robust (Mul et al., 2011). The remainder of this section will discuss opportunities relating to farmer participation, multi-stakeholder forums, farmer capacity and livestock incorporation.

**Improving farmer participation**

Many opportunities are associated with facilitating more effective water user associations; however, there is no universal formula for duplication, and approaches need to be adapted to local conditions (Inocencio et al., 2007; Malik, Giordano & Sharma, 2014; Meinzen-Dick, 2014; Palerm-Viqueira, 2010; Turrall et al., 2010). Opportunities could emerge by improving farmer participation and collaboration with a broad range of stakeholders by identifying

1. Impediments to participation by individuals and user groups (Meinzen-Dick, 2014)
2. Conflict-resolution methods, giving groups the mandate to consult, mobilize and solve issues (de Fraiture et al., 2014)
3. Opportunities to regulate upstream private irrigation and capitalize on farmers’ ability to effectively organize shared resources around market principles (de Fraiture et al., 2014)
4. Beneficial relationships between large commercial farms and small-scale farmers, improving access to input and output markets and equipment (Meinzen-Dick, 2014)
5. Areas where production can be adapted to global supply chains (Markelova et al., 2009; Van Koppen, 2003).
6. Transaction-cost reduction and better access to information on markets and new technologies, and how to enter high-value markets (Markelova et al., 2009)
7. Management tools for water scheduling, to support high yields and value chain participation
8. strategies to increase the revenue of associations, including fines and non-irrigation services such as supplying fertilizer and seed, equipment hire, land preparation and market organization (Shah et al., 2002).

**Agricultural innovation platforms**

Approaches to improve schemes emphasize integration of a broad range of disciplines – technical, socio-economic and institutional – as well as commodity considerations (Kahinda et al., 2007). There should be a focus on problem solving rather than implementing a set of principles (Merrey, 2008), and agencies and development professionals should view themselves as participating in water users’ realities (Boelens & Vos, 2014). Writing about opportunities for small-scale public and private schemes in Zambia and the SADC region, the Ministry of agriculture (2011) state that multidisciplinary stakeholder management forums should be supported to assist with the complexity of issues that both support and constrain the small-scale irrigation sector. In the context of participatory water reforms in Brazil, Tankha and Fuller (2010) discuss the value of creating access points for a broad range of stakeholders. For example, entrepreneurs are particularly useful, as they engage with opportunities when reform is slow or uncertain, and, together with capacity builders, they can act to make reform faster and more viable. Large-scale commercial farms can be engaged to act as ‘model farms’, to provide small-scale farmers with employment and improved access to input and output markets, logistics and processing facilities (Bjorn Lund, 2009). Agricultural innovation platforms are suggested as an option for improving water productivity and profitability. Agricultural innovation platforms are facilitated forums that bring together farmers and value-chain stakeholders. It is argued that linear technology transfer is not appropriate; rather, multi-stakeholder forums are needed to foster innovative options to overcome the complexity of barriers and stimulate change and collaboration (Adekunle et al., 2013). AIPs can also provide technical advice and address the shortage of extension officers and are comprehensively addressed in this issue (Stirzaker & Bjorn Lund, 2017).
Improving farmer capacity

Garcés-Restrepo, and Putuhena (2008) argue that while physical infrastructure, focusing on technical issues, has dominated development for decades, there is increasing emphasis on the importance of building technical and governance capacity at different levels. There is a need to put capacity building and “people rather than technology as the primary challenge and opportunity” (Pittock & Grafton, 2014, p. 197). On-farm action to improve livelihoods is required in the short term while systems, policies and distribution are being improved (Walters & Groninger, 2014). Farmers require a broad mix of agronomic, irrigation and business skills, as well as training in the selection, operation and maintenance of equipment and infrastructure (Evans, Giordano, & Clayton, 2012). As noted earlier, the shortage of extension officers is a barrier to improving farmers’ capacity, which is discussed more fully in this issue (Wheeler et al., 2017). There is a need to address the lack of understanding of crop water requirements, water-saving technologies and crop varieties (Walters & Groninger, 2014). FAO (2012a) also notes fertility and pest control as information requirements to improve yield and water productivity. Wichelns (2014, p. 164) reminds us that water productivity is not the main issue; farmers should focus on “reducing the variance in crop yields and soil moisture availability and increasing the mean values of crop yields”. The use of new monitoring technology to improve farmers’ understanding of soil moisture and nutrient management is also discussed in this issue (Stirzaker et al., 2017). Franks et al. (2008) emphasize the importance of social and experiential learning for water management in developing countries and add that facilitation should include a range of agencies: public, private, NGOs and community-based organizations. The formation of farmer groups, for demonstration and exchange between farmers, is also advocated to enhance the spread of conservation agriculture techniques (Evans et al., 2012). Overall, capacity-building opportunities are context-specific: “It is impossible to be prescriptive about capacity development needs and approaches, and to write guidelines which fit every situation” (Franks et al., 2008, p. 20). Globally, the irrigation sector is described as having missed many information technology opportunities, with agriculture being decades out of date, but access to this technology is now cheap (Turral et al., 2010) and increasingly adopted by farmers. The enforcement of water rights and allocation is underpinned by effective monitoring, particularly of large-scale users (McCartney et al., 2007). At project scales, monitoring also underpins adaptive management and provides feedback on whether actions are having the desired effect. The expense of monitoring has been a barrier to adaptive management, but the emerging availability of simpler and more cost-effective equipment has the potential to change this (Stirzaker & Pittock, 2014).

Opportunities that assist in overcoming financial impediments to technology and crop inputs include vouchers for women, lease-to-buy options, rural credit cards, microfinance, pump rental markets, irrigation service providers and savings clubs (Central Statistics, 2001). Affordability of credit is important (Wichelns, 2014) and should be extended to dealers so they can have a varied inventory of products (Giordano & de Fraiture, 2014).

Incorporation of livestock

Incorporating livestock into the economy of small-scale irrigators has significant potential to improve profitability, as livestock provides food, income, manure, Animal draft power, social status, savings, and a buffer against risk (FAO, 2010). High mortality rates have undermined these benefits, but incorporation with irrigation has the potential to overcome some of the identified impediments, such as poor nutrition and lack of water (FAO, 2010). In the rural areas of developing countries, including Zambia, dwindling government budgets make supplying animal health services and veterinary supplies almost impossible, and existing extension services are very poorly trained in livestock management. There is a need to provide a broader range of skills and services, such as insurance, animal health services, credit and marketing, in order to reduce livestock mortality and improve profitability. However, several livestock-related problems have been identified in irrigation schemes, such as high mortality rates – caused by extreme weather events, poor nutrition or lack of water (FAO, 2010) – and unrepaiired fencing (Shah et al., 2002), which allows cattle into fields, causing damage. On the other hand, conflicts can arise when fencing prevents livestock from accessing water (de Fraiture & Giordano, 2014).
A comparative discussion of the key findings from six small-scale irrigation schemes in Zambia

Irrigators in the six case-study Public schemes were asked in a baseline survey to consider the major barriers preventing them from increasing productivity and profitability. Very few mentioned issues associated with irrigation infrastructure or access to water and land, and there was also little mention of governance issues. Uniformly, farmers perceived other, ‘softer’ issues to be the major barriers, such as

1. Access to output markets;
2. Access to affordable and high-quality inputs;
3. Timely access to use of critical farm implements;
4. Knowledge about water and farm management and crop selection relative to market demand and prices; and

Access to credit and market

Lack of financing and access to financial products were particularly explored in the context of the schemes surveyed (Ministry of Agriculture, 2014), where they were found to prevent farmers from purchasing adequate inputs and having timely access to farm implements and transport to markets. This is consistent with the findings of Giordano and de Fraiture (2014). However, when markets and prices are uncertain, farmers are reluctant to take credit, and banks are reluctant to grant it; the risk of default is seen by both parties as too high. Hence, there is evidence to suggest that poor market information and lack of incorporation into the value chain are preventing farmers from accessing credit.

Government extension

Government extension services were reported as important sources of information and advice for irrigators in all the six public schemes surveyed. However, resource constraints in the irrigation schemes have limited the availability of extension services, as found by Department of Agriculture (2004). There is little extension presence in the irrigation schemes because public-sector pay and working conditions are very poor and the most qualified staff seek private-sector work. Hence, there is a shortage of extension officers, and once recruited they do not stay long (Ministry of Agriculture 2010). The number of extension officers is below government guidelines, and due to resource constraints, the officers are also given other responsibilities, such as serving both irrigated and dry land (Rain fed Farming) farmers and serving as business development officers. Hence, extension officers do not pay routine visits to schemes; farmers have to book a time and also pay transport costs. Further, there are inadequate resources to secure on-going and up-to-date training of the officers, and irrigators consider their advice outdated (Ministry of Agriculture al., 2014) found that better educated farmers in Zambia were less likely to use extension services, possibly because they believe they can obtain better advice elsewhere, say Zambia Farmers union. There is evidence that irrigators in the irrigation schemes surveyed, in the absence of extension officers, seek more advice from other sources, like the Zambia Farmers Union; while in Buleya Malima Irrigation Scheme it was identified that a pluralistic extension system is required, as it is unreasonable to expect one extension officer to provide high-quality advice on irrigated and dry land cropping as well as livestock and markets.

Livestock issues

In Zambia, livestock mortality rates are unacceptably high, with more animals dying each year than the numbers of eaten and sold. This is disappointing, considering that livestock are widely owned in some schemes like Buleya Malima, Siatwinda and Mkandabwe, and could make significant contributions to household income and food security, as well as providing a buffer when crops fail or excess floods the market. This is consistent with findings from other developing countries (FAO, 2010). There seems to be a serious lack of advice on livestock management and marketing, as well as veterinary services; national policies are reported as giving “scarce attention” to this sector (FAO, 2010). In Zambia and Some other SADC Countries, the training of extension officers is clearly focused on cropping, and there is little emphasis on managing the incorporation of cropping and animal production (Moyo et al., 2017). Most farmers in all the schemes have a combination of irrigated and dry land.
Hence, there is a substantial opportunity to incorporate the management of irrigated and dry land with animal production and improve productivity, as is reflected in the literature (Herrero et al., 2010).

**Infrastructure**

The focus on these softer issues does not mean that infrastructure, water, land and governance issues are not important, real and tangible ways to improve farmers’ productivity and profitability, but it does support the argument of Wichelns (2014) and Meinzen-Dick (2014) that by itself fixing technical issues will not make small-scale irrigation schemes productive and profitable, and it accords with Adekunle et al. (2013), who suggests that the most critical issues to address are the softer issues addressed above. Once productive and profitable schemes have evolved, the issues of access to and control of water, land and infrastructure and the associated institutional arrangements will come to the fore. Hence, it is important to address both the softer and the technical Impediments in an integrated and holistic way, consistent with the findings of Walters and Groninger (2014). It could be argued that engineers, together with western donors, have been somewhat successful in constructing and refurbishing irrigation schemes. Designing canals and slopes and mixing concrete are relatively well-known processes. However, organizing people and resolving governance and softer issues is far more complex and requires a very different and far less tested skillset. Hence, in very few cases have small-scale irrigators been successfully integrated into the market and the broader economy such that they become profitable, have adequate food and have sufficient surplus to secure their children’s education and their family’s health. Only then will farmers be willing to pay water levies adequate to cover the full cost of scheme maintenance and to contribute sufficient labour to properly maintain the infrastructure. Further, the government of the republic of Zambia and donors will be much more comfortable and willing to fund new schemes and refurbish existing schemes if they can see the small-scale irrigators in public schemes following a business model that leaves them profitable, capable and willing to maintain the irrigation systems. While issues associated with infrastructure, land and water access, and governance were not mentioned by irrigators in the baseline survey, they were apparent in field observations and were raised in focus groups with farmers and discussions with stakeholders at Agricultural innovation platforms meetings.

**Governance**

There is significant confusion about who controls the public schemes in the country (Zambia) and who is responsible for irrigation infrastructure (Ministry of Agriculture, 2004). Traditionally, this was the sole responsibility of the Zambian government, but more recently it has become a joint responsibility. Further, the schemes (Chapula, Buleya Malima, Siatwinda, Nongoma etc.) were designed and constructed in a centralized and top-down manner without any input from the irrigators or their team leaders, which has resulted in members being disenfranchised. Reflecting this confusion and disenfranchisement, only about half the irrigators consider that they have to do any maintenance work in addition to paying their water levy. While farmers at the Chapula Irrigation scheme, now Chapula Horticultural center owe a maintenance levy in addition to their water levy, only 3 percent reported paying it. On the other hand, at the Buleya Malima Irrigation scheme, irrigators do not have to pay such a levy, yet 5 percent reported paying it. Therefore, Buleya Malima farmers must believe that the water levy is for maintenance. There is clearly confusion. Among the leaders in the Irrigation Management Committees there is uncertainty over their legality and authority, which contributes to lack of capacity and willingness to enforce critical rules. All of these factors have resulted in low participation in maintenance works and conflict over payment of water and maintenance levies. This has led to degraded infrastructure and significant water losses; widespread, blatant and silently accepted theft of water from the main canal; and unmaintained fences that allow stray cattle to damage field infrastructure and cause production losses, consistent with Ministry of Agriculture (2002). In other Public schemes that were considered in the base survey, similar issues have resulted in a lack of enforcement of basic rules such as membership in irrigation organizations, water levies set far below what is prescribed and needed for maintenance, stray cattle found in the fields, upstream-versus-downstream water distribution issues, water thefts, and lack of participation in maintenance Ministry of Agriculture, 2004).
In all six schemes significant hard issues were also identified, such as lined canals, control gates, broken down reservoirs, flood-damaged pumps and broken pipes and unlined and temporary canals, insufficient off-take size and lack of siltation traps at pump stations (Ministry of Agriculture, 2004). All these issues cause water losses, supply disruptions, production losses, and reduced overall irrigation efficiency. Uncertainty of mandate, ownership and responsibility, as factors that affect irrigation-scheme productivity, have been widely reported in the literature (de Fraiture & Giordano, 2014).

**Land tenure**

Land tenure and security of tenure were also mentioned as productivity Impediments in the all six schemes, as were the small plot sizes and the policy focus on subsistence farming. In Zambia, these factors seem to have resulted in only 5 percent of land being utilized and, as farmers have little to sell, comparatively little concern over market access. The concepts of subsistence farming and irrigation are not well matched. For irrigation to be successful, enough surplus income is required to pay for the maintenance and management of infrastructure. Where families need their crops for their own consumption this is not possible. It has often been pointed out that lack of secure tenure provides a disincentive for farmers to invest and makes it difficult to obtain financing, as farmers do not have land to mortgage (Deininger, 2003; Meinzen-Dick, 2014). In all schemes, irrigators cannot obtain formal title as land belongs to government. Land tenure in Zambia continues to be classified as in colonial times, with three categories: State land, reserves and trust land. Because of the high level of abuse, the government introduced radical land reform in 1975, eliminating private property, closing down the estate agents and placing all land under the control of the President. This reform was well received at the time, but the government is now considering a different type of reform based on private ownership. Customary tenure continues to govern access to reserves and trust land. While the debate on reform to facilitate the private ownership of reserves and trust land continues, care needs to be taken to prevent better-educated and better-connected urban speculators from abusing the situation at the expense of the rural population.

**Concepts of customary and private land tenure in Zambia**

**Customary law**

Most Zambians conduct their activities in accordance with and subject to customary law (Hansungule and Mwansa, 1993), but the term is used to cover a host of tribal laws existing in different ethnic groups. Since the colonial era, customary law has been recognized only after it has been found not to conflict with written law. Two contending views are held on customary land tenure in customary law. One view suggests that land and land rights are not individual but commonly shared. The other, increasingly held view recognizes individualism in land relations and tenure (Mvunga, 1977). Both views are valid because they arise from the dynamism of customary tenure, which has evolved from commonly shared land rights to individualization of croplands with continued commonly shared rights to grazing land, forests and fisheries. Individualization of croplands is a result of agricultural intensification, increase in population pressure and commercialization of agriculture. At present, cultivation rights of individual families are recognized on land where other families are excluded, but communal use rights may also be recognized (Hansungule and Mwansa, 1993).

**Statutory law and private property**

The Conversion of Titles Act of 1975 stresses two features: first, the distinction of improvements on the land versus the land itself; and second, the right of inheritance of land. The act does not distinguish trees from land, so trees are included in the concept of land. The introduction of a 100-year lease as the only form of ownership of State land marked the cornerstone of the reform process. Freeholds and other types of estates were abolished.

The statute appropriated all economic value of land except for improvements. An important impediment to rights in leaseholds is the restriction on tenants’ dealings in their land: all dealings in land must follow Presidential consent. Another impediment is the requirement for planning permission before any development is attempted.
Comparison of the two systems

Zambia has had the experience of both freehold and leasehold tenure. Supporters of leasehold tenure argue that it allows State intervention if the tenant fails to utilize the land or damages it by mismanagement. They find the unrestricted ownership of land offered by freehold tenure undesirable because it may also result in speculation, fragmentation, underutilization or damage to the land by irresponsible farming practices. On the other hand, opponents of leasehold tenure argue that it does not convey absolute ownership which the occupier needs for assurance of the security of long-term investments. A leasehold is essentially a qualified right to occupy land for a fixed term which may or may not be renewed. The leaseholder is essentially a tenant of the State, to which rent is paid. The argument in support of freehold tenure is that it conveys absolute ownership to the occupier. The owner is free to develop the land as desired or to sell part or all of it at any time. No rent is payable. Ownership and security are virtually unrestricted. Occupants can invest without fear of dispossession. They can pass on the property to their designated heirs without any restriction. Customary tenure has by and large been more successful than leasehold tenure in meeting the needs of the people. The administrative procedures are simple and easily implemented. Land issues are dealt with efficiently and decisively. The problem, however, is that the land rights are never registered, although their recognition is guaranteed. No attempt has been made to reform customary tenure. However, the obtaining of title deeds to customary land must be facilitated by a simplified government machinery for land delivery.

Comparative evaluation of customary and leasehold tenure

This section presents an evaluation of the strengths and weaknesses of the land tenure systems with respect to a number of variables including employment creation, income generation, agricultural productivity, social justice, social cohesion and group solidarity, environmental considerations and general welfare. The evaluation is supported by a case study of 52 farmers in Mazabuka district carried out by the authors in 1993. Half of the farmers (26) were from communal areas and the other 26 were from a government settlement scheme on State land. Most of the farmers in the latter group came from communal areas where there was a land shortage. The settlement scheme started in 1975, but to date none of the 26 farmers interviewed have title deeds to their land.

Employment creation

During colonialism, reserves and trust land became the major source of labour for the industries on Crown land. The resulting exodus of young people left behind mainly old people, women and school-leavers. To ensure continued labour availability, the colonial administration did not develop any rural industries or capacity for entrepreneurship. These trends have continued in post-independence Zambia. Opportunities for wage employment continue to be limited on reserves and trust land because of small farm size, low capital investment, limited incentives, limited entrepreneurship, poor infrastructure and limited availability of services. However, customary tenure makes it possible for all rural people to have work - in the sense of labour - through access to land.

After independence, settlers who chose to leave the country sold their farms to the Africans. Some of the settlers chose to stay and are still farming today. Some of the farms left by the settlers were demarcated into smallholdings and given to Zambians for small-scale intensive farming. Because of this history, State land is characterized by large farms of 200 to 5 000 ha and smallholdings of 2 to 25 ha. Almost all commercial farms employ workers. In short, employment opportunities for wage labour are much greater on State land than on reserves and trust land, largely because of the differences in the scale of operations and level of investment.

Income generation

Low incomes are generally associated with customary tenure, but they cannot be attributed entirely to the tenure system. They are rather the result of a host of socio-economic, political and historical factors, including the colonial bias against rural areas in the development of infrastructure, industries and essential services, and much slower economic growth on reserves and trust land than on Crown land. Because of the long tradition of rural-urban labour migration, the majority of rural households have historically suffered from labour shortages which constrained their production. Limited access to
markets and technology, and controlled prices, especially for maize, further restricted income growth. At present, money transactions account for about 25 percent of all economic activity in reserve and trust land areas, the remainder consisting of subsistence production.

**Agricultural productivity**

Customary tenure has historically been associated with subsistence farming. The colonial regime did little to change this because it saw the urban and mining economies as the basis of the territory's economic development, with agriculture fulfilling a supporting role by providing a cheap supply of food and labour. Commercialization was not sought for African farmers for fear of reducing the volume of labour migration, but this view was modified in the 1940s when the territory lost its self-sufficiency in maize for more than a decade and was dependent on imports. Colonial policy favoured the establishment of large-scale commercial farms on Crown land. Only such units were seen as capable of producing regular surpluses for sale and providing the level of efficiency and responsiveness to market needs that the country's administrators regarded as necessary. The bulk of the resources spent on agriculture went to European producers on Crown land (Wood and Vokes, 1990). The land reserved for them had the best soils, had access to the road and railway networks and was close to the areas with high food demand. At independence in 1964, the government moved in quickly to redress the imbalance caused by this dualistic approach to agricultural development by reforming services for the communal areas. The measures included the creation of lending institutions, expansion of extension services, development of cooperatives and provision of subsidies on inputs.

**Social justice**

The cornerstone of customary land tenure is communal ownership of land resources. Individuals have no right to sell land assigned to them. People have equal access to the resources that nature has provided. Cropland is equitably distributed. Farmers therefore feel secure in the customary tenure system because they enjoy long-term rights to land without fear of dispossession of these rights.

There is a well-founded fear that proposed land reforms will make it easier for outsiders to get title deeds to land on reserves and trust land at the expense of the local people. When titling is introduced, wealthier and better-informed individuals may use their information advantages to claim land over which other, less informed individuals have customary rights. Binswanger, Deininger and Feeder (1995) observed that even when there are no information advantages, titling based on the on-demand principle involves high costs that put the rural poor at a disadvantage. Thus, titling has equity-reducing impacts. Bruce (1988) noted that during titling programmes, land grabbing by influential individuals who are able to use the rules in their favour does more to facilitate land concentration than transactions in the land market following the issuance of title.

**Social cohesion and group solidarity**

Customary land tenure is consistent with the African traditional way of life which hinges on strong family ties and lineage control over land. The primary landholding unit under customary law is the family, whose members hold land collectively. On communally owned land, all members of the community are entitled to use a fair share of available resources. Any attempt to replace customary tenure with individualized tenure could disrupt some of the basis of social cohesion.

Customary land tenure has a number of disadvantages, however, which limit the benefits derived from communal ownership of land discussed above. At independence, the tenure institutions left by colonialism continued, except that Zambians were allowed to settle on State land. Communities are less cohesive and social interactions are less strong on State land than on reserves and trust land. Landowners confine their activities within the boundaries of their own holdings.

**Environmental considerations**

From the onset of colonialism, the British South Africa Company expressed concern over the dangers of shifting cultivation, especially the chitemene system of northern Zambia practised for centuries. The chitemene system involves the lopping and sometimes felling of indigenous trees and the burning of the cut wood to generate mineral ash for incorporation into the soil.
The resulting gardens are cultivated for about six years, during which the soil is leached of its nutrients by the relatively high rainfall of northern Zambia. The gardens are then abandoned for another area of new woodland. Woodland can then regenerate in the vacated areas. In 1909, the colonial administration restricted chitemene practices to areas close to villages. The concentration of gardens close to villages led to a rapid depletion of soil fertility because of continuous cultivation without allowance of sufficient time for fallowing. Throughout the colonial period, African farmers were restricted to the reserves and trust land where soils were marginal.

The combination of restricted land access and agricultural practices resulted in excessive erosion. In a bid to curb the erosion hazard, the colonial administration developed compulsory conservation measures. While temporarily successful, these measures provoked hostility and resistance on the part of farmers. After independence, the compulsory conservation regulations were abandoned. Currently, the major causes of land degradation on reserves and trust land are deforestation, poor cattle management and uncontrolled fires.

**General welfare at country level**

The reserves and trust land comprised areas that were undesirable to the white settler community during the colonial era. They have therefore less potential than State land. Development of infrastructure was much slower than on State land. The majority of the people in trust and reserve areas are still as poor as they were at independence. Whether customary tenure is to blame for this condition is debatable. Customary land tenure is not compatible with business approaches to farming. Farming is taken as an ordinary way of life and not as a business.

Little is done to conserve the soils because when their productivity declines, the farmer simply moves to another village and starts again. Despite the constraints, customary land tenure has continued to survive because it is a product of the peoples’ culture and values and is consistent with the African way of life. From the onset of colonialism to the present day, State land has had the advantages of better soil resources, better infrastructure and high investments by both government and individuals and consequently has offered a much better quality of life for the people. This explains the high population drift from agricultural to mining and industrial areas.

**Conclusion**

There are two main types of impediments to increasing the productivity and profitability of small-scale irrigation systems in Zambia: those associated with the technical characteristics of irrigation infrastructure and those associated with softer issues such as access to markets, knowledge, farm implements and financing, as well as governance and land tenure system of Zambia. Both are reflected in the literature and the case-study findings. This and other articles in this special issue argue that while much research, policy and donor focus is centered on the technical impediments, it is the softer barriers that are foremost on irrigators’ minds. They see these issues as the day-to-day struggle that prevents them from increasing their productivity and profitability. In the six schemes that were considered in the base survey this article also identified a number of technical issues that seriously affect productivity in the irrigation schemes.

However, even if all the technical issues are resolved it could improve productivity without improving profitability. It does not help to increase the production of products for which there are no markets, or for which markets are already flooded or the roads to the markets are impassable. Collectively, this results in either no profit and/or very low prices. Increased productivity and profitability are determined by many of the softer barriers, such as timely access to knowledge, high-quality inputs (hybrid seeds and modern fertilizers) and critical machinery and implements. To turn increased output into increased profitability, small-scale irrigators need to be linked to appropriate market channels and the value chain.

In conclusion, this article suggests that a new business model for small-scale irrigation is needed in Zambia that addresses both the technical and the softer barriers, including governance and land tenure issues, in a holistic and integrated manner; a promising opportunity is AIPs, which allow better coordination of the actors in the total value chain.
References


The Challenges Faced by Private Project Developers in Securing Financing for Hydropower Projects in Zambia

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Abstract

The study investigated the challenges faced by private project developers in securing financing for hydropower projects in Zambia. It was a cross-sectional exploratory study based on the pragmatic research philosophy. The multiple case study research strategy was utilized in the study. Mixed methods were selected as research choice and non-probabilistic was used as the sampling technique. Primary data was collected through semi-structured interviews and secondary data was obtained from library and internet. The population of the study comprised 13 hydropower projects that were being promoted by the Office for Promoting Private Power Investment.

Five of Thirteen (38.5%) hydropower projects were considered for the study having relevant data for the study. Purposive sampling was used to select the projects. Quantitative and qualitative data was collected and analysed.

The study found that the challenges in securing financing for hydropower projects in Zambia were related to the non-fulfillment of the key conditions required for non-recourse financing of hydropower projects. Those conditions were  
1. Development Mode of the project  
2. Sharing of project unlimited risks  
3. Government guarantees for project credit enhancement  
4. The Level of electricity tariffs  
5. The Power off-taker for the project and  
6. Provision of escrow arrangements by the off-taker.

The study concluded that the efforts made by Government to support private investment in hydropower projects did not directly address the risks associated with project finance mobilisation. It was therefore recommended that Government addresses these requirements from the lenders and developers in line with the principles of project finance to enable the hydropower projects secure financing in Zambia.

Keywords: Project Mode, Unlimited Risks, Government Guarantee, Electricity Tariffs, Off-Taker, Escrow, Project Financing.

Introduction

Zambia has been making efforts to increase its electricity generation by developing the untapped hydropower potential around the country with the help of the private sector since the early 1990s. Although the Electricity Supply Industry (ESI) has been liberalised and various private investors invited to come and participate in the development of these idling hydro resources, not many hydropower plants have been commissioned by private developers 25 years after the liberalisation of this sector, except Ithezi Theri Hydropower Project which is a joint venture between TATA Power and ZESCO, and Maamba Thermal Plant. This is despite the fact that there is currently a power deficit not only in Zambia but in the Southern African region as a whole. This raises the question as to why there has been no major success recorded in this area. The research attempted to investigate the challenges that were faced by private developers in securing financing for hydropower projects in Zambia.
Background to the study

Electricity is one of the major sources of energy in Zambia besides biomass and petroleum fuels. It is worth noting that Zambia has about 40% of the water resources in the Southern African region and thus 99% of the electricity produced in the country is hydro dependant. (ZDA, 2013)

The Electricity Supply Industry (ESI) in Zambia has a long history with the first power station built in Livingstone in 1906. The first major investment in the ESI took place in the 1950s when the Kariba dam was built at a cost of US$480 million and consequently the Kariba North Power Station was also completed in 1976. The Kariba North Power Station, built at a cost of US$420 million with an initial installed capacity of 600MW, was owned and operated by Central Africa Power Corporation which was jointly owned by the governments of Southern Rhodesia and Northern Rhodesia, presently Zimbabwe and Zambia. (USAID, 2008).

Until the late 1980s, most major power generation projects throughout Africa were financed using public funds and concessionary loans from developmental finance institutions like the World Bank. However, in the early 1990s, the financing of such projects started changing because of insufficient public funds. (Rabin, 2007)

Therefore, Zambia adopted plans to unbundle its power systems and introduce private participation and competition. Independent power projects that were privately financed and supported by non-recourse or limited recourse financing with long-term Power Purchase Agreements (PPA) with the state utility or other private off-takers became the priority. (Rabin, 2007)

On the other hand, the installed capacity for the country was rapidly being outstripped by the electricity demand in the 1990s. The demand for electricity in Zambia was increasing at annual rates of about 3 - 4 % due to the favourable economic growth in the country. The rapid increase in electricity demand necessitated some form of government intervention.

In line with the new developments, government passed the National Energy Policy (NEP) in 1994, which was revised in 2008, with the intention of liberalizing the Energy Sector and to encourage private sector participation in the energy sector. One of the main objectives of the NEP in relation to the power sector was to develop the large hydropower electricity potential in Zambia which was estimated at over 6000MW (NEP, 2008).

According to Zambia Development Agency, Zambia needed to spend US$1.6 billion per annum over the period 2006-2015 to develop that infrastructure to the level found in the rest of the developed world. That included the development of electrical power infrastructure in the country. That amount was equivalent to 20% of Zambia’s GDP and it was about double the country’s rate of investment. It was estimated that Zambia’s infrastructure funding gap was at US$500 million per year (6.5% of GDP) for the ten years from 2006 to 2015. (ZDA, 2014)

Government alone would not manage to close the financing gap for infrastructure and to develop the ESI in order to cope with the increasing electricity demand. Therefore, much effort in soliciting private sector participation in the development of the untapped hydropower potential in Zambia was needed.

The Government developed an appropriate framework which would make Zambia an internationally competitive investment destination to potential investors in the power sector.

In line with that, the Office for Promoting Private Power Investment (OPPPI) was established in 1998 and given the mandate of administering and coordinating the activities with private stakeholders in hydropower project development. (FPI, 1998) Through OPPPI, several private project developers expressed interest to invest in Zambia’s ESI and were involved in developing about 13 hydropower projects.

Although Government had put in much effort in soliciting private sector participation in the development of the untapped hydropower potential in Zambia, no major privately owned project has been fully developed and commissioned since the liberalization of the ESI in 1995, except two Public Private Partnership (PPP) projects mentioned above. Some of the projects that had reached the finance mobilisation stage stalled due to some challenges relating to the conditions for securing financing for hydropower projects. There was need to identify the challenges that hindered the development of the hydropower projects in Zambia and find ways of addressing them.
Statement of the problem

According to the Office for Promoting Private Power Investment (OPPPI) Monthly Report of November 2013, some private project developers were failing to secure financing for the implementation of hydropower projects in Zambia. The projects were failing to reach financial closure because no lender was willing to provide financing for their implementation. That was despite most hydropower projects progressing well in their initial implementation stages.

To the best knowledge of the researcher, no scientific study had been done to ascertain why some projects at the Office for Promoting Private Power Investment (OPPPI) were stalling once they reached the finance mobilisation stage. That prompted the researcher to investigate the challenges that were being faced by the private project developers in securing financing for developing hydropower projects in Zambia.

Purpose of the study

The research was an exploratory to gain insights and familiarity with the challenges being faced by private developers in securing financing for hydropower projects in Zambia. In the same vein, Cauvey et al (2003) said “In exploratory study, the main purpose is to formulate a problem for more precise investigation; also to discover facts, insights and priorities for further research etc”.

It is hoped that the findings of the study would help the stakeholders in the Electricity Supply Industry (ESI) to come up with appropriate interventions that could ensure successful finance mobilisation for hydropower projects being implemented with the help of private developers in Zambia.

The study focused on the hydropower projects that were being developed in Zambia with the help of the private sector through a government institution called the Office for Promoting Private Power Investment (OPPPI). The projects considered for the research were the ones that were under development since the liberalisation of the Electricity Supply Industry from 1994 up to year 2015.

Significance and justification of the study

The researcher was motivated to conduct the study seeing that Zambia is endowed with vast hydropower potential estimated at over 6000MW; but only 2000MW of the total potential was so far tapped for use in Zambia.

Many private developers had shown interest in developing the hydropower potential and engaged government through the Office for Promoting Private Power Investment (OPPPI) at various implementation levels. However, some projects were experiencing difficulties in securing financing despite the fact that there was an obvious power deficit in the country as evidenced through load shedding.

It is anticipated that the recommendations of the study could assist policy makers to make informed decisions on how best to facilitate and accelerate the development of hydropower projects that were being implemented in Zambia. That could subsequently lead to the harnessing of the full hydropower potential that was available for the benefit of the country and the region.

Research methodology

The research was an exploratory study based on the pragmatic research philosophy. (Saunders, Lewis & Thornhill, 2016) This philosophy was adopted because the study was expected to generate both qualitative and quantitative data since inductive and deductive approaches were applied. Inductive reasoning was used to explain the non-numeric data collected in the study. The study generated quantitative data from the project documents and interviews. Categorical data from the projects was collected and statistics were generated. The statistics generated were then presented in form of proportions and percentages. (Kothari, 2012)

The quantitative data obtained in the research included the following: Stage of development of the project; Estimated costs of the project; Development modes of the project; and Level of indicative tariff for the project.

Qualitative data was obtained from the project documents of each project under consideration. The information sought related to the conditions under which the financing was being solicited by the
developers. Those conditions included the following: Sharing of project unlimited risks; Issuance of Government guarantees for project debt repayment; Level of electricity tariff; Nature of Power off-taker (Buyer of power); and Provision of escrow arrangements by the off-taker.

Multiple case study strategy was utilised for this research in which documentary analysis and semi-structured interviews were used to collect data. (Robson 2002) This research strategy was adopted because the study had a small sampling frame and sample size. Yin (2003)

The study used mixed methods research choice for collecting and analysing the data. This was because both numeric and non-numeric data was generated in the study and required the use of both methods for data collection and analysis. (Saunders, Lewis & Thornhill, 2016)

The research was cross sectional due to its academic nature. Also because it was a snapshot of the challenges faced at the particular point in time. (Saunders, Lewis & Thornhill, 2016)

Purposive sampling was applied for data collection so as to select the relevant samples with the potential to provide the data required for the study. (Kothari, 2012)

A structured data collection form was used for the documentary secondary data while primary data, Telephone Interviews was used for collecting data though semi structured interviews. These methods were used because the respondents were scattered all over the country. From Lusaka and the respondents were in various places including Kitwe, Livingstone, Kalulushi, Itezhi-Tezhi, Sinazongwe and Chavuma among others.

**Conceptual model, and operationalisation of research variables**

The dependant research variable was the securing of financing for the hydropower projects while the independent research variables were the conditions that needed to be fulfilled in order for the lenders to finance the projects.

Based on the literature review, the following conditions were identified as key independent variables which needed to be appropriately addressed in each project for finance to be secured: Sharing of project unlimited risks; Issuance of Government guarantees for project debt repayment; Level of electricity tariff; Power off-taker(Buyer of power); and Provision of escrow arrangements by the off-taker.

**Sources of data**

Sources for primary data included respondents from various hydropower projects and other stakeholders who were interviewed included the following institutions: Sampled Hydropower projects (HPP); Office for Promoting Private Power Investment (OPPPI); Department of Energy (DOE); Zambia Development Agency (ZDA); Zambia Electricity Supply Corporation (ZESCO); Energy Regulation Board (ERB) and Rural Electrification Authority (REA)

Secondary data sources were from government project archives from Office for Promoting Private Power Investment (OPPPI) that included: Project progress reports submitted by the project developers to OPPPI; Implementation Agreements (IA) between the project developers and GRZ; and Minutes of meetings among project stakeholders.

**Sampling frame**

The frame for the primary data included respondents from OPPPI, DOE, ERB, ZDA, ZESCO and the hydropower projects considered for the study. The sampling frame for the secondary data was limited to all the hydropower projects in Zambia that were being done through OPPPI. At the time of the study, the projects were at various stages of project implementation including Pre-Feasibility, Detailed Feasibility, Project Finance Mobilisation and Construction. A total of 13 hydropower projects were being handled by OPPPI for the time period referred in the study.

**Sample size**

For the primary data, a total of 11 respondents were interviewed using Telephone Interview. For the secondary data, five out of the total thirteen hydropower projects (5/13) being promoted by Office for Promoting Private Power Investment (OPPPI) were sampled and data from each of these projects was collected.
Reliability & validity
The researcher made sure that respondents for the primary data were people who were actually involved in hydropower project development in Zambia. Those included project developers, financial advisors, technocrats from government and experts from the national electricity utility company and from other independent power producers. Sources considered for secondary data were official government archives at the Office for Promoting Private Power Investment (PPPI).

Research results

Literature review
The literature review in the research focused on determining the challenges associated with the failure or success of private project developers in securing financing for hydropower projects in various countries including Zambia. The review focused on identifying the key conditions under which various hydropower projects secured financing for implementation and vice versa. These conditions were mostly related to project risk management. On that basis, the variables that determined whether or not a project would secure financing and attempted to relate them to the case of Zambia were identified.

Definition of important terms in the study
The following terms were used in the study and have, therefore, been defined in context of the research as follows:
1. Bankable Feasibility Study. Is a comprehensive study in which all geological, engineering, legal, operating, economic, social, environmental and other relevant factors were considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the project;
2. Power Purchase Agreement. Is a contract entered into by a developer, off taker or customer for the sale and purchase of electricity that is generated from a project;
3. Project risk: Is the possibility of the project not going as anticipated;
4. Project Developer: A Company or Special Purpose Vehicle (SPV) that intends to develop, finance and operate the hydropower project. It may be a purely private company or may be a Public Private Partnership;
5. Financial Closure. Refers to the fulfilment of all conditions precedent to the first drawdown of funds under the loan agreements. At this point the project developer has access to the finance provided by the lenders and can draw the funds for implementing the project;
6. Independent Power Producer (IPP). An entity which is not a public utility, but which owns facilities to generate electrical power for sale to utilities and end users. Under the IPP mode of development, the electrical projects are usually executed on a Build, Own and Operate (BOO) basis were the private developer builds the plant and runs it in perpetuity during and after the project concession period;
7. Public Private Partnerships (PPP). A government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies. Most PPPs are executed as Build, Own, Operate and Transfer (BOOT) where the facility is transferred to government after an agreed concession period.

Theoretical framework
It was based on the project financing principle that a project can only be successfully implemented if the project risks are appropriately allocated among the project stakeholders. (Fight 2006) The key conditions which lenders insisted on being met before they could issue financing were generally related to how project risks were managed.
According to Fight (2006), allocating risks in a project finance structure enabled the sponsor to spread risks over all the project participants, including the lender. The diffusion of risk could reduce challenges and significantly improve the possibility of project success since each project participant accepts certain risks which one is able to handle.
In their publication, Spiegl and Schneider (2002) also stated that projects with substantial works like excavations and sub-surface works looked unattractive for private investors because of the risks involved. They argued that it was not sensible to let the developer assume a project's unlimited risks because the resulting risk surcharge would make the project unviable. It was more sensible to have risk compensation, and have the developer assume the risks only to a limited extent.

Investors are unable to assume unlimited risks due to financing constraints, as doing so might exceed the scope of their financing and can ultimately kill a project. According to Finnerty (2007), lenders generally do not lend funds to projects if their loans would be exposed to business or economic risks. A critical aspect of financial engineering for large projects involves identifying all significant project risks and then crafting contractual arrangements to allocate those risks among the parties who are willing to bear them at the lowest ultimate cost to the project.

Finnerty (2007) further states that in project financing, lenders want the sponsors or other credit-worthy parties involved in the project to provide assurances on the following issues: That the project would be completed even if costs exceeded those originally projected (or, not completed, its debt would be repaid in full); That the project, when completed, would generate cash sufficient to meet all of its debt financing service obligations; and That if for any reason, including force majeure, the project's operations were interrupted, suspended, or terminated, the project would continue to service (and fully repay on schedule) its debt obligations.

Another important factor to consider in the study was that hydropower projects were very different from other sources of electricity generation in many respects. In his paper “What are the Geological and Hydrological risks and issues affecting Hydropower financing”, Rabin (2007) emphasised the need to have an appropriate risk sharing mechanism in order to succeed in developing hydropower projects.

Rabin (2007) argued that the developments in hydropower risk allocation were tending to accept the fact that if financing and bidding were to remain competitively priced, a certain level of risk sharing would need to be achieved. He argued that the move to private funding in hydropower project had failed, and the passing of all construction risks to the contractor by the project company, as originally envisioned, had not been successful. Rabin (2007) pointed out that Contractors were reluctant to assume risks they could not manage alone, and were quickly realising that the construction phase of hydropower projects required close monitoring. Hydropower projects required the involvement of all project parties in managing the unlimited risks associated with them.

Therefore, the hydropower projects should come up with a good mechanism for giving lenders assurances in order for them to issue financing. The first call to address this challenge is a correct project risk sharing mechanism without which it becomes very difficult for the project to secure funding.

The question that begged to be answered was who among the project parties should assume the unlimited risks associated with hydropower projects. Fight (2006) pointed out that the party that was most capable of handling the unlimited risks of a project was the host government because it had a role of being service provider contrary to lenders whose objectives were business centred. Fight (2006) stated that the project could offer the government short term and long term benefits from the project: Short term, the government would use the project for political benefits and for attracting other developers to a country. Long term, the successful project should improve economic prosperity and, perhaps, political stability by providing the needed infrastructure.

It was therefore normal for the host country government to take up more responsibility in project implementation and assume the project risks that are unbearable to the developers and lenders in order to facilitate their development; especially for large high-profile projects like hydropower projects in which the challenges of project risk sharing are significant.

Even though it is acceptable for the host country government to assume some of the project risks, Finnerty (2007) argued that it should be done on the basis of the economic and social benefit it would bring to the country. He pointed out that a developing country has, almost by definition, limited credit capacity and therefore limited ability to provide credit support for project financing. Therefore, the expected economic rewards of the project must justify the financial risks which the host government would assume in form of guarantees. The guarantee effectively subsidizes the project's cost of funds.
It becomes very important for the host country to satisfy itself that the project would produce sufficient public benefit to justify the social cost that would be incurred in the subsidy.

Based on the foregoing, it could be argued that a correct project risk sharing mechanism among project parties is essential for the successful implementation of electricity generation projects in Zambia. As a general rule, Fitg (2006) suggests that a particular project risk should be assumed by the party that is best able to manage and control that risk. By assuming this simple principle, most challenges in securing financing for hydropower projects could be addressed.

**Previous studies**

Several studies related to the development of electricity generation projects in Africa including Zambia were conducted over the years. Among them was a study released in November 2011 by the *Infrastructure Consortium of Africa* (ICA) entitled: *When Power Comes- An Analysis of IPPs in Africa*. The focus of the study was to assess the successes and the challenges of Independent Power Producers in Sub-Saharan Africa in the development of electricity generation projects. In the study, 23 mediums to large electricity generation projects being developed by IPPs were studied in 11 countries including Zambia, Uganda, Kenya, Senegal, South Africa, Togo, Tanzania, Nigeria, Ghana, Cameroon and Ivory Coast.

The study found that although the sampled projects had recorded successes in terms of progression, they were facing quite a number of challenges as regards implementation at basically two levels; at country level and at project level. Chief among them were the role of development finance institutions in developing power project and the need for credit enhancements. (ICA, 2011)

The study concluded that the main source of challenges that hindered the success of the electricity generation projects in the region was the gap that existed between the investors and the host country governments regarding the perception and the treatment of project risks. Project finance and project risks were seen as the major source of challenges for electricity generation projects, including hydropower projects. (ICA, 2011)

In the publication *Financing Private Hydropower Projects*, Head (2000; Disclosure date 2010) pointed out that all private infrastructure development carried certain common risks beyond the control of the project sponsor such as political risk, currency exposure and force majeure. These had the potential of killing a project.

However, he pointed out that hydropower projects were perceived as posing particular difficulties in a number of areas relating to project definition, project risk, project financing and regulations. Among the prominent challenges he identified were: High front-end capital costs; Difficulty in structuring procurement contracts; High construction risk; Hydrological risk; Heavily capital-intensive; Long debt payback periods; Pricing of the output power; and Regulatory issues.

Most of the obstacles identified were generally related to project risks. Head (2000) concluded that the support of the public sector was crucial to the financing of all hydropower projects, even if the projects were being implemented by private developers. He stated that the most obvious support was the provision of guarantees by the host government, particularly to cover payment obligations of the power utility. Head (2000) further pointed out that for project financing to be mobilised successfully, the project risks needed to be properly allocated among the project parties.

Considering the acceptable mechanism for risk sharing as presented by Head (2000), it was apparent that the host government was key in ensuring the success of hydropower projects, particularly in the areas related to handling project unlimited risks. This is because most of the unbearable risks are lashed on the host government because it is the only party able to absorb financial losses.

Rabin (2007) pointed out that hydropower financing was undergoing a crisis because of the changes from being financed and owned traditionally by the states to being financed, operated and owned by private developers. He stated that public funding for new hydropower projects had diminished substantially and there was need for an increase in private financing to compensate for the short-fall. That created a funding-gap, and was causing a sharp decline throughout the world in new-built hydropower projects.
Rabin (2007) further argued that the private sector was finding it extremely difficult to justify directing investment funds into new hydropower projects due to numerous issues that could compromise an otherwise functional project. Issues such as social and environmental opposition, unwanted project risks, large upfront costs, long lead times and lower returns on investments were crippling investment in hydropower projects.

Rabin (2007) concluded that private hydropower financiers were not prepared, and unable to assume the uncertain, and potentially unavoidable risks that would arise out of geology and hydrology in hydropower projects.

He recommended that mitigating these risks would have to fall into a series of risk-sharing arrangements, where the sponsors assume a portion of the risks up to a defined point, and after which, the host government accepts the remaining bulk of the risk. He argued that if governments desired to develop hydropower projects, they should create more attractive conditions in order to entice private investors, who would easily divert their money to other less risky projects.

A similar study was done by Kalitsi (2003) were he examined the problems of hydropower development in Africa and focused primarily on designing concrete strategies and policies for development under the New Partnership for African Development (NEPAD) initiative.

In his paper he recognised that hydropower projects in Africa over the last half-century have been undertaken with public financing supported by loans raised from multilateral and bilateral public sources. He stated that the World Bank had featured very prominently in those efforts by providing the bulk of the funds.

However, he similarly pointed out that at the time there was a severe shortage of public finance for power development both at the level of African governments and from the World Bank and other multilateral and bilateral aid agencies, which had initially supported hydropower projects.

That position led to increased interests in contributions of private sector finance to hydropower development mainly in form of loans raised from commercial banks and other private financing agencies or private equity investment entrepreneurs in power sector.

Kalitsi (2003) suggested that the risks normally associated with hydropower in the context of Africa posed challenges which deter private capital. These risks included technical, economic, commercial, environmental and social risks associated with hydropower project development as follows: Competition with other development projects, such as projects for health and education etc.; Political challenges; Regulatory challenges; Negative perception arising from population displacement and destruction of agricultural lands, insects, animals major changes in the destruction of the ecosystem; The change in the biodiversity; Hydrological uncertainties; High upfront capital investments which often require long gestation periods, and The risks of cost overruns and time slippage.

India is one of the fast-developing countries in the world and they have made significant progress in the development of hydropower projects. However, that was not always the case. Spiegel and Schneider (2002,) undertook a case study on large hydropower development in India. They stated that India was for many years trying to develop large hydropower projects to no avail. That was as a result of unfavourable policies for investors and the inability to share risks appropriately among the government of India and the parties involved in the projects. The dual found that progress was only made when the government of India started participating in risk sharing.

Saxena and Kumar (2010) also give a similar account on India in their paper *Hydropower Development in India*. They reported that despite hydroelectric projects being recognized as the most economic and preferred source of electricity, the share of hydropower in India continued declining since 1963. The hydro share declined from 50% in 1963 to about 25% in 2010. In order to correct the hydro-thermal mix to meet the grid requirements and peak power shortages, the government of India announced a Policy on ‘Hydro Power Development’ in 1998. This policy essentially increased government involvement in the development of electricity generation projects in India by providing different forms of guarantees. (Saxena & Kumar, 2010).

Thus, the government of India started offering some form of guarantees for private developers in order to encourage them to develop the electricity generation projects. As a result of these policy changes by the government of India, barriers to power project investment were reduced, the
functioning of the system improved, and it resulted in additional generation of power much in excess of that achieved in the earlier plans. (Saxena and Kumar, 2010). It can therefore be noted that government involvement in the implementation of power projects was key in addressing the challenges that were being faced in India.

A similar view on risk sharing between government and developers in the development of electricity generation projects was expressed by the Norwegian Tunnelling Society (NFF). It is worth mentioning that Norway is one of the global leaders in the area of hydropower development and Tunnelling and has recorded tremendous success in that area. In one of the articles by NFF (2012), it was reported that during the hydropower boom in the 1960’s through the 1980’s in Norway, a contract concept was developed and applied that focused on risk sharing between the host government and the project developers. That helped to resolve most of the challenges that were being faced in the development of hydropower projects and led to the hydropower development boom of the 1960’s.

The literature review established that most of the challenges in developing hydropower projects faced by the countries considered were resolved through more participation and support by host country governments and appropriate risk sharing mechanisms among the project parties. The studies indicated that the private sector alone failed to implement the hydropower projects because the projects required concerted efforts from various stakeholders including the host country government.

**Research gaps**

The major gap identified in securing financing for hydropower projects was that host country governments did not play the pivotal role in project financing as stipulated in the theoretical framework and previous studies.

For Hydropower project finance to be successfully arranged the host government should find a way of anchoring the project financing agreements between the Lenders and the Project developers and it needs to devise systems for assuming unlimited risks associated with hydropower projects. The Zambian Government is no exception and should also take up this role if it is to successfully develop the hydropower projects. Previous studies also reveal that no comprehensive study has been done on the roles of the host country government in securing financing for hydropower projects.

The gap in terms of the previous studies is that none of the studies specifically tried to identify and addressed the challenges that were being faced by private developers in securing financing for hydropower projects in Zambia. The study by ICA (2011) gave a holistic view of the challenges and possible solutions in the development of electrical power projects in Sub Saharan Africa. Similarly, Kalitsi (2003) and Rabin (2007) gave a holistic view of the challenges being faced in Africa and the world respectively and gave recommendations on how best to implement hydropower projects. The case of Zambia was not specifically addressed.

Although their studies essentially included Zambia, Kalitsi (2003), Rabin (2007) and ICA (2011) did not take into consideration the fact that the electricity supply industries for each particular country are different and therefore would face some unique challenges.

Even though the countries considered in the previous studies had several differences in terms of policies, input resources for electricity generation (e.g. Hydro, Coal, Natural Gas, etc.), national access to electricity, grid connectivity, project development modes (e.g. PPP or IPP) and levels of tariffs, these factors were not adequately accounted for in the studies. Differences in the areas pointed out could significantly alter the investment climate in hydropower projects and that could influence the view of lenders regarding financing power projects in a particular country.

In support of that view, Rabin(2007) pointed out that in privatised systems, investors readily preferred the financing of thermal power plants (predominantly gas-fired) over hydropower plants due to their quick and relatively risk free construction periods, lower initial costs, less approval delay, and quicker returns on their investments and off the shelf solutions. Rabin (2007) acknowledged that just the type of input resource for a power plant could significantly alter the investment climates. Thus, it was important to identify the challenges on a country by country basis which was not done in the previous studies. It was for this reason that the researcher was motivated to undertake a study that would specifically consider the case of Zambia. The research specifically focused on identifying the challenges being faced by private project developers in securing financing for hydropower projects in
Zambia. For further study, it was recommended that a research be done to investigate the best development mode for hydropower projects in Zambia, particularly focusing on Public Private Partnerships.

**Observations from literature review**

Available literature indicated that for hydropower projects to be successfully implemented in some countries, certain conditions relating to project finance and project risks had to be fulfilled. Some of the conditions which the lenders required to be met for them to issue financing were related to project sharing risk between host governments and developers, the level of electricity tariffs, issuance of Government guarantees and the nature of the power off taker for the project. That was because government was in most cases the only party among all project stakeholders which was able to assume certain unlimited risks associated with hydropower project development. The literature review revealed that most of the conditions which the lenders demand to be met before they issue finances were generally related to the management of project risks associated with hydropower projects. It also indicated that most of the challenges in developing hydropower projects could be resolved through more support by host government and by an appropriate risk sharing mechanism among the project participants.

**Fieldwork presentation**

**Quantitative data analysis**

The quantitative data that was collected in the research from the archives for the hydropower projects included the following: Project capacity (in Megawatts); Development status (Pre-Feasibility, Detailed Feasibility or Project Finance Mobilisation); Estimated project cost (in US$); and Development mode (IPP or PPP), and Level of tariff (whether higher or Lower than regulated tariff in the country).

*Table 1.1. Hydropower projects being developed with private developers under OPPPI (As of March 2015)*

<table>
<thead>
<tr>
<th>SNo</th>
<th>Project Pseudo</th>
<th>Capacity (mgwts)</th>
<th>Status (as at May 2014)</th>
<th>Estimated Cost (US$'millions)</th>
<th>Development mode</th>
<th>Projected Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>HP-01</td>
<td>120</td>
<td>Project Finance mobilisation</td>
<td>240</td>
<td>Public Private Partnership</td>
<td>2015</td>
</tr>
<tr>
<td>2</td>
<td>HP-02</td>
<td>230</td>
<td>Detailed Feasibility</td>
<td>350</td>
<td>Independent Power Producer</td>
<td>2020</td>
</tr>
<tr>
<td>3</td>
<td>HP-03</td>
<td>60</td>
<td>Project Finance mobilisation</td>
<td>100</td>
<td>Independent Power Producer</td>
<td>2018</td>
</tr>
<tr>
<td>4</td>
<td>HP-04</td>
<td>171</td>
<td>Pre-Feasibility</td>
<td>660</td>
<td>Independent Power Producer</td>
<td>2023</td>
</tr>
<tr>
<td>5</td>
<td>HP-05</td>
<td>247</td>
<td>Project Finance mobilisation</td>
<td>690</td>
<td>Independent Power Producer</td>
<td>2018</td>
</tr>
<tr>
<td>6</td>
<td>Hp-06</td>
<td>40</td>
<td>Project Finance mobilisation</td>
<td>190</td>
<td>Independent Power Producer</td>
<td>2017</td>
</tr>
<tr>
<td>7</td>
<td>HP-07</td>
<td>70</td>
<td>Pre-Feasibility</td>
<td>240</td>
<td>Independent Power Producer</td>
<td>2020</td>
</tr>
<tr>
<td>8</td>
<td>HP-08</td>
<td>280</td>
<td>Pre-Feasibility</td>
<td>1300</td>
<td>Independent Power Producer</td>
<td>2021</td>
</tr>
<tr>
<td>9</td>
<td>HP-09</td>
<td>130</td>
<td>Pre-Feasibility</td>
<td>850</td>
<td>Independent Power Producer</td>
<td>2021</td>
</tr>
<tr>
<td>10</td>
<td>HP-10</td>
<td>490</td>
<td>Pre-Feasibility</td>
<td>1400</td>
<td>Public Private Partnership</td>
<td>2023</td>
</tr>
<tr>
<td>11</td>
<td>HP-11</td>
<td>698</td>
<td>Pre-Feasibility</td>
<td>2150</td>
<td>Public Private Partnership</td>
<td>2023</td>
</tr>
<tr>
<td>12</td>
<td>HP-12</td>
<td>15</td>
<td>Detailed</td>
<td>60</td>
<td>Independent Power</td>
<td>2020</td>
</tr>
</tbody>
</table>
As recorded in Table 1.1, a total of Thirteen (13) hydropower projects were being developed as IPPs and PPPs under the Office for Promoting Private Power Investment (OPPPI). The total estimated cost of the projects stood at US$ 10,230 million – As of March 2015. Of the Thirteen (13) hydropower projects that were being developed with the help of the private sector, four (4) were being developed as Public Private Partnerships (PPP) at a total estimated cost of US$ 5,730 million. That was about 30.8% of the number sampled projects. However, the 30.8% of the projects account for about 56.0% of the total estimated cost. Out of the Thirteen (13) hydropower projects being developed with the help of private developers, Nine (9) were being developed as Independent Power Producer (IPP) projects at a total estimated cost of US$ 4,500 million. That was about 69.2% of the number of hydropower projects being developed. The percentage accounted for 44.0% of the total estimated project cost.

### Qualitative data analysis

The qualitative data that was collected comprised the following: The various conditions under which the private developers were attempting to secure project financing from lenders, and the status of the finance mobilisation for each project indicating whether or not finance had been secured under those conditions. It should be noted that the qualitative data that was sought in the study could not be obtained from all the 13 projects.

That was because some projects had not yet reached the financing mobilisation stage hence did not have the data. Out of the thirteen (13) projects, only five (5) had reached the financing mobilisation stage. Therefore, qualitative data was only obtained from five projects since they were the ones with the data. Those were HP-01, HP-03, HP-05, HP-06 and HP-13. The data collected was summarised in Table 1.2

<table>
<thead>
<tr>
<th>S/no</th>
<th>Development Conditions affecting project debt mobilisation</th>
<th>Project Pseudo</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>HP-01</td>
</tr>
<tr>
<td>1</td>
<td>Government Guarantee for Project Debt Repayment</td>
<td>issued</td>
</tr>
<tr>
<td>2</td>
<td>Escrow Arrangements with Project Off-taker</td>
<td>issued</td>
</tr>
<tr>
<td>3</td>
<td>Assumption of Project Hydrological Risk by Government</td>
<td>partially issued</td>
</tr>
<tr>
<td>4</td>
<td>Assumption of Project Geological Risk by Government</td>
<td>partially issued</td>
</tr>
<tr>
<td>5</td>
<td>Level of tariff (Higher or Lower than national Average)</td>
<td>higher</td>
</tr>
<tr>
<td>6</td>
<td>Off-taker of Power produced by the Project</td>
<td>state utility</td>
</tr>
<tr>
<td></td>
<td>Status of Project Debt</td>
<td>secured</td>
</tr>
</tbody>
</table>

Source: OPPPI Project Archives

Although only 2 of the projects at financing mobilisation stage had secured finance, it is worth noting that the total estimated cost for the projects that had secured financing was more than double the estimated cost of the 3 of the projects that had not secured finance.
Primary data from semi-structured telephone interviews

Quantitative data analysis

After administering the interviews, the following Primary quantitative data was collected: The number of project developers that had completed the Bankable Feasibility study; The number of years that had passed since completion of the Bankable Feasibility study for each project; The level of the indicative tariff; and The development mode of the project. Once a Bankable Feasibility Study for a project was completed, it was used by the project developer as the basis for financing from lenders. However, some hydropower projects in the study completed Bankable Feasibility Studies as far back as 2003 but it had taken the project over 11 years in negotiation for project financing as seen from Table 1.3. Ideally it should not take more than 3 years for the project developer to firm up an agreement with the lenders using a bankable feasibility study.

<table>
<thead>
<tr>
<th>S.No</th>
<th>Questions</th>
<th>Respondents Answers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Has Project Developer completed the Bankable Feasibility study?</td>
<td>HP-10</td>
</tr>
<tr>
<td>2</td>
<td>In which year was the Feasibility study completed?</td>
<td>2003</td>
</tr>
<tr>
<td>3</td>
<td>How many years ago did the Developer complete Bankable Feasibility study?</td>
<td>12</td>
</tr>
<tr>
<td>4</td>
<td>Is indicative Tariff higher than the Average Regulated Tariff?</td>
<td>yes</td>
</tr>
<tr>
<td>5</td>
<td>What is the development mode of the project?</td>
<td>PPP</td>
</tr>
<tr>
<td>6</td>
<td>Has the project secured finance?</td>
<td>yes</td>
</tr>
<tr>
<td>7</td>
<td>When was the finance secured?</td>
<td>2015</td>
</tr>
</tbody>
</table>

Source: Fieldwork datasheets

Qualitative data analysis

The primary qualitative data collected through the telephone interviews included the following: The power off-taker for each project (Whether private or public); Type of Government support requested by the lenders in order for them to issue financing to the hydropower project; The Response of government to specifically meet the requirements of each lender for them to issue finance to the hydropower project; Responses by government to help hydropower projects to secure financing. Whether government was doing enough to assist private hydropower project developers to secure financing from lenders. The responses tabulated below. The Response of government to specifically meet the requirements of each lender for them to issue financing to the hydropower project.

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Government Support Required by the Lenders</th>
<th>Government Response to Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ZESCO to be Power Off-taker</td>
<td>HP-01</td>
</tr>
<tr>
<td>2</td>
<td>Government to Guarantee PPA with Off-taker</td>
<td>yes</td>
</tr>
<tr>
<td>3</td>
<td>Escrow Arrangements</td>
<td>Yes</td>
</tr>
<tr>
<td>4</td>
<td>GRZ to Assume Geological Risk</td>
<td>Yes</td>
</tr>
<tr>
<td>5</td>
<td>GRZ to Assume Hydrological Risk</td>
<td>Yes</td>
</tr>
<tr>
<td>6</td>
<td>Borrow in US dollar and quote tariff in dollars (Firm currency)</td>
<td>Yes</td>
</tr>
<tr>
<td>7</td>
<td>Guaranteed use of national grid by IPPs</td>
<td>Yes</td>
</tr>
<tr>
<td>8</td>
<td>Enforce Cost Reflective Tariffs</td>
<td>No</td>
</tr>
<tr>
<td>9</td>
<td>Standardised PPAs for electricity projects</td>
<td>No</td>
</tr>
</tbody>
</table>

247
 deliberative efforts made by government to help develop hydropower projects through the private sector in Zambia. This is according to respondents from OPPPI, DOE, REA, ZDA, ZESCO, and ERB.

**Table 1.5.** Efforts by government to promote development of hydropower projects through the private sector

<table>
<thead>
<tr>
<th>S.no</th>
<th>Deliberate efforts made by government to help develop hydropower projects through the private sector in Zambia. This is according to respondents from OPPPI, DOE, REA, ZDA, ZESCO, and ERB</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Passing of the National Energy Policy of 1994 (revised in 2008) meant to liberalize the energy sector. This policy was enforced to encourage private participation in electricity supply industry and energy sector in general.</td>
</tr>
<tr>
<td>2</td>
<td>Government entering Implementation Agreements/Concession Agreements with private project developer which indicates commitment to the project on the part of government.</td>
</tr>
<tr>
<td>3</td>
<td>Passing of the ZDA Act No.11 of 2006 to include development of electrical infrastructure as a priority sector in Zambia.</td>
</tr>
<tr>
<td>4</td>
<td>Signing of the Investment Protection and Promotion Agreement (IPPA) between the project developers and Government aimed at protecting private investment from nationalization and expropriation.</td>
</tr>
<tr>
<td>5</td>
<td>Allocation of fiscal and other incentives to private developers in the electricity sector. Some incentives administered through the ZDA include tax holidays, tax exemptions and duty-free importation on capital equipment.</td>
</tr>
<tr>
<td>6</td>
<td>Governments aim to increase electricity generation capacity by at least 1,000 MW and build appropriate transmission lines by 2016 according to the Sixth National Development Plan through private and public sector.</td>
</tr>
<tr>
<td>7</td>
<td>Governments aim to Expand and Improve infrastructure for electricity generation, transmission and distribution in Zambia through the public and private sector.</td>
</tr>
<tr>
<td>8</td>
<td>Government working to Establish of an open and non-discriminatory transmission access regime in the electricity industry applicable to all stakeholders in Zambia</td>
</tr>
<tr>
<td>9</td>
<td>Implementation of a Cost-Reflective Electricity Tariff Regime. The programme is ongoing and step increments are currently being done</td>
</tr>
<tr>
<td>10</td>
<td>Adopt the Electricity Grid Code to govern use of the national grid by all stakeholders, private and public.</td>
</tr>
<tr>
<td>11</td>
<td>Government currently working on Feed in Tariff Policy in Zambia to encourage development of alternative power sources including small hydros in Zambia.</td>
</tr>
<tr>
<td>13</td>
<td>Revocation of Statutory Instrument SI 33 of 2012 and SI 55 of 2013 by Government to make borrowing for projects easier</td>
</tr>
</tbody>
</table>

**Source:** CATI datasheets

**Discussion and interpretation of findings**

Only two (2) out of a total of five (5) projects at the financing mobilisation stage had successfully secured financing for constructing the hydropower plants. That accounted for 40% of the sampled projects and the conditions under which the financing was secured were consistent with those identified in the literature review as necessary for securing financing from lenders as mentioned above.

Meanwhile three (3) out of a total of five projects at the financing mobilisation stage had not secured financing for constructing the hydropower plants accounting for 60% of the projects.

**Development mode of the project (whether IPP or PPP)**

The development mode of the project had a bearing of whether or not a project secured financing. Of the five (5) projects at the financing mobilisation stage, project HP-01 and HP-13 were being developed as Public Private Partnership (PPP) and project HP-03, HP-05 and HP-06 were being...
developed as Independent Power Producers (IPP). It was found that the PPP projects HP-01 and HP-13 had secured financing unlike the IPP projects HP-03, HP-05 and HP-06.

The point to note was that the PPP projects had a higher cost allocation of US$2180 million as compared to the IPP projects which had US$1040 million. That was despite the fact that the IPP projects were more in number than the PPP projects. It was arguably less risky to invest in the smaller IPP projects than in the larger PPP projects. However, lenders were more willing to lend to IPP projects rather than to IPP projects despite the higher costs.

The following could be some of the reasons why lenders preferred to fund PPP instead of IPP projects: (1) PPP projects had an inherent risk sharing mechanism between the public and the private sector because Government was involved as a shareholder; (2) It was easier for the lenders and developers to obtain Government guarantees and other support like escrow arrangements for a PPP project rather than an IPP project; (3) A PPP project had more chances of entering into a Power Purchase Agreement with the electricity state utility because it was also owned by the Government.

For the foregoing, it could be argued that PPP hydropower projects were more likely to secure financing than IPP hydropower projects in Zambia. Therefore, developing a hydropower project as an IPP could be a challenge to securing financing.

**Issuance of government guarantees for project debt repayment**

All the Five (5) project developers at the financing mobilisation stage requested Government to provide guarantees for project debt repayment in order for them to secure financing from lenders.

As indicated in Tables above, only two (2) projects, HP-01 and HP-13, were issued with guarantees for project debt repayment by Government. Hence, only these projects successfully secured project financing.

Fight (2006) argued that Government Guarantees were necessary to facilitate the securing of financing for capital intensive projects such as hydropower projects. That practice was accepted as standard practice in the field of project finance. Without some form of guarantees, it became very difficult to access project finance for capital intensive private projects. Therefore, lack of Government guarantees was a challenge to securing financing for hydropower projects in Zambia.

That view was backed by the case study by Saxena and Kumar (2010) were they established that hydropower development through the private sector in India only saw success after the Government of India started giving Guarantees to the private developers. However, the question that begged to be answered was whether Zambia had such kind of finances and whether it was willing to spend it on developing hydropower projects at the expense of other developmental projects.

**Sharing of project unlimited risks like geological and hydrological risks**

100% of the projects at the financing mobilisation stage requested Government to assume part or all of the unlimited risks associated with the projects. The government only assumed Geological risks and other risks for two projects, namely HP-01 and HP-13. Because of that, only these two projects secured financing. Fight (2006) argued that Government was the party among all other project stakeholders that was best suited to assume unlimited risks in projects because of its ability to absorb financial losses. Developers and Lenders could only handle risks to a certain extent, depending on the scope of financing that was available for their project. Hydro projects in Zambia were no exceptions and therefore government’s inability to assume those unlimited risks was a challenge to securing financing for the projects. (Rabin, 2007).

However, it should also be noted that Government had limited funding to enable it backstop the stated unlimited risks. It was therefore a matter of weighing the importance of the projects versus other Government obligations in the country. It was difficult for Government to assume the unlimited risks associated with potentially all the thirteen hydropower projects being developed since that called for availing huge sums of money for the projects.

**Level of electricity tariff, whether higher or lower than regulated tariff**

All the projects at the financing mobilisation stage had indicative tariffs that were higher than the regulated tariff of Zambia that were not cost reflective. Project finance demanded that the project
should be done at economic levels to enable it repay the debts through the cash flows it generated. Therefore, the lenders expected the project to be economically viable for them to provide the funding. (Fight, 2006)

Lack of cost reflective tariffs in Zambia made it difficult for the private developers to source a direct market for the power produced and to run the project at favourable economic levels. Thus, the state utility remained the most preferred off taker for the private developers since tariffs from new hydropower projects were higher than the regulated tariffs in the country. Electricity customers naturally prefer to buy the cheaper power from the state utility and thus, forcing new hydropower developers to want to sell their power to the state utility as well.

It could thus be argued that the tariff levels were another challenge in securing financing for hydropower projects in Zambia.

**Power off-taker for the project i.e. state utility or private buyer**

All Five (5) projects that were sampled wanted the state utility to be the off taker of the electricity to be produced from their projects. Project HP-01 and HP-13 had the state utility (ZESCO Ltd) as the off-taker of the power. On the contrary, Project HP-03 and HP-05 had not yet confirmed the off-taker while project HP-06 had a private off-taker.

Government has taken a position that the developers should independently procure an off taker for their power, who should not necessarily be the state utility. That was because it was not possible for the state utility to off take all power from all the thirteen hydropower projects.

The project developers preferred selling their electricity to the state utility rather than other private off takers like large manufacturing industries and mining companies because: (1) The state utility was owned by Government and therefore it would be easier for private developers to obtain support for the project inform of guarantees and escrows; (2) State utilities could enter into longer term PPAs with the developers unlike shorter term PPAs with other businesses; (3) The national tariffs were below cost reflectivity, that made it difficult for the developer to sell power directly to other private off takers as theirs were generally higher than the approved national tariff; and (4) The state utility owned the transmission facilities in Zambia and therefore the developers felt more secure to sell their power to the state utility rather than competing with it for use of the grid.

**Provision of escrow arrangements by the off-taker**

All the sampled projects demanded for the off-taker to make escrow arrangements in order to secure payments on the PPA. The off taker for project HP-01 and HP-13, namely the state utility, established escrow arrangements for PPA payments. Projects HP-03, HP-05 and HP-06 had no escrow arrangements and could not secure project financing.

An agreed amount of funds could be held in the escrow account by a third party until the payment obligations to the developer or lenders were met. That means the off taker needed always to have funds available in that account to act as security in case of failure to meet its payment obligations to the developer under the PPA. It was very difficult for a private off taker to establish an escrow account to secure PPA payments for the lenders because it required a lot of finances. It was much easier for the off taker – ZESCO Ltd because of government backing.

The arrangement also tended to limit the cash flows of the off-takers as it forced them to lock huge amounts of money in an account instead of re-investing it. The opportunity cost for establishing an escrow account was very high. Therefore, even though it was acceptable practice in non-recourse financing of projects to establish escrow arrangements to secure finance repayments, it was not encouraged because of the losses due to opportunity cost. Thus, lack of escrows was also a challenge to secure financing for hydropower projects in Zambia.

**Efforts made by government to promote private investment in hydropower projects in Zambia**

The Government of the Republic of Zambia had made huge strides in trying to develop the Electricity Supply Industry (ESI) since the dawn of the 90s. After realising that it could not manage to implement such developments by itself, laws and policies were passed and amended to ensure that the
electricity sector was liberalised so that private developers could participate in those developments. Table1.5 showed the list of some of those efforts made in the past 20 years by government based on data from the respondents interviewed from some government institutions.

The notable achievements that had been recorded since the liberalisation of the ESI were that several private investors had shown interest to invest in Zambia’s electricity sector as evidenced by the records at OPPPI. Over 19 private project developers had come to invest in the hydropower sector in Zambia.

Despite making progress in the initial stages of development like pre-feasibility stage, planning stage and detailed feasibility study stage, projects tended to stall once they reached the crucial stage of finance mobilisation for the reasons raised by the lenders regarding guarantees, escrows and risk sharing.

While the Zambian government created conducive environment for developing projects, they did not necessarily protect the investment from unforeseen occurrences like adverse geological risks during construction or prolonged droughts once the hydropower project was operational.

The Figure below illustrated the financing gaps in terms of a typical project financing model based on the findings related to the conditions under which IPPs were being developed.

**Typical simplified project financing structure for IPP projects in Zambia illustrating the gaps which hinder financial closure**

![Diagram](image)

**Figure 1**

**Sources: Tables 1 to 5**

**Conclusions of findings**

Firstly, the developers that were issued Government Guarantees successfully secured financing for implementing the projects unlike those that were not given the guarantees. Therefore, lack of Government Guarantees was a challenge for private project developers in securing financing for hydropower projects development in Zambia.

Secondly, the projects for which Government assumed part or all of Geological and Hydrological risks managed to secure financing for project implementation unlike the projects were government did not assume both of these unlimited risks. Thus, inappropriate sharing of the unlimited risks, namely geological and hydrological risk, between government and the developer was a challenge in securing financing for hydropower projects implementation in Zambia.

Thirdly, the projects for which the off-taker had established escrow arrangements had successfully secured financing for project implementation contrary to the ones whose off-taker had not established escrow arrangements. A lack of escrow arrangements between the project off-taker and the developer was a challenge in securing financing for hydropower projects implementation in Zambia.
Fourthly, the projects whose off-taker was the state utility had managed to secure financing for implementing the projects unlike those whose off-taker was either private or not confirmed. The inability to sell power directly to private off-takers economically was a challenge in securing finance for hydropower projects implementation in Zambia.

Lastly, only PPP projects had secured financing for projects implementation and none of the IPP projects had successfully secured financing. Therefore the mode of development for hydropower projects also influences whether or not financing would be secured for implementation of the projects.

Implications

If nothing was done to address the challenges faced by private developers in securing financing for hydropower projects in Zambia, several implications would result. First and foremost, Zambia would be unable to develop its hydropower potential for its benefit as seen for the past 21 years. The country would fail to secure the necessary funding for developing the projects through the private sector. It should be noted that lenders wished to invest in countries that possessed the least risks and were most profitable. Therefore, Lenders took that into consideration and Zambia had to compete for funding with other countries requiring similar development.

The other implication of failing to secure financing for the hydropower projects would be that the power deficit that has been experienced in Zambia and the region would not be resolved. That means that load shedding would actually increase because infrastructure development was still coming up in Zambia and electricity was required.

The third implication would be the challenges of economic growth due to lack of investment in the energy sector. It was important to note that some industries in Zambia were unable to be established because of lack of affordable electricity in the country. Therefore some industries could only be unlocked if investment was first done in the energy sector. The cost of not developing the hydropower projects was much higher than the cost of guaranteeing those projects because of the potential of economic growth.

Unemployment was another implication due to failure to secure financing for implementing the hydropower projects. Developing these projects requires a lot of manpower and thus such projects could be a stable source of employment for the many citizens. Therefore, securing financing for these projects would reduce the rates of unemployment.

Recommendations

To resolve these impediments, the following recommendations were made

1. Hydropower projects in Zambia should be developed as Public Private Partnerships in which Government owns 20-30% equity shareholding in order for the projects to have inherent government support which was required for securing project financing.
2. Government should issue guarantees, namely credit enhancement guarantees and political risk guarantees, to protect foreign direct investments against political and non-commercial risks for hydropower projects in Zambia. That could be done by engaging the Multilateral Investment Guarantee Agency (MIGA) or other similar organisations like SADC and COMESA to provide funding.
3. Government should assume the hydrological risks for both private and public hydropower project developers to cover the operational life of the plant. That could be done by Government and the private developer agreeing on minimum average hydrological flows that would trigger financial relief from government for the hydropower projects to help meet their financing obligations;
4. Government should assume geological risks for both private and public hydropower project developers particularly during the construction period of the project.
5. Electricity tariffs in Zambia should be raised to cost reflective levels to enable free trading at economic prices of electrical power among various parties. That should be done gradually to avoid tariff shock in the economy.
6. A study should be done to establish the best mode of development for hydropower projects in Zambia with focus on PPP models.
Based on the findings and recommendations of the study, the project financing model shown in Figure below was proposed to enable address the challenges and enable the hydropower projects secure financing in Zambia:

**Proposed basic project financing model for hydropower projects being developed by private developers in Zambia.**

---

**Figure 2**

Sources: Tables 1 to 5

**References**

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Impact of Small and Medium Scale Enterprises in the Generation of Employment in Nepal

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Abstract

For an underdeveloped nation uplifting economy is a challenge. Raising economy in such context must have accelerated growth and development that improves quality of life. Small and medium scale enterprises are provisions for fast growth and fulfillment of economic prosperity by any nation. The economic reform in the early 1990s in Nepal pulled the attention of the private and joint investment to seek the financial sector. National development strategies, the strategies towards poverty reduction of individual member countries should underline the importance of commercial sector promotion. In this research the total of 200 copies of the questionnaires to be administered. The instruments to be used are gathering information for this study includes questionnaires and interview. Two different statistical methods are to be employed to analyze data for the study. The tools are simple percentage and chi square test. The results of the study reveal that the most common constraints hindering small and medium scale business growth in Nepal are lack of financial support, poor management, corruption, lack of training and experience, poor infrastructure, insufficient profits, and low demand for product and services. SMEs expansion boosts employment more than large firm growth because SMEs are more labour intensive thereby subsidizing SMEs may represent a poverty alleviation tool, by promoting SMEs and individual countries and the international community at large can make progress towards the main goal of halving poverty. Entrepreneurial development is therefore important in the Nepalese economy which is characterised by the following heavy dependence on agricultural production, high unemployment, low utilization of industrial capacity, high inflation rate, and lack of industrial infrastructural base.

Key words: Youth, Employment, Economic growth, Small and medium enterprises

Definition of keywords

Youths

Youth is the time of life when one is young and often means the time between childhood and adulthood. It is also defined as "the appearance, freshness, energy, spirit, etc., characteristic of one who is young."

Employment

Employment is a relationship between two parties, usually based on a contract where work is paid for, where one party, which may be a corporation, for profit, not-for-profit organization, co-operative or other entity is the employer and the other is the employee. Employees work in return for payment, which may be in the form of an hourly wage, by piecework or an annual salary, depending on the type of work an employee does or which sector she or he is working in.

Economic growth

Economic growth is an increase in the production of economic goods and services, compared from one period of time to another. It can be measured in nominal or real (adjusted for inflation) terms. Traditionally, aggregate economic growth is measured in terms of gross national product (GNP) or gross domestic product (GDP), although alternative metrics are sometimes used.
Small and medium enterprises

Small and medium-sized enterprises (SMEs) or small and medium-sized businesses (SMBs) are businesses whose personnel numbers fall below certain limits. The abbreviation "SME" is used by international organizations such as the World Bank, the European Union, the United Nations and the World Trade Organization (WTO).

Introduction

Economies of developing and transition economies, harmony among policy makers, economists, development partners that of small and medium enterprises (SMEs) are a potent factor for the industrial growth and economic development. In advancement of new technologies in the competitive world the processes of globalizing to meet the standards internationally and liberalizing, both processes combined with fast growth advancement in information technology and communication techniques creating new variation of production, enterprise development and internationally competitive. Evidences show that in regions or economies where enterprises have been actively helped the poverty rates have declined. This is especially applicable for Asia more precisely Indian sub-continent. Economic growth is fast in the region of youthful confident population. It is thus believed that Nepal through its young population has great expectation designed to meet the needs of economic growth. Nepal shares much in common with India in that they being supplied with a young energetic population. Youth entrepreneurship has vitally got primary expected to the strong rate of youth unemployment situation in Nepal. Recent experiences in Nepal with the high rate of child labour, involvement in violent crimes such as armed robbery and political gang fights, drugs trafficking and human trafficking are all side effects of unemployment.

Methods

Design and setting of study

The primary objective of this study was to establish the impact of small and medium scale enterprises on employment creation and the role of this on sustainable development of the Nepalese economy. Sample survey research on unemployed youths of Tokha municipality

Sampling design and procedure

It is practically impossible to study all the unemployed youths and small and medium manufacturing and services enterprise owners in Tokha municipality, the technique adopted is random sampling technique to select samples adopted for this study. A total number of 200 samples are to be selected for this study. 200 questionnaires are administrated to them so as to solicit the needed data.

Nature and sources of data

Due to the nature of this study, primary data appropriate for this study. The source for data, both questionnaire and interview are adopted.

Impact of small and medium scale industries

Foreign Currency Earnings: small and medium scale industries are good means of foreign currency earnings. The amount of export is increasing constantly. So that we can say that it provides foreign currency in a reliable way.

It earns foreign currencies and reduces the trade deficit. Export based form creates the employment opportunities.

Baseline characteristic questionnaires are listed in table below

<table>
<thead>
<tr>
<th>S/N</th>
<th>Questionnaire</th>
<th>Administered</th>
<th>Frequency</th>
<th>Percentage</th>
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<td>Returned</td>
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<td>80</td>
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<tr>
<td>2</td>
<td></td>
<td>Unreturned</td>
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<td>Total</td>
<td></td>
<td></td>
<td>200</td>
<td>100</td>
</tr>
</tbody>
</table>
Interpretation

Data collected through the questionnaires distributed and retrieved in order to ascertain if small and medium scale enterprises and employment generation are related in the Nepalese economy. The responses were collected and chi-square method.

A total of two hundred copies of the questionnaires was administered out of which one hundred and sixty copies representing eighty percentage of the questionnaire were properly completed and retrieved while forty copies representing twenty percentage were not retrieved. Socio economic questions posed to the respondents and discussion of data analysis of responses from the one hundred and sixty responses that were properly filled, completed and retrieved through the research instruments adopted.

<table>
<thead>
<tr>
<th>Feature</th>
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<th>Frequency</th>
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<tr>
<td>Sex</td>
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</tr>
<tr>
<td>Female</td>
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<td>112</td>
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</tr>
<tr>
<td>male</td>
<td>2</td>
<td>48</td>
<td>30</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>160</td>
<td>100</td>
</tr>
</tbody>
</table>

Interpretation

Table 2 shows that one hundred and twelve respondents representing seventy percentage of the sample size were females while forty-eight respondents representing thirty percentage of the sample size were males. Thus, majority of the respondents were females.

<table>
<thead>
<tr>
<th>Feature</th>
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<th>Frequency</th>
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<td>Age</td>
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<td>Below 25Years</td>
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<td>25-35Years</td>
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<td>63</td>
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<td>36-45Years</td>
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<td>1</td>
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<td>100</td>
</tr>
</tbody>
</table>

Interpretation

Table 3 above shows that twenty-six respondents representing 16% of the sample size were of the age group below 25 years, 100 respondents representing 63% of the sample size were of the age group 25-35 years, 32 respondents representing 20% of the sample size were of the age group 36-45 years while option above 45 years attracted 2 respondent representing 1% of sample size. Thus, majority of the respondents were of the age group 25-35 years.

<table>
<thead>
<tr>
<th>Feature</th>
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<th>Frequency</th>
<th>Percentage</th>
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<td>Divorced/Separated</td>
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<td>Widow/Widower</td>
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<td>-</td>
</tr>
<tr>
<td>Total</td>
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<td>160</td>
<td>100</td>
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</tbody>
</table>

Interpretation

Table 4 shows that seventy 76 respondents representing 48% of the sample size were singles, 84 respondents representing 52% of the sample size were married while other options made available in the question attracted no respondent. Thus, majority of the respondents were married.
Table 5. Education status

<table>
<thead>
<tr>
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<th>Code</th>
<th>Frequency</th>
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<tr>
<td>below slc</td>
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<td>36</td>
<td>23</td>
</tr>
<tr>
<td>Intermediate</td>
<td>3</td>
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<td>25</td>
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<tr>
<td>Bachelors</td>
<td>4</td>
<td>70</td>
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<tr>
<td>Professionals</td>
<td>5</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>160</td>
<td>100</td>
</tr>
</tbody>
</table>

**Interpretation**

Table number 5 shows that 10 respondents representing 6% of sample size were illiterate, 36 respondents representing 23% sample size were educated below school leaving level, 40 respondents representing 25% were educated till intermediate level, 70 respondents representing 44% were educated till bachelors’ level, 4 respondents representing 2% were professionals. Thus, majority of respondents were educated up to bachelors’ level.

Table 6. Years in service

<table>
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<td>Less than 5 Years</td>
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<td>80</td>
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<tr>
<td>5-10 Years</td>
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<td>24</td>
<td>15</td>
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<tr>
<td>11-15 Years</td>
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<td>5</td>
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<td>16-20 Years</td>
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<td>Above 20 Years</td>
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<tr>
<td>Total</td>
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<td>160</td>
<td>100</td>
</tr>
</tbody>
</table>

**Interpretation**

Table 6 above shows that 128 respondents representing 80% of the sample size have been on the job for less than five years, sixteen 24 respondents representing 15% of the sample size have been on the job for a period of 5-10 years, 5 respondents representing 4% of the sample size have been on the job for a period of 11-15 years, 3 respondent representing 2% of the sample size has been on the job for a period of 16-20 years while option 20 years and above attracted no respondent. Thus, majority of the respondents have been on the job for less than five years.

Table 7. Accelerated economic growth and development and quality of life

<table>
<thead>
<tr>
<th>SME’s</th>
<th>Code</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
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<td>Accelerated economic growth and development and quality of life</td>
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<td>Strongly Agree</td>
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<td>Agree</td>
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</tr>
<tr>
<td>Undecided</td>
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<tr>
<td>Disagree</td>
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<td>11</td>
</tr>
<tr>
<td>Strongly Disagree</td>
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<td>160</td>
<td>100</td>
</tr>
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</table>

**Interpretation**

Table 7 above shows that 48 respondents representing 30% of the sample strongly agreed, 48 respondents representing 30% of the sample agreed, 32 respondents representing 20% of the sample undecided, 18 respondents representing 11% of the sample while another 14 respondents representing 9% of the sample strongly disagreed with the statement. Thus, a majority of the respondent agreed with the statement.
Table 8. Contribute to global economic growth and development.

<table>
<thead>
<tr>
<th>SME’s</th>
<th>Code</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribute to global economic growth and development.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>1</td>
<td>70</td>
<td>44</td>
</tr>
<tr>
<td>Agree</td>
<td>2</td>
<td>74</td>
<td>4</td>
</tr>
<tr>
<td>Undecided</td>
<td>3</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Disagree</td>
<td>4</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>5</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>160</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Interpretation

Table 8 above shows that 70 respondents representing 44% of the sample strongly agreed, 74 respondents representing 46% agreed, 8 respondents representing 5% of the sample undecided, 5 respondents representing 3% of the sample size disagreed while 3 respondents representing 2% of the sample strongly disagreed with the statement. Thus, majority of the respondent were agreed with the statement.

Table 9. The role of enabling environment on sustainable employment generation should be alike

<table>
<thead>
<tr>
<th>SME’s</th>
<th>Code</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>The role of enabling environment on sustainable employment generation should be alike</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>1</td>
<td>36</td>
<td>23</td>
</tr>
<tr>
<td>Agree</td>
<td>2</td>
<td>24</td>
<td>15</td>
</tr>
<tr>
<td>Undecided</td>
<td>3</td>
<td>74</td>
<td>46</td>
</tr>
<tr>
<td>Disagree</td>
<td>4</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>5</td>
<td>18</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>160</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Interpretation

Table 9 above shows that 36 respondents representing 23% of the sample strongly agreed, 24 respondents representing 15% agreed, 74 respondents representing 46% of the sample undecided, 8 respondents representing 5% of the sample size disagreed while 18 respondents representing 11% of the sample strongly disagreed with the statement. Thus, a majority of the respondent were undecided about the question.

Table 10. Youth encouraged for entrepreneurial spirit

<table>
<thead>
<tr>
<th>SME’s</th>
<th>Code</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>The youth should be encouraged to develop and nurture entrepreneurial spirit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>1</td>
<td>74</td>
<td>46</td>
</tr>
<tr>
<td>Agree</td>
<td>2</td>
<td>40</td>
<td>25</td>
</tr>
<tr>
<td>Undecided</td>
<td>3</td>
<td>38</td>
<td>24</td>
</tr>
<tr>
<td>Disagree</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>5</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>160</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Interpretation

Table 10 above shows 74 respondents representing 46% of sample size strongly agreed, 40 respondents representing 25% of sample size agreed, 38 respondent 23 respondents representing 19% of the sample undecided, 3 respondents representing 2% of the sample size disagreed while 5 respondents representing 3% of the sample strongly disagreed with the statement. Thus, a majority of the respondent strongly agreed with the statement.
Table 11. Sustainable employment generation solve socio-economic problem inherent in national economy of Nepal

<table>
<thead>
<tr>
<th>SME’s Code</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>1</td>
<td>84</td>
</tr>
<tr>
<td>Agree</td>
<td>2</td>
<td>61</td>
</tr>
<tr>
<td>Undecided</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Disagree</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>160</td>
<td>100</td>
</tr>
</tbody>
</table>

Interpretation

Table number 11 above shows that 84 respondents representing 52% of the sample strongly agreed, 61 respondents representing 38% agreed, 10 respondents representing 6% of the sample undecided, 5 respondents representing 4% of the sample size disagreed no one strongly disagreed in the statement. Thus, majority of the respondent strongly agreed with the statement.

Table 12. Entrepreneurship reduces poverty and improve standard of living

<table>
<thead>
<tr>
<th>SME’s Code</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>1</td>
<td>64</td>
</tr>
<tr>
<td>Agree</td>
<td>2</td>
<td>38</td>
</tr>
<tr>
<td>Undecided</td>
<td>3</td>
<td>29</td>
</tr>
<tr>
<td>Disagree</td>
<td>4</td>
<td>19</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>160</td>
<td>100</td>
</tr>
</tbody>
</table>

Interpretation

Table above shows that 64 respondents representing 40% of the sample strongly agreed, with the statement, 38 respondents representing 24% agreed, 29 respondents representing 18% of the sample undecided, 19 respondents representing 12% of the sample disagreed while 10 respondents representing 6% of the sample strongly disagreed with the statement. Thus, a majority of the respondents strongly agreed with the statement.

Table 13. Youth employment reduces social vices in an economy

<table>
<thead>
<tr>
<th>SME’s Code</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>1</td>
<td>84</td>
</tr>
<tr>
<td>Agree</td>
<td>2</td>
<td>61</td>
</tr>
<tr>
<td>Undecided</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Disagree</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>160</td>
<td>100</td>
</tr>
</tbody>
</table>

Interpretation

Table 13 above shows that 84 respondents representing 52% of the sample strongly agreed, 61 respondents representing 38% agreed, 10 respondents representing 6% of the sample undecided, 5 respondents representing 4% of the sample size disagreed while none of the respondents strongly disagreed with the statement. Thus, majority of the respondents agreed with the statement.
Entrepreneurship can promote industrial and technological growth

<table>
<thead>
<tr>
<th>SME’s</th>
<th>Code</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurship can promote industrial and technological growth</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>1</td>
<td>35</td>
<td>22</td>
</tr>
<tr>
<td>Agree</td>
<td>2</td>
<td>32</td>
<td>20</td>
</tr>
<tr>
<td>Undecided</td>
<td>3</td>
<td>31</td>
<td>19</td>
</tr>
<tr>
<td>Disagree</td>
<td>4</td>
<td>30</td>
<td>18</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>5</td>
<td>32</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>160</td>
<td>100</td>
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</tbody>
</table>

**Interpretation**

Table 14 above shows that 35 respondents representing 22% of the sample strongly agreed, 32 respondents representing 20% agreed, 31 respondents representing 19% of the sample undecided, 30 respondents representing 18% of the sample size disagreed while 32 respondents representing 20% of the sample strongly disagreed with the statement. Thus, majority of the respondents agreed with the statement.

Promotion of SMEs and improvement in employment generation are related

<table>
<thead>
<tr>
<th>SME’s</th>
<th>Code</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotion of SMEs and improvement in employment generation are related</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>1</td>
<td>56</td>
<td>35</td>
</tr>
<tr>
<td>Agree</td>
<td>2</td>
<td>58</td>
<td>36</td>
</tr>
<tr>
<td>Undecided</td>
<td>3</td>
<td>13</td>
<td>8</td>
</tr>
<tr>
<td>Disagree</td>
<td>4</td>
<td>16</td>
<td>10</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>5</td>
<td>18</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>160</td>
<td>100</td>
</tr>
</tbody>
</table>

**Interpretation**

Table 15 above shows that 56 respondents representing 35% of the sample strongly agreed, 58 respondents representing 36% agreed, 13 respondents representing 8% undecided, 16 respondents representing 10% of the sample disagreed while 18 respondents representing 11% of the sample strongly disagreed with the statement. Thus, a majority of the respondents agreed with the statement.

The economy depends on its working population for economic growth and development

<table>
<thead>
<tr>
<th>SME’s</th>
<th>Code</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>The economy depends on its working population for economic growth and development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>1</td>
<td>64</td>
<td>40</td>
</tr>
<tr>
<td>Agree</td>
<td>2</td>
<td>58</td>
<td>36</td>
</tr>
<tr>
<td>Undecided</td>
<td>3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Disagree</td>
<td>4</td>
<td>22</td>
<td>14</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>5</td>
<td>16</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>160</td>
<td>100</td>
</tr>
</tbody>
</table>

**Interpretation**

Table 16 above shows that 64 respondents representing 40% of the sample strongly agreed, 58 respondents representing 36% agreed, none were undecided, 22 respondents representing 14% of the sample disagreed while 16 respondents representing 10% of the sample strongly disagreed with the statement. Thus, a majority of the respondents strongly agreed with the statement.
Table 17. The youth can enhance sustainable development of the Nepalese economy

<table>
<thead>
<tr>
<th>SME’s</th>
<th>Code</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>The youth can enhance sustainable development of the Nepalese economy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>1</td>
<td>80</td>
<td>50</td>
</tr>
<tr>
<td>Agree</td>
<td>2</td>
<td>48</td>
<td>30</td>
</tr>
<tr>
<td>Undecided</td>
<td>3</td>
<td>16</td>
<td>10</td>
</tr>
<tr>
<td>Disagree</td>
<td>4</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>5</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>160</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

**Interpretation**

Table 17 above shows that 80 respondents representing 50% of the sample strongly agreed, 48 respondents representing 30% agreed, 16 respondents representing 10% of the sample were undecided, 8 respondents representing 5% of the sample disagreed while 8 respondents representing 5% of the sample strongly disagreed with the statement. Thus, a majority of the respondents agreed with the statement.

**Figure 1.** Employment in small and medium scale enterprises

The growth of employment can be clearly seen in the figure 1. Employment in small and medium scale enterprises has played vital role in national economy.

**Figure 2.** Employment generation in small and medium scale enterprises

Figure 2 shows employment generation in small scale enterprises is more than medium scale enterprises.
Figure 3. Percentage of enterprises engaged in service and manufacturing sector

Manufacturing enterprises are large in number than service sectors as shown in figure 3.

Table 18. Challenges and opportunities of small and medium scale industries

<table>
<thead>
<tr>
<th>Challenges faced by small and medium scale industries</th>
<th>Opportunities in small and medium scale industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Little developed markets for many products and high price fluctuations</td>
<td>Growing international and domestic market demand</td>
</tr>
<tr>
<td>Many producers with small quantities of products receive only a small portion of the total revenue.</td>
<td>Income and employment opportunities.</td>
</tr>
<tr>
<td>Lack of market information such as product prices and available volumes and projections of future supply and demand</td>
<td></td>
</tr>
<tr>
<td>Lack of marketing knowledge and skills amongst traders</td>
<td>Availability of external support</td>
</tr>
<tr>
<td>Limited access to information and technology for product development</td>
<td></td>
</tr>
<tr>
<td>Lack of marketing infrastructure</td>
<td></td>
</tr>
<tr>
<td>Lack of branding, certification and recognized standards for Nepali products to ensure that products are produced organically, traded fairly, and environmentally sustainable</td>
<td>Conducive forestry policies</td>
</tr>
</tbody>
</table>

Discussion

Analyses of the research statement reveal that small and medium scale enterprises are strategic to attainment of economic prosperity objective of the nation. For an economy to live up to expectation in the committee of nation’s development wise, such economy must achieve accelerated economic growth and improves quality of life. The economic growth and development depend on its working population for economy in which the youths constitute greatest percentage and this further establishes the reason why the youth should be encouraged to be employed. The youth must be encouraged to develop and nurture entrepreneurial spirit since entrepreneurship reduces poverty and improves standards of living. The youth can enhance sustainable development of the Nepalese economy. The hypotheses tested reveal that small and medium scale enterprises and growth of the Nepalese economy.
Aromatic countries.

Business

Nigeria.

Press. Company

Dhading,

Bioresearches,

of

reassessing R.

References

helped support, valuable research

Acknowledgement

I express my deep sense of gratitude and profound thanks to all individuals and institutions that have kindly and generously extended their support and help in accomplishing this report.

I am highly indebted to Tokha municipality for providing me such an opportunity to conduct research as fulfillment of MBA program. I am grateful to my research guide Mr. Suman kafile for his valuable guidance, supervision and constructive feedback during the study period. Without his proper guidance, meticulous advice and approval, this study would not get its real position.

I express my heartfelt thanks to my coordinator, mentors, professors and entire TAU family for the support, encouragement at last but not the least. I owe a deep debt of gratitude to all those who have helped me directly and indirectly and also would like to apologize if any names of helping hands without whom I would have not succeeded.

References


Towards Designing Attractive Packages for Processed Plantain Chips in Ghana: the Consumers Prospective

Article by Elijah Afeliga
Texila American University
E-mail: afeliga2@yahoo.com

Abstract

Packaging has a crucial role to attract consumer, force them to choose the product and act as a brand communication vehicle. Growth centres for packaging are shifting, with Africa destined to surpass India and China as its population grows, says World Packaging Organization (WPO) President Tom Schneider.

Africa has the most arable land suited to farming of any continent, meaning that with the right packaging and supply chain knowledge, and achieving population forecasts for 2050, African countries should be able to export across the globe.

The point of focus is how to identify the elements of a package design that affect consumer’s perceptions about products and brand such as plantain chips.

In this study, data was collected through questionnaires that covered areas such general perception on packaging features specific to plantain chips packages which included size, labelling, colour, shape, material, price, and environmental degradation. The research seeks to identify the ideal features of a package for plantain chips processed in Ghana from the viewpoints of its consumers. This is to enable packaging designers incorporate these features in their designs with the view of creating cost effective packages for plantain chips in Ghana.

The research findings identified size, labelling, colour, shape, material, price, and environmental degradation effects as key features manufacturers and packaging designers are to take into consideration in creating packaging designs for plantain chips.

Key words: Packaging, Plantain chips, Design, Processing

Introduction

The manufacturing industry places a vital role in the economic, social, and physical development of any country. It serves as the engine of growth of any economy. Its contribution cannot therefore be underestimated. The purpose of the manufacturing industry to the largest extend produces goods that meet and or exceed the needs of the customers.

In Ghana, manufacturing is an important contributor of its gross domestic product (GDP). About 25000 firms are registered of which it provides employments for an estimated workforce of over 250,000 people. More than 80% of them are small size enterprises with less than 50 employees some of these manufacturing firms help reduce post-harvest loses in Ghana’s agricultural sector by processing this agricultural produce. Plantain chips are one of these products processed in Ghana by small scale enterprises. They are prepared by frying round slices of unripen or slightly ripened plantain pulp in vegetable oil. The plantain chips prepared in this way and packed in plastic sachets or in hermetic aluminium sachets to stay crispy and conserve all their quality for more than 4 months at room temperature and away from light according to J. Tchango et. al (1999).

J. Tchango Tchango et. al (1999) explained that the production and marketing of plantain chips in Africa (Cameroon, Nigeria, Ghana, and Côte d’Ivoire) is principally a feminine activity, which has greatly developed these past years. They are generally eaten as snack food. These industrial or semi-industrial units use various equipment making it possible to mechanise certain activities in the production chain.

Food and industrial goods imports into Africa make up a significant share of the packaging market in the region. Rising demand for packaged foods, a need to keep costs down and investments in food processing are propelling the growth of packaging in the region.
Packaging has been identified as one of the major reasons for the failure of locally manufactured goods such as plantain chips to compete favourably with imported ones on both the domestic and international markets. This was contained in a statement read by the then Minister of Trade and Industry, Ms Hannah Tetteh, at the opening of a four-day regional packaging training programme organized by the International Trade Centre (ITC) and the Institute of Packaging Ghana (IOPG) with sponsorship from the European Union (EU) in 2013.

Chaudhary (2014) in his paper ‘The Role of Packaging in Consumer’s Perception of Product Quality’ said in the ever-increasing competition of today’s world market the requirement for effective product promotion is crucial, and the product packaging has return to play a lot of vital role as a complete communication vehicle. He quoted Panwari (2004) as saying that today, just about all goods that square measure factory-made or processed need some packaging in some part of their production or distribution; Packaging choices square measure to be thought-about in early selling plans as associate integral part of the entire selling strategy. He also quoted Schoell (1985) as having said that Packaging is a vital integrative side of the merchandise and infrequently a vital think about the success or failure of a given product. He concluded by citing (Berkowitz et al., 1989) haven said that the packaging part of a product refers to any instrumentation within which it is offered for sale and on that information is communicated

Packaging should therefore be consistent with the product’s advertising, valuation and distribution. Corporations typically contemplate many completely different package styles for a new product. To pick out the most effective package, corporations typically check varied styles to search out the one that stands up best under traditional use, best for dealers to handle and receives the foremost favourable consumer’s response (Lu et al., 2007).

However, in Ghana, most of the times, the views of consumers are not normally considered before the creation of packages for products. The decision basically falls in the hands of the manufacturers who decides how a package should look or appear or best for dealers to handle. Currently, most plantain chips are packaged in transparent film closed with staple pins without any inscription on them with the view that they are reducing packaging cost and hence the overall production cost is reduced. Pienaar (2015) however, is of the view that there is probably no other area of packaging less understood than cost. Although many organizations calculate the cost of the package material itself as the total cost, the true cost is, in reality, the total cost of the entire packaging system involved. A simple replacement of one component of a packaging material for a less expensive one may not be a true reduction, and vice-versa. The question to be asked is, “How will the change affect the entire packaging system, and ultimately increase (or decrease) sales and/or profits?” (Pienaar, 2015).

Obeesi (2004) in her Phd thesis, emphasized that every developing country such as Ghana should put in place policies and programmes to ensure that home grown products conquer the local market. The multiple effects of such a move cannot be over emphasized. She added that the revenue from production stays in the country, the tax-net is widened which means more taxed revenue for development projects. It is worth acknowledging, however, the fact that most Made-in Ghana products have not succeeded in conquering the local market, let alone the international market. Nevertheless, the common reasons given for the low patronage of Made-in-Ghana products is that, they are just not attractive (i.e., do not appeal to the consumers’ aesthetic senses) according to Obeesi (2004). Hence, local consumers have a perception that the packaging of Made-in-Ghana products does very little to promote the products.

It is therefore important that the views of the customers should be taken into consideration when designing these packages. This research in the nutshell seeks to identify the ideal features of a package for plantain chips processed in Ghana from the view points of the consumers. This is to enable packaging designers incorporate these features in their designs with the view of creating cost effective packages for plantain chips in Ghana.

**Literature review**

**Definition of packaging**

Packaging has been defined by numerous writers probably because of its perceived numerous functions. Soroka (1996) described packaging as a coordinated system of preparing goods for transport,
distribution, storage, sale, and use. He went further to state that, it is a complex, dynamic, scientific, artistic, and controversial business function, which in its most fundamental form contains, protects/preserves, provides convenience, and informs/sells, within acceptable environmental constraints. William and Weilbercher (1979) defined packaging as, ‘A broadcast commercial opportunity offered for sale at a particular time for a particular price’. Hanlon (1971) also attempted to define packaging as: ‘In its more familiar forms, it is the box on the grocers’ shelf and the wrapper on a candy bar. It can also be the crate around a machine or a bulk container for chemicals. It is an art and sciences…’- Hanlon (1971). Paine (1961) defined packaging as a means of ensuring the safe delivery of a product to the ultimate consumer in sound condition at the minimum overall cost.

**Functions of packaging**

From the above definition of packaging provided by the various researchers, it is clear that packages have various functions. (Adducci & Keller, 2008, p.13) summarized them by categorizing them into five reasons for packaging. They listed them as physiological, safety, belonging, esteem, and self-actualization.

They explained the physiological to mean the package contains all parts and documentation of use of product including ingredients, recipes and other fundamentals pieces. They went further to explain safety to mean the package protects the product as well as reduce theft or loses. Belonging is defined as the package presents the brand and product in a way that connects with a larger community with like-minded individuals making connection in between individual and community. Esteem is explained to mean the package delivers the confidence, competence and achievement of the brand and connects with the consumer through highly emotional methods while self-actualization is expressed to mean the package turns benefits to emotional rewards surrounding the brand and the experience of having the brand in a consumer’s life.

**Features of packages**

Pankratz(2012) listed 5 features that one’s product packaging must have to create a positive experience with the consumer.

**Creativity and uniqueness**

One must be creative and unique with one’s packaging. He explained that if one drives down the road and see a brown cow, and then another brown cow, and then more brown cows, one quits paying attention to the brown cows. But then one sees a purple cow and it captures one’s attention. One should therefore not be afraid to be different.

**Good use of imagery**

Good imagery is priceless in packaging. According to Pankratz(2012), People love to look at pictures that help relate themselves to the product. Selecting the right images to connect with the consumer is one of the most important elements in good product packaging.

**Product visibility**

Pankratz (2012) also pointed out that when possible, it is always a good idea to reveal some of the product to the consumer. Consumers feel more comfortable with their purchase if they can see at least some of the product.

**Keep it clean**

Some products do not need ten bullet points to describe the product. Using imagery over text is preferred for most packages. Use colours that contrast against your competitors. Adding more text on a package is not always better. Try to use words that reach into the emotions of the consumer. Unique fonts are a good way to enhance branding. Ensure that the font is legible and easy to read.

**Easy to open**

Pankratz(2012) advised that as manufacturers, we need to find that definitive balancing point between secure packaging and easy-to-open packaging. The consumer’s experience is not as pleasant
if they cannot easily open the packaging. There are new and innovative ways to have both security and easy opening features in the packaging. Ensure that your product is easy to open.

Materials for packaging

Materials Food packaging uses many different types of materials. Often several materials are combined to create food packaging; this method normally exploits each of the material’s functional or aesthetic characteristics (Marsh & Bugusu, 2007). How these two materials are combined helps to determine things like shelf life, product protection, and the packages insulation properties. Finding the ideal material or combination of materials helps to maintain product quality and freshness during storage, distribution, and consumption (Fellows & Axtell, 2002). Materials commonly used in food packaging include but are not limited to the following (Marsh & Bugusu, 2007)

1. Glass
2. Metals (aluminum, foils, laminates, tinplate, and tin-free steel)
3. Plastics
4. Paper and paperboards

Methodology

A closed ended questionnaire was administered amongst 100 individuals. The researcher asked the participants demographic details about age, and gender. 52% of the respondents were female while 48% were males. Almost all the respondents were young. The questionnaire was tested to determine its validity and reliability. It was finally modified before it was administered. The participants answered the questions pertaining to packaging elements and features and its influence on their mindset when purchasing plantain chips. A simple random sampling was used where all respondents have an equal chance of being chosen with a quantitative data analysis used to analyse the data.

Research findings

Packaging as a necessary part of a product

Respondents unreservedly agree that packaging is indeed a necessary part of a product. It is clear from their responses that every product should be packaged in any form.

Packaging helps in identifying the product

All respondents again agreed that packaging helps identify products. It is clear from their response that packaging help promote products. It is therefore clear that customers prefer packaged products to those that are not packaged.

Misleading packages

63% of the respondents are however of the view that some packages are sometimes misleading. Misleading packages can rather discourage customers from consuming such products in the near future.

Selection of products based on the advice of friends or family or based on their ages

76% of the respondents are of the view that they do not select products based on the advice from family and friends. 80% of these respondents are also of the view that neither will they select products based on their age.

General view on packages of products

73% of the respondents do not like the packages of local products generally. The packages did not satisfy their taste. This clearly indicates one of the reasons for the low patronize of locally produced products in Ghana.

Colourful packages for plantain chips

80% of the respondents are of the view that colourful packages for plantain chips matter to them and are likely to attract them to purchase those products as compared to those products packaged in non colourful packages.
Attractive shapes and adequate size

About 67% of the respondents prefer the packages of their plantain chips having attractive shape. However, it was not clear what type of shapes these pages should take. Other research could be done to ascertain the type of shapes customers prefer. They are also of the view that it has adequate size.

Labelling

90% of the respondents are of the view that labelling plays a key role when put on packages of plantain chips. It gives customers the composition or ingredients of the plantain chips of which are consuming. It also provides other key details such as date of expiry and manufacture which help customer determine whether a product could be consumed.

Modification of packages

83% of the respondents however are of the view that the packages of plantain chips should be modified from time to time to reflect the needs of customers.

Other uses of packages for plantain chips

88% of the respondents are of the view that they do not prefer using packages of plantain chips as containers at a later time. They desire to dispose them off after use immediately. It is therefore unwise to design packages with the notion that customers could prefer using them as containers at a later time.

Material is transparent

87% of the respondents are of the view that they prefer the packaging of the material for plantain chips been transparent. It makes them been able to see the actual products been sold. It is therefore important to consider the transparency nature of the material when designing packages for plantain chips.

Properly sealed and easily opened

76% of the respondents are of the view that they prefer the packages of plantain chips been properly sealed. Properly sealed products prevent the contamination of products in the package by impurities. However, 75% of the respondents desire their packages are easily opened any time they desire to consume plantain chips.

Environmental degradation

80% of the respondents are concern with environmental degradation when purchasing packaged plantain chips. Sometimes they find it difficult identifying places to dispose of the empty packages after consuming the products. This sometimes makes come customers stay away from consuming such products at certain times and places.

Price

89% of the respondents take into consideration the price of the product before purchasing a particular brand of plantain chips. It is therefore key when designing packages for plantain chips, to take into consideration the price at which the product will be sold as against the vital features incorporated on the package. Expensive features incorporated on packages are likely to increase the price of the commodity.

Conclusion

It is clear in the research that customers prefer products that are packaged. From the research, Ghanaians generally are not satisfied with the packages of locally produced products. It is therefore important that manufacturers and package designers listen to the voice of their customers and create packages that are cost effective.

It is shown in the research that customers of plantain chips will prefer that plantain chips are packaged with transparent material and labelled. They also prefer the package being colourful with attractive shape. It is their desire that the design of the package is modified from time to time. It should also be
properly sealed and easily opened. Generally, they dislike packages designed with the mindset that those packages could be used at a later time as containers. However, they will also take into consideration the price of the product and the effects of the package on the environment before purchasing any brand so in designing packaging products, designers consider using material that less expensive because expensive packaging products affects the price of the commodity on the market. If all these concerns are considered during package designing, designers are likely to produce cost effective packages for plantain chips.

All things been equal, it is anticipated that packages designed to suit the needs of the customers are likely to attract them to consume such products.

As more plantain chips are consumed, many more will be employed in both upstream and downstream of the supply chain. It could lead to an increase in revenue to the country as a whole from the payment of taxes by these organizations and individuals.

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Supplier Selection Strategy of a Business Organization

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Abstract

In the present global, highly competitive, dynamic and ever-growing market environment, Consumers have increasingly showed preference to fast service delivery of excellent and high quality yet economical products. This has led management of supply chain in Organizations to consider and adopt beneficial supplier selection strategies as important to the success of an efficient Supply Chain Management in Business Organizations. The supplier selection decision making process involves multiple criteria problem which includes both qualitative and quantitative factors. Sometimes a balance between the tangible and intangible factors is essential in selecting the best supplier. This paper provides a picture of a number of Models such as buying center model of Kotler and Armstrong, buy Grid of Patrick, Robinson, Fari and wind framework, Webster and wind, provide some techniques developed to deal with selecting and evaluating of Suppliers, different selection methods concerning supplier selection are discussed, and the advantages and disadvantages of selection methods with emphasis on the Analytic Hierarchy Process (AHP) and Supplier selection, qualitative and quantitative criteria, emerging issues of supplier selection and the solutions for these problems are summarized, maximize supply security, make profit and reduce costs. It also recommended that all business firms should constitute the buying center known as Decision Making Unit (DMU) of the purchasing decision.

Keywords: Supplier selection, Analytic Hierarchy Process (AHP), qualitative and quantitative criteria, Decision Making Unit (DMU).

Introduction

Supplier selection is no doubt one of the crucial components of the purchasing function of a firm (Florez-Lopez, 2007). It has been described as a strategic decision when the purchasing organization attempts to establish a long-term and win-win business relationship with its suppliers. Companies have become gradually more dependent on suppliers to supply goods and to deliver services which were formerly provided internally in order to specialize and concentrate on their core competencies. In the Supply Chain Management concept, a strategic, long-term cooperation in partnership between the buyer and the supplier should be reached to avoid wastage of resources within the logistics chain (Lasch and Janker, 2005), developing closeness and long-term relationships between buyers and suppliers is effective in helping the company to achieve “Just-In-Time” (JIT) production (Li et al., 1997) and with the increase in use of Total Quality Management (TQM) and Just-In-Time (JIT) concepts by a wide range of firms, supply Chain management is made effective.

Choosing the right method for supplier selection effectively leads to a reduction in purchase risk and increases the number of JIT suppliers and Total Quality Management production (TQM). Supplier selection is burden with a multiple criterion decision-making (MCDM) problem which is affected by several conflicting factors. Consequently, a purchasing manager must analyze the trade-off between the several criteria. MCDM techniques support the decision-makers (DMs) in evaluating a set of alternatives (Amid et al., 2006). Supplier selection problem becomes one of the most important issues for establishing an effective supply chain system. The purchasing manager must know a suitable method, then use the best method from the different types of methods to select the right supplier.

The main objective of supplier selection process is to reduce purchase risk and maximize overall value to the purchaser. Therefore, an identification of decision-making criteria together with the right supplier selection methods are the driving factors to determining a firm’s growth and competitiveness. Developing a proper supplier evaluation system has become a must in building an effective and
successful Supply Chain Management. The success of outsourcing activity is considered to be highly dependent on the successful selection of suppliers.

Therefore, selecting the right decision-making criteria paralleled with the right decision-making technique is key to identifying the right supplier. Both elements ensure that decision maker’s personal perceptions and objectives are supported in the pursuit of achieving the organization’s procurement objectives. A well-structured and systematic decision-making technique is crucial for the corporate and business strategy of the purchasing organization to be aligned and achieved.

Suppliers are an essential component of the supply chain system, imbibing effective supplier selection and evaluation are considered important responsibilities of purchasing managers since the supplier evaluation process is purely meant to minimize purchase risk and maximize the overall value to the purchaser. The supplier selection is considered a key strategic decision in outsourcing, as it curtail errors. In order to select the right supplier, comprehensive and configurable metrics for supplier selection must be outlined early in the process, evaluation which involves rating a supplier’s value by measuring the selected supplier’s capability and performance follows.

Overtime decision makers have defined a set of criteria to determine the performance of prospective suppliers both in the previous and current contracts. This process will enable decision makers to rank the order of their preferred suppliers but due to the stringent process of decision making, it is always a difficult task for purchasing managers to select the right supplier. Careful assessment of bidders’ strengths and pitfalls must be conducted prior to the award of the contract. It would be a much easier task if considering supplier selection process was only one criterion in the decision-making process. However, in real practice, a wide range of criteria are carefully assessed by purchasing managers to select the best supplier.

Supplier selection is the outcome of a complex decision considering qualitative and quantitative criteria. There are numerous decision-making criteria that should be considered in supplier selection, bearing in mind that each criterion influences the decision-making process with an equal or different weighing factor.

The purpose of this paper is to address the supplier selection criteria being adopted by various organizations however the function of purchasing and supply shades lighter on the reason for the Supplier Selection.

Functions of purchasing and supply

Onwulin (2013) gave the following as importance and functions of purchasing and supply to an organization.

Coordination

Various departments in the firm may, for example, require computer systems, if they all go ahead and order independently, the firm could end up with systems which are incompatible so that information cannot be easily transferred between them and they cannot back each other up. This will solve some problems of incompatibility. However, this is not straightforward task companies sometimes suited no one very well, and the successful management of coordinate purchasing is therefore, potentially very demanding.

Supplier evaluation

How good supplier at delivery supplies the right thing, to the night place, in the right quality, at the right time? Which suppliers offer the most favourable terms? Are all suppliers equally financially sound themselves?

Supplies sourcing

Negotiation and placing of contracts may involve various processes for changing the supplier or suppliers. These systems have been increased in spread and efficiency from business to business. Markets have been created and online auction or tenders can achieve in hours what might previously have taken days, weeks or months to achieve.
Client feedback

The client of purchasing department on whose behalf of purchase is being made; single purchasing department will lack technique expertise in respect of most items being purchased. It is important to consult carefully with the clients before making purchase and to check after words that the client was satisfied with the goods supplied. Dissatisfaction from the client may lead purchasing department to seek redress from supplier, whilst positive or negative comments will be recorded in the purchasing database to avoid future purchasing decisions.

Documentation

Accurate documentation or purchasing records are essential for the audit trail. Auditors will wish to confirm that a firm has actually incurred cost as claimed in their accounts.

Purchasing ethics

Because purchasing can involve sensitive external negotiations, these are always opportunities for conflicts of interest, i.e. conflict between employers and purchasing officers.

Gifts

The purchasing officer will develop friendly ties with people from purchasing firms. This will help during negotiations.

Partially

Were two rival bird appear more or less equal, the purchasing officer may favour his friend or family members.

The purchasing mix

Onwuliri (2013) listed the following of purchasing mix. They are

a. Quantity – Can you get as much as you want.
b. Quality – is the standard of the supplier adequate? Is the standard consistent?
c. Timing – How long is the “lead time” between placing an order and receiving a delivery.
d. Price – Is it reasonable? can it be upon in the future?

Any supplier tender will be balance give elements one supplier might be able to deliver quickly, but perhaps his quality has been in the past unreliable. Another might be quick but expensive, whilst a third supplies food stuff at a reasonable price but takes his time about doing it, which is the best deal defends partly upon the circumstance of your firm it also depends upon your evaluation of the reliability of the supplier. Sometimes firms will stick with an established and reliable supplier, even though he is not the cheapest.

Objectives

1. To maximize overall value generated.
2. To effectively manage supplies for profitability.
3. To operate more successful relationship between suppliers and employers/employees.
4. To implement strategic planning process in making long term decisions.

Conceptual framework

Participants in the producer markets is known as the buying center among them are

1. Users. Kotler and Armstrong (2012) These are those who initiate the buying project i.e. those who actually use the product or user department.
2. Influencers. These are the people who set specification and aspect of buying decisions because of their technical expertise, organizational position or even their political power in the organization.
3. Deciders. These are those with formal and informal power to select or to approve final buyers.
4. Approvers. These are those with formal authority for selecting the supplier and arranging the terms of purchase, i.e. those who interact with the suppliers.
5. **Buyers.** They are those with formal authority for selecting the supplier and arranging the terms of purchase i.e. those who interest with the suppliers.

6. **Gatekeepers.** They are those who control the flow information to others, they have the power to prevent sellers or information from reaching members of the buying Centre, e.g. purchasing agents, receptionist, technical personal, telephone operators etc.

**Characteristics of industrial buyers**

**Organizational buyers define**

This refers to person’s government, or organizations that buy products from industrial manufacturers or producers. They consist of establishment in manufacturing and craft distributorship of goods, service industries, institutions, agriculture, forestry and fishing, mining building and construction and government.

They are broadly classified into

a. Original equipment manufacturers (OEM)

b. Users customers

c. Industrial distributors and

d. Government units or agencies

**Demand for organizational products**

Demand for industrial product as derived in nature i.e. organizational products are not demanded for immediate consumption as is the case with consumer products but for what they are used to produce. It is a derived demand for the demand for the consumer product in which the industrial item is used e.g. the demand for steel is derived or dependent partially upon consumer demand for automobiles, refrigerators etc. also the demand for flour depends largely on the consumer demand for bread cake etc.

**Factors influencing industrial buying decision**

The buying decisions in industrial organization are influenced by several factors among these are:

**Environmental factors**

These factors are always there to reduce the freedom of the decision-making unit (DMU) of the organization. They include legal political, social and economic factors that have various influences on the buying decision of an industrial consumer.

**Intrinsic factors**

These are factor that are indigenous to the buying company and are sub-divided into four (4) viz

a. **Company size.** The size of the company influences its buying decision a smaller company because of the size of the budget may use few trade publications to reach the suppliers.

b. **Industry.** The number of the trade fairs and trade publications available varied from industry to industry this will influence the buying decision of each firm in the industry.

c. **Company policy.** The policy of the company whether conservative or dynamic will determine the media it may use to reach suppliers which influences its buying decision.

d. **Type of the product policy.** when the product has the right type of product policy and compliance is ensured, the customers are likely to live with it.

**Time available**

Decision making is fast in times of limited time and normally, it is the supplier that can supply fast that is chosen.

**Information available and digested**

The major information sources available to reach the customers are, salesmen, catalogues from suppliers, direct mail, trade fairs and exhibitions, trade, publications, seminars, conference etc. it is left for the industrial marketer to choose the best channel to reach his target market.
Risk involved

Human beings could be risk lovers, indifferences or averters. The decision to purchase a product, delay purchase, decline purchase is subject to the amount of risk the company and decision-makers are ready to bear.

Types of buying situation

The major reason for this classification is to categories the decision-making process in different organizations.

Portfolio models are said to assist with managing different kinds of supplier relationships. The portfolio model concept was originally developed by Markowitz (Markowitz, 1952; Dubois and Pedersen, 2001), who used it as an instrument for managing equity investments. His point of departure was that rational investors will select portfolios which maximize the individual investor’s utilities by maximizing the expected return for a given level of risk or minimizing the risk for a given level of expected return. Faris et al. (1967) distinguished three typical situations of varying complexity as shown in Table 1. The differences between these three categories is the level of uncertainty regarding the purchase and the familiarity of prospective suppliers to the purchasing organization.

Table 1. Classification of purchasing situations (Faris et al., 1967)

<table>
<thead>
<tr>
<th>Type of buying situation</th>
<th>Product/Service category</th>
<th>Nature of decision making</th>
<th>Supplier(s) category</th>
</tr>
</thead>
<tbody>
<tr>
<td>New task situation</td>
<td>New items</td>
<td>No past experience, more information required for selection</td>
<td>Not known to decision makers</td>
</tr>
<tr>
<td>Modified rebuy</td>
<td>New and modified items</td>
<td>Considering past experience with the necessity of additional information</td>
<td>Known with inclusion of new ones</td>
</tr>
<tr>
<td>Straight rebuy</td>
<td>Recurring items</td>
<td>Past experience is considered sufficient for selection</td>
<td>Existing supplier(s)</td>
</tr>
</tbody>
</table>

One of the most famous models, Kraljic’s portfolio approach took into account the complexity of the supply market and levels indicating the importance of purchasing (Caniels and Gelderman, 2005). These two variables influence decision makers in determining the type of supply strategy the purchasing company needs in determining the supply strategy of the purchasing company. Kraljic (1983) classified purchasing into strategic, bottleneck, leverage and routine purchases, as summarized in Table 2.

The purchasing company shall classify all its purchased products in terms of profit impact and supply risk. This will give the company the chance to weigh the suppliers’ bargaining power against its own power. Where strategic items are products having high value to the organization in terms of a large impact on profit and a high supply risk. Examples are cables, capacitors, electric meters, poles (steel, concrete and wood), transformers and transmission towers. Bottleneck items such as breakers, condensers, bearings, seals, boilers (parts and services), turbine (parts and services) and substation equipment and parts have a moderate impact on the financial outcome of a firm; but the firm is placed in a vulnerable state with regard to their supply.

Leverage products can be obtained from various suppliers and routine items usually have small value per unit. Typical leverage products are advertising, corporate travel, printing, freight and environmental services. Examples of routine products are clothing, food services, office supplies, furniture and vehicle (fuel, lubricants and parts).
Table 2. Purchasing portfolio model (Kraljic, 1983)

<table>
<thead>
<tr>
<th>High profit impact</th>
<th>Low supply risk</th>
<th>High supply risk</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Leverage items</td>
<td>Strategic items</td>
</tr>
<tr>
<td></td>
<td>Many local suppliers</td>
<td>Established global suppliers</td>
</tr>
<tr>
<td></td>
<td>Mix of commodities and specified materials</td>
<td>Scarce and high value materials</td>
</tr>
<tr>
<td></td>
<td>Short to medium term contract</td>
<td>Long term contract</td>
</tr>
<tr>
<td></td>
<td>Mainly decentralized decision making</td>
<td>Centralized decision making</td>
</tr>
<tr>
<td>Low profit impact</td>
<td>Routine items</td>
<td>Bottleneck items</td>
</tr>
<tr>
<td></td>
<td>Established local suppliers</td>
<td>New suppliers with new technology</td>
</tr>
<tr>
<td></td>
<td>Commodities and some specified materials</td>
<td>Mainly specified materials</td>
</tr>
<tr>
<td></td>
<td>Short-term contracts</td>
<td>Medium term contracts</td>
</tr>
<tr>
<td></td>
<td>Decentralized decision making</td>
<td>Decentralized but centrally coordinated decision making</td>
</tr>
</tbody>
</table>

To offer the Purchase Manager a manageable number different supplier selection situation, associated ways of carrying out and organizing the process, De Boer et al. (2001) incorporated both classifications into a modified framework (see shown in Table 3) In new task situations, the final decisions depend on the offerings made by the bidders as there have not had any prior business relationship between the purchasing company and the bidder. In Purchase of leverage items, there are many suppliers to be considered for the contract award. De Boer agrees that since there are many suppliers available for routine items, limitation to a maximum of two suppliers should be imposed in order to achieve a highly efficient ordering and administration procedure. High value and the savings potential of these items rationalize the frequency of supplier selection. But for strategic and bottleneck items, there are limited choices of suppliers and it is much preferred to continuously evaluate the existing supplier. This is attributable the unique specification and scarcity of required items. To ensure continuous business operation, firms usually have a large number of products or services accompanied by a variety of suppliers, which requires different treatment. Therefore, it is essential to have a deep understanding of the purchasing situation for the sustainable purchasing management practice.

Table 3. Supplier selection framework (De Boer et al., 2001)

<table>
<thead>
<tr>
<th>New task</th>
<th>Modified rebuy (leverage items)</th>
<th>Straight rebuy (routine items)</th>
<th>Straight rebuy (strategic/bottleneck)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use a supplier or not?</td>
<td>Use more, fewer or other suppliers</td>
<td>Replacing the current supplier?</td>
<td>How to deal with the supplier?</td>
</tr>
<tr>
<td>One-off decision</td>
<td>Repeating decision</td>
<td>Repeating decision</td>
<td>Repeating Evaluation</td>
</tr>
<tr>
<td></td>
<td>Historical data on suppliers available</td>
<td>Historical data on suppliers available</td>
<td>Historical data on suppliers available</td>
</tr>
<tr>
<td>No historical data on suppliers available</td>
<td>Large set of initial suppliers</td>
<td>Very small set of suppliers</td>
<td></td>
</tr>
<tr>
<td>Small initial set of suppliers</td>
<td>Large set of initial suppliers</td>
<td>Ranking rather than sorting</td>
<td>Evaluation rather selection</td>
</tr>
<tr>
<td>Ranking rather than sorting</td>
<td>Ranking rather than sorting</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Supplier selection problem

Supplier selection was supposedly a straightforward matter historically: in the present time the process is shadowed by great difficulties which are listed below

1. Growing number of potential suppliers
2. Growing number of attributes
3. an increasing number of situational contexts that affect the appropriateness of specific supplier attributes; and
4. difficulty in identifying and defining supplier selection parameters (Altinoz et al., 2010)

A large number of suppliers in the market has a positive impact on the purchasing client because dependency towards a particular supplier has been reduced over time. However, the drawback of this situation is the greater likelihood of not selecting the best supplier. Dickson (1966).

In his seminal work found 23 important attributes used for the evaluation and selection of suppliers. Embarking from Dickson’s work, many articles have been published in subsequent years considering other factors (Lambert et al., 1997, Weber et al., 1991, Dickson, 1966). Due to the many factors to be considered, purchasing managers may decide to choose easier paths of evaluation based on certain important criteria and ignoring the rest. A larger number of attributes also contribute to the complication of being assigned consistent and meaningful weights.

Also, a major point in selection decision is that it becomes more difficult with the increased number of business rules to be considered. At times, different suppliers are selected although the characteristics and ratings of the suppliers have not changed. This happens due to changes in the current marketing policy and the company’s strategic goals or manufacturing limitations which might override the choice of keeping the previous supplier.

Difficult situations are encountered when you take into considerations the quantification of certain criteria such as attitudes, flexibility and responsiveness as opposed to the ease of measuring pricing and delivery performance of a particular supplier. Sometimes, decision-makers are also forced to decide using incomplete data. Another common problem is the issue of how many suppliers can be used for each purchased item (Wisner et al., 2005). In single sourcing, suppliers are considered to be capable of satisfying the buyer’s requirement (Xia and Wu, 2007).

The purchaser only needs to make one decision as to which supplier is the best. However, in multiple sourcing, purchasers need to decide which are the best suppliers and how big an order should be placed with each selected supplier. Table 4 shows the summary made by Wisner et al. (2005) on the reasons favouring single and multiple sourcing.

<table>
<thead>
<tr>
<th>Single Sourcing</th>
<th>Multiple Sourcing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Easier to establish strategic alliance relationship</td>
<td>Demand exceeds the capacity of a single supplier</td>
</tr>
<tr>
<td>Less quality variability from other suppliers</td>
<td>Spread the risk of supply interruption</td>
</tr>
<tr>
<td>Ability to lower the purchase cost per unit</td>
<td>Encourages competition among suppliers in terms of price and quality</td>
</tr>
<tr>
<td>Transportation economies since volume is involved</td>
<td>More information on market conditions, new product and technologies</td>
</tr>
<tr>
<td>Proprietary product or process purchase</td>
<td>Boosts small, local, women or minority owned business</td>
</tr>
<tr>
<td>Volume too small to split</td>
<td>Spread the risk of supply interruption</td>
</tr>
</tbody>
</table>

Jobber and Lancaster (2009) distinguish three (3) major types of buying situation in industrial marketing. These are

1. **Straight re-buy.** It is a situation where an organization re-orders something without modification. It is a routine order and the purchasing officer is the major influencer.
2. **Modified re-buy.** This is a situation where the products purchased from straight re-buy fails to perform or perform below standard. Modification could be in terms of specification prices or other terms of suppliers.

3. **New task.** This is a situation where the decision to purchase is connected with purchase for new task, i.e. buying for the first time. The purchasing officer has no influence in the decision, but only collects data and information to be used in the decision process. Here also more people are involved in the buying decision because it is difficult and complex. Information is important and evaluation of alternatives should be critically done.

4. **Performance feedback and evaluation.** Feedback may flow through formal or informal channels. It is critical of a choosing supplier and supporting or rejecting alternatives. It is worthy to note that those relative steps or stages vary from purchase to purchase.

**Theoretical framework**

**Buying process/models of industrial marketing**

**Definition**

This refers to the purchase and use behavior of industrial users well as the attitude and decision process which occur before, during and after product purchase. Selling to industrial markets requires an in-depth understanding of industrial buying behavior. Like ultimate consumers, industrial buyers are influenced by many factors on their purchase decisions.

**Industrial buying process**

This is the conceptualization of industrial buying process as a number of sequential stages. These may be procedural and mechanistic in nature and may also include an understanding of the behavioral process involve. They are usually presented as models of industrial buying behavior.

**Robinson faris and wind model**

This is one of the most popular models of industrial buying behavior. It suggests that the industrial buying process can be thought of as stages or buying phases called buying classes, the particular buying firm was confronted with grid frame work as shown overleaf.

**Table 5. Buy grid framework**

<table>
<thead>
<tr>
<th></th>
<th>New Task</th>
<th>Modifies re-buy</th>
<th>Straight re-buy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Anticipation or recognition of a problem (need) and a general solution</td>
<td>Yes</td>
<td>May be</td>
</tr>
<tr>
<td>2</td>
<td>Determination of characteristics and quality of need item</td>
<td>Yes</td>
<td>May be</td>
</tr>
<tr>
<td>3</td>
<td>Description of characteristics and quality of needed item</td>
<td>Yes</td>
<td>May be</td>
</tr>
<tr>
<td>4</td>
<td>Buying phases Search for and qualification of potential source</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>5</td>
<td>Acquisition and analysis of proposals</td>
<td>Yes</td>
<td>May be</td>
</tr>
<tr>
<td>6</td>
<td>Evaluation of proposals and selection of supplier (s)</td>
<td>Yes</td>
<td>May be</td>
</tr>
<tr>
<td>7</td>
<td>Selection of an order routine</td>
<td>Yes</td>
<td>May be</td>
</tr>
<tr>
<td>8</td>
<td>Performance of feedback and evaluation</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

**Source:** Ogwo et al. (2007)
General model of webster and wind

This model outlines the four classes of various determinants of industrial buying behavior as individual, social organizational and environmental. Within each of these classes, there are two broad categories or variables task or non-task. Note should be taken of the fact that it is not always possible to classify given sets of variables as exclusively task or non-task, however, any given sets of variables will tend to be or have both task and non-task dimensions. The model explains that industrial buying behavior is a complex process that involves many persons, multiples goals and potentially conflicting decision criteria. As soon as an organization perceives a buying situation the formal organization sets out to buy.

<table>
<thead>
<tr>
<th>Class</th>
<th>Task</th>
<th>Non-Task</th>
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<tbody>
<tr>
<td>Individual</td>
<td>Desire to obtain lowest price</td>
<td>Personal values and needs</td>
</tr>
<tr>
<td>Social</td>
<td>Meeting to set specifications</td>
<td>Informal, off the job interaction</td>
</tr>
<tr>
<td>Organizational</td>
<td>Policy concerning local supplier</td>
<td>Methods of personal evaluation</td>
</tr>
<tr>
<td>Environmental</td>
<td>Anticipated changes in prices</td>
<td>Political climate in an election year.</td>
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Marketing implication of the models

1. They contribute to our understanding of industrial buying behavior.
2. They show the relationship between steps in the buying process and buying situations.

Processing strategy

Mintzberg in Lysons & Gilingham (2003) says it can be a specific maneuver intended to outwit an opponent or competitor. As a pattern, strategy is a stream of actions (demonstrating) consistency in behavior whether or not intended. As a position, strategy is a means of locating an organization in an environment. In short as you plan, an intended course of action. Therefore, Lysons and Gilingham (2003) describe purchasing strategy as the functional or operational level derived from corporate or business strategies, for single businesses, corporate and business strategy is synonymous. Jain (2002) says processing strategy uses research and information technology in information sharing between members of supply chain using EDI technology.

The three purchasing strategies indicated are as follow

1. Exploit: make the most of your high buying power to secure good prices and long-term contract from a number of a supplier, so that you can reduce the supply risks involved in this important item. You may also be able to make “spot purchases” of individual barges of the items, if a particular supplier offers you a good deal.
2. Balance: take a middle part between the exploitation approach and the diversification approach describes bellow.
3. Diversity: reduce the supply risk by seeking alternative supplier or alternative product for example, in our logistics. Example, could you use the rail road to ship some of your over land, fright instead of relying solely on trucking company. you can also increase your buying power by consolidating to a single supplier. and in other situation, you bring the production of items in-house.

Supplier selection strategies and criteria

Supplier selection criteria for a particular product of service category should be defined by a “cross-functional team of representative from different sector of your organization. in a manufacturing company, for example, members of a team typically would include representative from purchasing, quality, engineering and production. Team member should include personal with technical/application knowledge of product or service to be purchased, as well as members of the department that uses the purchase team.

According to Stephen & Ross (2009) Common supplier selection criteria are as follows
1. Previous experience and past performance with the product/service to be purchased.
2. Relative level of sophistication of the quality system, including meeting regulatory requirement or mandated quality system registration (for example, ISO9001, QS9000).
3. Ability to meet current and potential capacity requirement, and do so on the desired delivery schedule.
4. Financial stability
5. Technical support availability and willingness to participate as a partner in developing and optimizing design and long-term relationship.
6. Total cost of dealing with the supplier (including material cost, communication method, inventory requirement and incoming verification required).

It is important to understand why a firm chooses one method over another. Usually when a company sets out to develop or choose a supplier selection method, the result is a combination of several different methods with different strengths suited to meet the company’s specific selection needs. Therefore, it is important to explore a range of different selection methods and to discuss their different applications as there are several supplier selection methods available. Certain methods have been popular selection choices for years, while other methods have only emerged recently.

Usually when a company sets out to develop or choose a supplier selection method, the result is a combination of several different methods with different strengths suited to meet the company’s specific selection needs. Therefore, it is important to explore a range of different selection methods and to discuss their different applications. There are several supplier selection methods available.

“Some authors propose linear weighting models where suppliers are rated on several criteria and ratings are combined into a single score known as the categorical model. The categorical model is a simple method, but it is also the quickest, easiest, and least costly to implement. It may be influenced by recent events and usually implies a high level of subjectivity and therefore it is imprecise (Petroni, 2000). The weighted point model is also easy to implement, flexible, and fairly efficient in the optimization of supplier selection decisions.

It is costlier than the categorical method, but tends to be more objective, even though it relies on the buyer’s assessment of the supplier performance. Total cost approaches attempt to quantify all costs related to the selection of a vendor in monetary units. This approach includes cost ratio (Timmerman, 1986) and Total Cost of Ownership (TCO) (Ellram, 1990). The cost ratio method is very flexible. It is a complex method that requires a developed cost accounting system. The total cost model is precise, expensive to implement due to its complexity and requires more time and implies the ability to identify the more important elements.

Mathematical programming models often consider only the more quantitative criteria; this approach includes the Principal Component Analysis (PCA) and the Artificial Neural Network (ANN). According to Bello (2003), the PCA method has two advantages that are accessible and capable of handling multiple conflicting attributes. The ANN model saves money and time. The weakness of this model is that it demands specialized software and requires qualified personnel who are expert on this subject.

Another very useful method is the Analytical Hierarchical Process (AHP), it is a decision-making method developed for prioritizing alternatives when multiple criteria must be considered and allows the decision maker to structure complex problems in the form of a hierarchy, or a set of integrated levels. The AHP is relatively simple to use and understand. This method incorporates qualitative and quantitative criteria.

A review of the supplier selection literature shows that the AHP method to be one of the most commonly applied methods in practice. AHP is an ideal method for ranking alternatives when multiple criteria and subcriteria are present in the decision-making process. The AHP was introduced by (Saaty, 1980). There has been wide discussion about the empirical effectiveness and theoretical validity of this technique. AHP allows the decision-maker to structure complicated problems in the form of a decision hierarchy. The hierarchy usually consists of three different levels, which include goals, criteria, and alternatives.”
Some of the advantages and disadvantages of the AHP method

One advantage of AHP is that it illustrates how possible changes in priority at upper levels have an effect on the priority of criteria at lower levels. Moreover, it provides the buyer with an overview of criteria, their function at the lower levels and goals as at the higher levels. A further advantage of AHP is its stability and flexibility regarding changes within the hierarchy. In addition, the method is able to rank criteria according to the needs of the buyer which also leads to more precise decisions concerning supplier selection. The main advantage of AHP is that the buyer is able to get a good picture of the supplier’s performance by using the hierarchy of the criteria and evaluating the suppliers (Omkarprasad and Kumar, 2006).

However, AHP also has some weak points. One of these is the complexity of this method which makes it implementation quite inconvenient. Moreover, if more than one person is working on this method, different opinions about the weight of each criterion can complicate matters. AHP also requires data based on experience, knowledge and judgment which are subjective for each decision-maker. A further disadvantage of this method is that it does not consider risks and uncertainties regarding the supplier’s performances (Yusuff et al., 2001).

The strength of the AHP method lies in its ability to structure complex, multi-person, multi-attribute, and multi-period problems hierarchically and it is simple to use and to understand. It necessitates the construction of a hierarchy of attributes, sub-attributes, alternatives and so on, which facilitates communication of the problem and the recommended solutions. In addition, the AHP method provides a unique means of quantifying judgmental consistency. AHP does not require preferences independent of its complement (i.e., the preference order of consequences, for any pair of attributes does not depend on the levels at which all other attributes are placed) as MAUT model Some benefits of AHP method provided the follow explanation. a. The strength of the AHP method lies in its ability to structure a complex, multi person, multi attribute, and multi period problem hierarchically (Saaty, 1980). b. It is simple to use and understand (Chan, 2003).

Method for determining how well a potential fit the criteria

1. Obtaining a dun & Bread Street or other publicly available financial report.
2. Requesting a former quote, which include providing the supplier with specification and other requirement (for example, testing).
3. Visited to the supplier by management and/or the selection team.
4. Confirmation of quality system statues either by on-site assessment a writing survey or request for a certificate of quality system

Supplier selection process

Chosen the right supplier involves much more than scanning a series of price list. Your choice will depend on a wide range of factors such as value for money, quality, reliability and service. How you weigh up the importance of these different factors such will be based on your business; priorities and strategies. A strategic approach to choosing suppliers can also help you to understand how your own potential customer weighs up their purchasing decision.

1. thinking strategically when selecting suppliers
2. what you should look for in a supplier
3. identifying potential suppliers
4. drawing up a short list of suppliers
5. choosing a supplier
6. getting the right supplier for your business

Thinking strategically when selecting suppliers

The most effective suppliers are those who offer product or services that match-or exceed-the needs of your business. So, when you are looking for suppliers, it is best to be sure of your business need and what you want to archive by buying rather than simply paying for what suppliers want to sell you. For example, if you want to cut down the time it makes you to serve your customers, suppliers that offer
you faster delivery will rate high than those that compete on price alone for some point to help you identify what you want from supplier, see the page in this guide and what you should look for in a supplier.

**The numbers game**

It’s well what examining how many suppliers you really need. Buying from a carefully targeted group could have number of benefits

1. it will be easier to control your supplier your business will become important to them
2. you may be able to make deals that gives you an extra competitive advantage

for example, if you have got a worse job for an important customer, your supplier may be more like to go the extra mile $1000 a mount than if spend $250.

However, it is important to have a choice of sources. buying from only one supplier can be dangerous-where do you go if they let you down, or even go out of business? equally while exclusivity may spur some supplier to offer you better service others may simply become complacent and drop their standards.

**What you should look for in a supplier**

**Reliability**

Remember-if they let you down, you may let your customer down

**Quality**

The quality of your supplier needs to be consistent your customer associate poor quality with you not your suppliers

**Value for money**

The lowest price is not always the best for money if you want reliability and quality from supplier you will have to decide how much you are willing to pay and the balance you want to strike between cost, reliability, quality and service.

**Strong service and clear communication**

You need your supplier to deliver on time, or to be honest and give you plenty of worming, if they can’t. The best supplier will want to talk with you regularly to find out what need you have and how they can serve you better.

**Financial security**

It always what making sure your supplier has sufficiently strong cash flow to deliver what you want, when you need it. A credit check will help reassure you that they won’t go out of business when they need you most.

**A partnership approaches**

A strong relationship will benefit bout side. You want your supplier to acknowledge how your business is important to them, so they make every effort to provide the possible. And you are more likely to create this response by showing your supplier how important they are to your business.

**Identifying potential supplier**

You can find suppliers through a variety of channel. it is best to build up a shortlist of possible supplier true a combination of source to give you broader bass to choose from

**Drawing up a shortlist of supplier**

Once you have clear ideal of what you need to buy and you have identified some potential supplier, you can build a shortlist of sources that meet your need.

When considering the firms on your shortlist ask yourself the following question
1. Can this supplier deliver what you want, when you want it?
2. Are they financially secured?
3. How long have they been established?
4. Do you know anyone who has used and can recommend them?
5. Are they on any approve supplier list from trade association or government?

Do some research and try to slim down your list to no more than four or five candidate it’s a waste of time for you and your potential supplier if you approach them when there’s little chance of fulfilling your requirements.

Choosing a supplier

Once you have a manageable shortlist, you can approach the potential supplier and ask for a written quotation and, if appropriate, a simple. It’s best to provide them with a clear brief summarizing what level of business you hope to place.

Get a quotation

It’s worth asking potential suppliers to give you a firm price in writing for, say, three months. You can also ask about discounts for long-term or high-volume contracts.

Compare potential suppliers

When you’ve got the quotation, compare the potential suppliers in terms of what matters most to you. For example, the quality of their product or service may be most important, while their location may not matter.

Price is important, but it shouldn’t be the only reason you choose a supplier. Lower prices may reflect poorer quality goods and service which, in the long run, may not be the most cost-effective option. Be confident that your supplier can make a sufficient margin at the price quoted for the business to be commercially viable.

Check that the supplier it is always a good idea to meet a potential supplier face to face and see how their business operates. Understanding how your supplier works will give you a better sense of how it can benefit your business.

And remember that your business repute may be judged on the labor practices of your suppliers. It makes good business sense to consider the ethical dimensions of your supply chain.

Negotiate terms and conditions

Once you’ve settled on the suppliers you’d like to work with, you can move on to negotiating terms and conditions and drawing up a contract.

Getting the right supplier for your business

Know your need

Make sure you know what you need. Don’t be tempted by sales pitches that don’t match your requirements. Understanding the difference to your business between strategic suppliers, who provides goods or services that are essential to your business – such as high-value raw materials – and non-strategic suppliers who provide low-value supplies such as office stationary you will need to spend much more time selecting and managing the former group than the latter.

Spend more time on research

Chosen the right supplier is essential for your business. Don’t try to save time by buying from the first supplier you find that may be suitable.

Ask around

People or other businesses with firsthand experience of suppliers can give you useful advice.
Credit check potential supplier

It is always worth making sure your suppliers have sufficiently strong cash flow to deliver what you want, when you need it. A credit check will also help reassure you that they won’t go out of business when you need them most.

Price isn’t everything

Other factors are equally important when choosing a supplier-reliability and speed, for example, if you buy cheaply but persistently let down your customers as a result, they will start to look else were.

Don’t buy from too many suppliers

It will be easier for you to manage- and probably more cost- effective- if you limit the number of sources you buy from. This is particular the case low value-added suppliers.

but don’t just have a single supplier

It’s always worth having an alternative supply source ready to help in difficult time. This is particularly important with regard to suppliers strategic to your business’ success.

Steps in industrial buying

There are a variety of stages or steps that have to be followed to affect the purchase of industrial goods. The procedure however, varies from one organization to another.

According to Robinson and Faris Ogwo et al (2007), some of the widely used stages or step is

1. Anticipation or recognition of a problem or need and general situation. here the organization recognizes that there is a different between what is desire and the actual stage of affairs, hence the need for a solution.

2. Determination of characteristic and quantity of needed item. i.e. what do we need or desired and in what quantity and quality

3. Description of characteristic of needed item. i.e. having determine the characteristic and quantity of what is desired a description of what is desired is made

4. Search for and qualification of potential source. here the buyer tries to identified the most appropriate vendors. buyer look at things like trade directives, computer search phone other companies for recommendation etc. buyer spent a lot of time on search in cases of newer buying tasks, complex and expensive items

5. Acquisition and analyses of proposal. when the information need of the buying organization is known the search for and qualification of potential source will go at the same time with acquisition and analysis of the proposals.

6. Evaluation of proposals and selection of supplier. evaluate the different proposals sent by the different supplier after your analysis and select a supplier or suppliers.

7. Selecting of another routine. at this stage procurement procedure are establish for the item and the supplier; in term of the size and frequency of orders, i.e. select an order method.

Factors affecting industrial purchasing

1. Environment. the level of primary demand, economic outlook cost of money, supply condition, rate of technological change, political and regulatory development and competitive development in the environment affect the industrial purchasing.

2. Objective of the organization. organizational objective, polices, procedure, structure and system also affect industrial purchasing

3. Interpersonal dimension. although product performances are highly considered in industrial purchasing human attitudes, behavior and motivational forces also play similar roles. industrial purchasing involves several people being persuaded to make the same choice.

4. Individual dimension. age, income, education, job position, personality and attitude towards risks also affect individual purchasing.
Conclusion

Purchasing is the organization unit responsible for carrying out the function. In many organizations, purchasing is still part of segmented, departmentalize structure in which the procurement of supplies is a separate activity in the sequence of production. one concludes that due to challenges of global competitions companies should constitute or establish the buying Centre to reduce costs, build suppliers-employers relationship and increase profitability.

Recommendations

Ask friend and business acquaintances. You are more likely to get an honest assessment of business strength and weaknesses for someone who has use it services.

Directories

If you are looking for a supplier in your local aria it’s what trying directories such as yellow pages and Thomson.

Trade associations

If your need is specific to a particular trade or industry their will properly by a trade association that can match you with suitable suppliers.

Business advisors

Local business support organization such as chambers of commerce can often point you in the direction of potential suppliers.

Exhibitions

Exhibition talk with a number of potential suppliers in the same place and the same time before you go to an exhibition, it’s a good idea to check that the exhibitors are relevant and SUITATBLE for your business.

Trade press

Trade magazines feature advertisement from potential supplier. Lastly, industrial organizations whether large or multinational or small should constitute a buying center team (DMU) to build a long-term relationship between suppliers and employers cum employees. This will reduce costs and increase profitability for the organization.

References


Recruitment and Selection Practices on the Performance of ZESCO Employees in Zambia

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Abstract

In an increasingly global and sophisticated marketplace, recruitment and selection has become an essential tool for organizations in ensuring that they have the most desirable human resources necessary to achieve their current strategic direction and to continue innovating and growing in the future. This study therefore, aimed at establishing the impact of the recruitment and selection practices at Zambia Electricity Supply Company (ZESCO) and how they affect the performance of the company in Zambia. This study has its theoretical base laid on the decision-making theory as its analytical framework. The qualitative research paradigm was preferred as the study aimed at investigating management processes that involve human beings’ attitudes, attributes, working styles, among others and therefore, difficult to quantify. Interviews and semi-structured questionnaires were used on 80 respondents who were purposefully sampled. The study found out that the overall average performance of the employees is about 60.71%; and that sourcing, attracting, and screening are significant determinants of the performance of the employees at ZESCO which needs to be enhanced.

Keywords: Recruitment, selection, human resource, performance.

Introduction

This study investigated recruitment and selection practices on the performance of ZESCO employees in Zambia. The profitability and survival of an organization usually depend upon the caliber of the workforce as it has been argued that the costs of ineffectual commercial viability can often be attributed to decades of ineffective recruitment and selection methods (Terpstra, 1996). Human resource is one of the key assets of every organization. This is because human beings use their skills, expertise, knowledge, aptitudes, talents and other competencies to transform the other resources to achieve the organizational goals. If an organization is able to achieve its goals then it depends on the caliber of personnel that organization recruits and select. Recruitment and selection activity should be directed at getting the right people in the right place, at the right time with the right skills to achieve the business objectives. “Recruitment and selection practices seek to identify and hire the most suitable applicant” (Kleiman, 2003).

Human resource can be defined as a strategic, integrated and coherent approach to the employment, development and well-being of the people working in organizations (Armstrong, 2008). Human resource management (HRM) involves all management decisions and actions that affect the nature of the relationship between the organization and its employees, its human resources. In an organization, the management of human resources means that they must be recruited compensated, trained, and developed (Mathis and Jackson, 2000). That is to say recruitment and selection forms part of management decisions, therefore a decision needs to be made before recruitment which is ”geared at attracting people” and selection which is ”geared at picking the best candidate” is made for final training. HRM is managing people to meet the organizational objectives by ensuring the right people are set to the right post through an effective examination of candidates. It helps organizations obtain and keep necessary staff. Recruitment is about attracting, selection is about picking from a lot. Recruitment and Selection play a crucial role in organization’s success.

However, the complexity of the human resource planning process varies with the size of the organization and the perception and status of the human resource function within the organization.
(Compton, Morrissey & Nankervis, 2002). While large businesses have Human Resources (HR) as a core function, many small businesses are deficient, not only in management expertise, but especially in human resource management capability, and this can hinder development in small businesses (Scase & Goffee, 1985).

In an increasingly global and sophisticated marketplace, recruitment and selection has become an essential tool for organizations in ensuring that they have the human resources necessary to achieve their current strategic direction and to continue innovating and growing in the future. Recruitment and selection have become increasingly important as one way of delivering behaviors seen as necessary to support organizational strategies (Iles, 2001, Gamage, 2014).

Effective recruitment and selection can also provide significant improvements in productivity and employee morale and allow organizations to build a workforce of more able employees who collectively provide a superior product or service (Robertson, et al., 1996). However, ZESCO Limited which aims to be the hub for electricity trading in the region by 2025 may have unique experience when it comes to recruitment and selection of its employees.

ZESCO Limited is an electricity utility company, which generates, transmits, distributes and supplies electricity in Zambia. ZESCO Limited was created in 1970 when the Zambia Electricity Supply Act was approved in parliament. The Act brought together the electricity undertakings that were earlier managed by the local authorities. This Corporation traces its origins to 1906 when a small thermal station was established in Livingstone to serve a small section of the town. The change of name from Zambia Electricity Supply Corporation Limited to ZESCO Limited came in 1994. This was to echo the recommitment to providing a high quality of customer service. The Government of the Republic of Zambia is the sole shareholder of ZESCO Limited. The Permanent Secretaries of the Ministry of Finance and National Planning, and the Ministry of Mines, Energy and Water Development represent the Government on the Board.

The Corporation is governed by a Board of Directors appointed by the Government of Zambia through wide consultation, and participation of the private sector as board members. The other directorates are; Human Resources and Administration, Finance, Generation, Transmission, Distribution and Customer Services, Business Development and Legal (www.zesco.co.zm). ZESCO is committed to providing safe and reliable electricity to improve the quality of life for all. However, the Corporation has been challenged by load shedding country wide in recent years and the situation has just worsened in 2019 where the number of hours of load shedding has increased from four to eight and now sixteen hours per day, the service many Zambians are not satisfied with. ZESCO is failing to meet some of its targets in the past with regards to the organizational productivity, part of the problem lies in employee underperformance to achieve its corporate strategies in achieving productivity. This study has therefore, not only contributed to the knowledge base but also has provoked further research so as to have adequate information for management and organizations to make effective and efficient recruitment and selection strategies to improve organizational performance.

**Problem statement**

In 2014, ZESCO scored an overall annual score of 67 percent, a reduction from 85 percent in the earlier year. The reduction in overall performance was on account of relatively poor performance on customer metering and cash management. Generally, it was noted that the cash management and staff productivity continue to be a challenge on account of the utility’s high trade receivables and high staff costs.

There is no argument that all aspects of human resource management (HRM) are essential and critical in achieving organizational objectives. However, it is important to note that the point of entry into ZESCO and other public/private organizations determines the organizational performance. This therefore, makes recruitment and selection one of the most critical aspects of HRM. In addition, the link between this aspect of HRM with employee productivity, organizational performance and people’s socio-economic positions makes recruitment and selection susceptible to manipulation and contestations. There is a lot of research that has been done on recruitment and selection focusing on employee’s performance. However, less has been done on recruitment and selection practices with regards to organization performance. Even if there are other related studies in the USA and UK, Zambia
may have a unique experience. This research therefore, sought to investigate into recruitment and selection practices and its impact on the organizational performance of ZESCO.

**Objectives of the study**

The objectives that guided the study were to

1. Determine the level of awareness of recruitment and selection policies in departments and the perceived levels of compliance with the policies.
2. Describe the recruitment and selection practices and their contribution to the performance of ZESCO.
3. Determine the effect of recruitment and selection practices on the performance of ZESCO.

**Theoretical framework**

Various theoretical thought on organizational performance as presented by different scholars are abound. This study has its theoretical base laid on the decision-making theory as its analytical framework. The significance of the theory rest on the identification of the importance of decisions in organizations in the area of who to recruit, the strategies to be adopted for the recruitment and how the workforce is prepare for performance. The decision-making theory is championed by scholars like Simon (1945), Mintzberg (1973), and Iyai (2002). The doctrine of decision-making in most organizations rest on the belief that, key decisions, are necessary to facilitate the smooth running of organizations in their desire to achieve organizational performance. The scholars argued that decisions are selection of the proposed course of action (Iyai, 2002). These courses of actions are geared towards achieving the objectives for which the organizations are created for. This doctrine is sacrosanct to this research study, as the need for increased performance in organizations becomes paramount. Decisions on whom to recruit, when to carry out the recruitment and the strategies to implement to encourage qualify employees for pick performance is an important decision an organization would have to make if it must achieve its goals. (Tonwe, 1994) argued that decision-making theory has a major weakness for the fact that it is almost impossible to identify and evaluate all possible alternatives open for a particular action before decisions are taken, because time and resources may be a constraint in identifying and evaluating all possible options for decisions.

It is important to emphasis that the decision-making theory is employed in this study as an instrument for achieving objectives and tool for improvement of performance in an organization.

**Recruitment and selection**

Recruitment and selection are vital functions of human resource management for any type of business organization. These are terms that refer to the process of attracting and choosing candidates for employment. The quality of the human resource the firm has heavily depends on the effectiveness of these two functions (Gamage, 2014). Recruiting and selecting the wrong candidates who are not capable come with a huge negative cost which businesses should not afford. Thus, the overall aim of recruitment and selection within the organization is to obtain the number and quality of employees that are required to satisfy the strategic objectives of the organization, at minimal cost (Ofori & Aryeetey, 2011).

As explained by Opatha (2010) recruitment is the process of finding and attracting suitably qualified people to apply for job vacancies in the organization. It is a set of activities an organization uses to attract job candidates who have the needed abilities and attitudes. Recruitment is the process of generating a pool of qualified applicants for organizational job vacancies (Ofori and Aryeetey, 2011). Evidence has shown that larger corporations are more likely into implementing sophisticated recruitment processes (Bacon & Hoque, 2005) while majority of smaller organizations relying on recommendations and advertising as their recruitment practices of choice (Barber, et al, 1999).

The general purpose of recruitment according to Gamage (2014) is to provide the organization with a pool of potentially qualified job candidates. The quality of human resource in an organization highly depends on the quality of applicants attracted because organization is going to select employees from those who were attracted. On the other hand, selection is the process of making the choice of the most suitable applicant from the pool of applicants recruited to fill the relevant job vacancy (Opatha, 2010; Ofori & Aryeetey, 2011).
Selection involves the use of one or more methods to assess applicant’s suitability in order to make the correct selection decision and can be alternatively seen as a process of rejection as it rejects a number of applicants and select only a few applicants to fill the vacancy. Thus, selection decision may be a negative function rather than a positive function (Gamage, 2014).

Recruitment and selection process and development of the organization

Recruitment and selection form a core part of the central activities underlying human resource management: namely, the acquisition, development and reward of workers. It has an essential role to play in ensuring workers performance and positive organizational outcomes. It is often claimed that selection of workers occurs not just to replace departing employees or add to a workforce but rather aims to put in place workers who can perform at a high level and demonstrate commitment (Dessler, 2000).

Recruitment and selection are a topical area. While it has always had the capacity to form a key part of the process of managing and leading people as a routine part of organizational life, it is suggested here that recruitment and selection has become ever more important as organizations increasingly regard their workforce as a source of competitive advantage. Of course, not all employers engage with this proposition even at the rhetorical level.

Recruitment, selection practices and performance

Recruitment, as a human resource management function, is one of the activities that impact most critically on the performance of an organization. While it is understood and accepted that poor recruitment decisions continue to affect organizational performance and limit goal achievement, it is paramount that much effort is put in the recruitment and selection practices (Randall, 1987). Recruitment and selection play a pivotal role in shaping an organization’s effectiveness. If organizations are able to acquire workers who already possess relevant knowledge, skills and aptitudes and are also able to make an accurate prediction regarding their future abilities, recruiting and selecting staff in an effective manner can both avoid undesirable costs associated with high staff turnover, poor performance and dissatisfied customers. Pilbeam and Corbridge (2006) provide a useful overview of potential positive and negative aspects noting that “the recruitment and selection of employees is fundamental to the functioning of an organization, and there are compelling reasons for getting it right.

Inappropriate selection decisions reduce organizational effectiveness, invalidate reward and hinders development strategies. Negative practices of recruiting and selecting individuals can be so distressing for managers who have to spend a lot of time to deal with unsuitable employees. Recruiting and selection is very important for the survival of every organization but that does not end there, new recruits need to be developed and appraised from time to time in order for them to be abreast with new trends and challenges. When employees are developed it help increase their performance and help sustain the growth of organizations.

The importance of recruitment and selection in organizations

The evolution of human civilization theory emphasizes the knowledge worker in the knowledge economy as one of the primary factors of production (Decenzo & Robins, 2002). Modern economic theory highlights human capital and the acquisition of people with exceptional skills, knowledge, experience and attitude as a high priority in organizations today (Brindusoiu, 2013). This makes human capital even more important for organizations than having the best technology and physical resources because the effectiveness and contribution of the latter resources is dependent on the capabilities of human capital (Ballantyne, 2009). According to Cummins (2015), recruitment and selection are the most expensive part of human resource management and an essential component of any organization because when organizations appoint the right people for the job, train them properly and treat them appropriately, the people not only produce good results but also tend to stay with the organization longer.

It is noted by Chukwu & Igwe (2012) that for both public and private sector organizations, the provision of quality goods and services begins with the recruitment process because poor recruitment decisions can have long-term negative effects such as high training and development costs to minimize
the incidence of poor performance; disciplinary problems; disputes; absenteeism; low productivity; poor service delivery to customers; and high turnover which in turn impacts on staff morale. At worst, the organization can fail to achieve its objectives thereby losing its competitive edge and market share. The importance of recruitment and selection in the acquisition of people with multi-dimensional skills and knowledge and infusing organizational capacity and competitiveness with new skills is emphasized by different authors such as Swanepoel, Erasmus & Schenk (2008) and Dessler (2011). The caliber of the work force of an organization determines its capabilities and sustainability. Therefore, the human resource manager must have a good understanding of the labour market and how it functions.

The recruitment and selection are not a mere administrative function and an end in itself, but a strategic process that is aimed at contributing towards the achievement of organizational objectives. This underlines the importance of a strategic approach to HR planning, including a thoroughly planned, well-documented and effectively coordinated approach to recruitment and selection process in order to ensure consistency, fairness and cost-efficiency (Lavigna & Hays, 2005). The implementation of comprehensive employee recruitment and selection procedures, in addition to incentivized compensation and performance management systems and extensive employee training can improve the current and future knowledge, skills and capabilities of organizations, and simultaneously increase employee motivation, reduce shirking and enhance the retention of quality employees while encouraging nonperformers to leave the organization. With respect to the public sector, Jones & Wright (1992) contends that public sector agencies are more open to public scrutiny than most private sector organizations, as such, it is crucial for recruitment and selection practices to be characterized by openness and transparency. Having recruitment and selection policies and plans in place is not adequate, the relevance and effectiveness of such policies and plans should be monitored, evaluated and reviewed (Ballantyne, 2009).

**Common recruitment and selection challenges**

It is true that recruitment and selection is one of the most critical aspects of human resource management in an organization. However, it is also true that implementation of this function can be tainted with problems and challenges for organizations, employees and many other stakeholders. The following are some of the challenges:

1. Organizations generally do not have detailed policies and procedures in place to inform the objective, fair, equitable, consistent and responsible application of recruitment and selection practices;
2. have standardized methods and procedures in place to ensure compliance with the constitutionally prescribed values and principles as well as national norms and standards regulating HR in organizations;
3. thoroughly consider what skills, competencies, training and traits they require from candidates that vie for vacant posts before advertising these;
4. properly determine valid selection criteria and apply these consistently;
5. structure their selection processes in accordance with these criteria;
6. motivate and record their findings and decisions properly; and
7. monitor their own conduct with a view to improvement.

According to Lavigna and Hays (2005), recruitment and selection is susceptible to manipulation and exploitation in countries where the human resource management (HRM) system have been decentralized. Applicants can also play a critical role in the manipulation of the system by falsifying qualifications, skills and work experience due to various factors, including desperation to secure an appointment or promotion.

The cause of many recruitment and selection challenges is the lack of comprehensive HRM strategies and inability of HR personnel to provide strategic support to line management and this creates numerous challenges to organizations (Lavigna and Hays, 2005). Poor hiring practices have negative consequences for the organization, including increased employee grievances, low staff morale and overall poor organizational performance.
The impact of poorly managed recruitment and selection on the performance and functionality of organizations

Acquiring and retaining high-quality talent is critical to an organization’s success. As the job market becomes increasingly competitive and the available skills grow more diverse, recruiters need to be more selective in their choices, since poor recruiting decisions can produce long-term negative effects, sometimes with exorbitant financial and/or non-financial implications for the organization.

A poor or administratively flawed recruitment and selection approach can have a demoralizing effect on other staff members as their roles may be affected or their workload is drastically increased while time, money and effort are spent bringing the new recruit up to standard. The impact of low morale and grievances among employees on an organization include, amongst others, low productivity, high staff turnover, service delivery failure (expectations not being met) injuries and accidents; possible lawsuits and union activity; and subsequent labour turnover leading to future recruitment costs (Jackson & Schuler, 2003) and loss of public/customer confidence in the organization.

Although it is difficult to put an exact value on the cost of poor appointments, Hacker (1997) estimates that a bad hiring can amount to approximately 30 per cent of the employee’s first years earning potential, whereas Jackson and Schuler (2003) are of the view that the cost can be as much as five times the employee’s salary. It is noted that the financial cost of hiring a poor recruit extends beyond the costs involved in appointing the person. It also extends to the on-going salary costs of the person, retraining costs and possible legal costs in instances where a probation period is not managed efficiently, or where the skills required for the position turns out to be quite different to the actual skills set of the incumbent. The more senior or more specialized the position the higher the costs are likely to be. If the position is vacated voluntarily or involuntarily, the organization has to incur additional recruitment expenses, plus the time and effort required to manage the process to the end. According to Kilofarad and Fonda (1997), good recruitment and selection practices can reduce the financial and non-financial risks associated with poor practices.

Methodology

The research took an explanatory research design. According to Shajahan (2004:50), the design of an explanatory study is characterized by great flexibility and ad hoc versatility. The researcher took advantage of the flexibility and versatility of the study to seek to gain familiarity and achieve new insights into the problem situation. The study adopted a qualitative research paradigm. According to Brynard et al (1997: 29), qualitative methods refer to research that produces descriptive data, generally people’s own written or spoken words. The indispensable condition or qualification for qualitative methodology is a commitment to seeing the world from the point of view of the actor or participant. The Qualitative method was found appropriate since this research is aimed at investigating management processes that involve human beings’ attitudes, attributes, working styles which are difficult to quantify. One of the advantages of this method is that it allowed the interviewer and interviewee to interact on recruitment and selection practices through its in-depth interview technique, and further enabled the researcher to describe the actions and experiences of those who had participated in the research (Vaughan-Jones, 2010).

The data collection techniques that were used in this research were the in-depth interviews and semi-structured questionnaires which were given to selected members of staff. A sample size of 80 was purposefully selected from the human resource officers, Heads of various departments and members of staff. The data obtained from the respondents were coded into a set of conceptual themes which made it easy to identify commonalities in readiness for analysis.

Findings

The findings are grounded on information gathered through questionnaires and interviews. This is based on the analyses of the views on recruitment and selection practices as highlighted by the 80 respondents comprising of the employees and human resource officials from ZESCO Limited. On recruitment and selection policy awareness, the study reviews that (82%) of the employees are aware of the policy which guides the recruitment and selection activities while (18%) expressed ignorance of its existence. However, all the respondents confirmed that poorly managed recruitment and selection...
process has an impact on the performance and functionality of the corporation. From the demographic information gathered, the study confirms that most employees have tertiary level of education represented by 81 percent, followed by secondary with 17 percent and finally primary with only two percent. However, a good number of those with tertiary qualifications do not have appropriate qualifications to their job titles. This can greatly affect performance to some extent.

The study further, reviews that 74% of the employees are on full-time, 17% are on contract, 2% on part-time and 7% on internship. This is a fair representation of the types of employment in an organization. The corporation deploys various recruitment and selection methods to attract, screen and select the most qualified candidates to fill vacant positions. The research data reviews that the Corporation used various strategies to advertise for recruitment and selection. In percentage of usage, these included; internal memorandum 28%, newspaper 36%, professional associations 12%, employee referrals 22% and others 2%. This indicates that the newspapers and internal memorandum are the most popular methods used to advertise the vacancies. This reflects high levels of compliance with legislative requirements. Other methods such as website/internet, internship programmes, bulletins and headhunting were also cited. It was noted that the methods used vary depending on the needs and requirements of a specific position. However, a few respondents reviewed that some positions are filled without following the methods outlined in the policy.

Moreover, on the compliance levels, 25% of the respondents indicated that there is no compliance to the police when it comes to recruitment and selection of candidates and 11% said they are not aware if management complies. Some respondents expressed concerns that nepotism, tribalism and corruption is common in some departments, when it comes to the filling of positions at lower, Middle Management Service (MMS) and Senior Management Service (SMS) levels, and indicated that this requires urgent attention. Few employees also mentioned that they get contradictory and inconsistent instructions from some SMS members on hiring and who to hire because of preferences. This makes it difficult for HR officials to adhere to the recruitment and selection policy.

The respondents indicated that in some instances, many incompetent and under-qualified people are favoured for senior positions or promotions and these practices disadvantage and demoralize qualified and capable employees. Some respondents made reference to a tendency by some senior managers to pick or promote their preferred employees, with no management skills and/or the necessary experience, into MMS and SMS positions. The in-depth interviews revealed that when filling some vacancies, the recruitment and selection policy is not strictly followed. Some interviewees said that at times before the adverts are published, they would know who is likely to be appointed. They stated that sometimes the recruitment and selection is affected by political interference especially when employing the MMS and SMS positions and a lot of unnecessary exceptions to the policy are considered. In addition, the management allows the trade unions to have much influence on who to hire. Some people are appointed in MMS and SMS levels without the post being advertised. Interview panels are changed as and when management feels so. They can conclude that the recruitment and selection policy really exist. However, it is not strictly followed. Below is a figure showing the views on recruitment and selection practices.

Figure 8. The effectiveness of the recruitment and selection practices in departments

Source: (Field research, 2018)
According to the Figure above, the majority view of employees at ZESCO, together with their HR counterparts, rated the effectiveness of recruitment and selection practices in their departments as “Good”. The second highest rating by employees was “Not effective”, followed by “Bad”. Only a few employees rated their departments’ practices as “Very effective”.

Some respondents cited discrimination, nepotism and favouritism as some of the common practices in recruitment and selection of the employees. It was also cited that some vacant positions are kept vacant for a long period of time. Majority of officials on lower levels and junior positions complained that they are overlooked for senior positions or higher levels. Internal officers are disadvantaged or approvals are delayed when requesting for horizontal and vertical transfers. It was also cited that head office has a tendency to finalize appointments for the regions without their consent and prior arrangement and this has resulted in unsuitable appointments in some positions at ZESCO. The responses to the questionnaire indicate divergent views at times from employees and human resource officials. Whilst there are areas of agreement in some areas, the differences raise questions as to whether the respondents were more partisan than objective when providing their opinions. The following is a summary of the views of many of the respondents.

1. There are employees in some departments who are not aware of the recruitment and selection policies of their departments.
2. There are departments that do not provide a job analysis outline before a post is advertised and sometimes posts are filled without even being advertised;
3. Some inexperienced and under qualified individuals are appointed to positions due to noncompliance with recruitment and selection policies;
4. There are views that recruitment and selection processes in the ZESCO can easily be manipulated – hence discrimination, tribalism, nepotism, interference by politicians and senior managers are some of the practices that were cited as different forms of manipulation;
5. The skills and competencies of human resource personnel is a major concern because many challenges are experienced because of, amongst others, the inability of HR officials to assert themselves as strategic partners in departments and ensure competent candidates are selected to drive the vision of the corporation;
6. Recruitment and selection challenges contribute negatively towards employee performance and strained labour relations in departments, however, some employees are reluctant to lodge grievances due to fear of victimization;
7. The management of poor performance is weak at ZESCO and results in the uneven distribution of work among employees and work overload for some employees to cover up for underperforming employees, and;
8. There is a perception among some of the respondents that there is a general lack of compliance with and inconsistent application of recruitment and selection policies and prescripts in some departments, a situation that needs immediate attention.

Conclusion

The study aimed at determining the effect of recruitment and selection on the performance of ZESCO employees through specifically investigating the effect of sourcing, attracting, and screening collectively, on the performance of the employees in line with the policy. The study found out that the overall average performance of employees is about 60.71%; and that sourcing, attracting, and screening are significant determinants of the performance of the employees at ZESCO. Based on these findings, the study concludes that recruitment and selection have a significant effect on the performance of employees, and the better the recruitment and selection, the higher the performance of the employees.

The impression created is that there is a general disregard for policies and procedures as well as confusion in the specific roles of different stakeholders in the department in particular when it comes to recruitment and selection. Recruitment and selection in any organization is a serious business as the success of any organization or efficiency in service delivery depends on the quality of its workforce who was recruited into the organization through recruitment and selection exercises (Ezeali and Esiagu, 2010). Bohlander, Snell & Sherman (2001) reported that it is important for managers to understand the objectives, policies and practices used for selection.
More importantly, those responsible for making selection decisions should have adequate information upon which to base their decisions. As Robbins (2005) observed, organization’s human resource policies and practices represent important forces for shaping employee behaviour and attitudes. In view of the findings, the study suggests that in designing and instituting recruitment and selection criteria quality should not be compromised if the organizational goal has to be achieved.

**Recommendations**

Based on the findings and conclusion drawn above, the study recommends that

1. The Ministry of Energy, Trade and Industry, in collaboration with all stakeholders and ZESCO develop guidelines for recruitment and selection of new staff to be recruited by the ZESCO Limited.
2. A proof that such guidelines have been adopted and followed should be advanced during application for renewal of contracts and or work permits. Recruitment of new employees and renewal of old contracts should be based on evidence of effective practices of recruitment and selection at ZESCO Limited.
3. The study suggests that in designing and instituting recruitment and selection criteria quality should not be compromised so as to improve organizational performance.
4. Considering the fact that recruitment is a complex practice, the study recommends that a further research be conducted enlarging the research sample size with more involvement of stakeholders, use of mixed research approach so as to form a basis to adjudge the recruitment and selection style that have the highest positive impact in large organizations such as ZESCO.

**References**

The Influence of Executive Succession Planning on Sustainability of Small and Medium Enterprises (SMEs) in Lagos, Nigeria

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Abstract

One of the problems faced by small and medium businesses in Nigeria and others globally has been planned succession by way of purposeful transfer of operational, management and ownership controls to the next generation from the proprietors. At the same time, there is a growing chorus on the necessity for older professionals to develop, groom and integrate the younger professionals into additional responsibilities to increasingly take over the business practices to ensure continuity. Current dynamics in the business environment also demand that organizations attract, retain and internally develop potential partners/talent as key to the organization’s future success. Yet, notwithstanding the decision for generational transfer of leadership and therefore the market dynamics, succession management has for the most part remained on the back burners. This study was however undertaken to fill the research gap that exists by elucidating the influence of executive succession planning on sustainability of Small and Medium Enterprises (SMEs) in Lagos, Nigeria. The study adopted a survey design with a population of study limited to small and medium businesses in Lagos state Nigeria, that are licensed by the Small and Medium Scale Enterprises Development Association of Nigeria (SMEDAN). A stratified sampling technique was used to select the businesses, from where a random sample of 40 was selected. Descriptive statistical tool and Pearson’s Product Moment Correlation were used to analyze the data. The research reveals that the implementation of succession planning processes by SMEs influences firm sustainability. Likewise, there is a moderating effect of both internal talent mobility and stakeholder engagement on the relationship between succession planning and firm sustainability. The study therefore concludes that succession planning implementation, internal talent mobility and stakeholder engagement are some of the key determinants of business sustainability in small and medium enterprises therefore, there is the urgent need for organizations to establish effective succession planning capable of building a pool of talents from within while actively engaging all of its stakeholders.

Keywords: Executive, Succession Planning, Small and Medium Enterprises, Sustainability.

Introduction

The importance of small and medium businesses (SMEs) was somewhat overlooked in most developing and emerging economies around the world. Their true value and contributions have only started to gain appreciation with the arising challenges of unemployment and poverty. SMEs unfortunately, lack longevity; very few businesses survive to the second generation and considerably less continue to the third (Bareither & Reischl, 2003). A large number of SMEs fail because of succession failure (Ibrahim & Ellis, 2004) mainly as a result of the inability of small businesses to manage this complex process of transferring ownership and management to the next generation and lack of management to sustain a small and medium business (Bareither & Reischl, 2003).

Succession planning is about more than filling the top spots. It is a smart, talent management strategy that can drive retention of talent throughout the organization – and ensure that the organization has the skills it needs in place, or on hand, to respond to the rapidly shifting sands that make up today’s business environment (Hills, 2009). The importance of ensuring effective succession has been widely recognized in literature. With succession planning, organizations develop the right people with the right mentality to take over the leadership, management or ownership of the business so that the organization will fulfil its mandate of being a going concern.
A lot of factors have been observed by researcher to be contributing to the sustainability of business, one of the most important is succession planning. (Ward 2006), posits that the long-term health and sustainability of any business rely upon its capacity to envision and react to change.

Research problem

The SME sector is the backbone of major developed economies, as well as important contributors to employment, economic and export growth. In South Africa, SMEs account for 91% of businesses, 60% of employment and contribute 52% of total GDP. According to the Nigeria Bureau of Statistics, small and medium scale enterprises (SMEs) in Nigeria have contributed about 48% of the national GDP in the last five years, account for 96% of businesses and 84% of employment. With a total number of about 17.4 million, they account for about 50% of industrial jobs and nearly 90% of the manufacturing sector, in terms of number of enterprises.

Despite the acclaimed contributions of small and medium businesses to growth of various economies, Nigeria inclusive, majority of SME’s are confronted with similar challenge in the area of business sustainability (Onyeukwu et al, 2019). Since the initial research by Grusky (1960), succession planning has been widely accepted as a necessary source of instability. Past research has consequently provided many different perspectives and methodologies to lead to more effective succession planning, but there has been just little empirical research measuring the extent of implementation of succession planning practices on SME’s. Njigu (2014) indicated in her study in Kenya that a significant number of businesses do have a succession plan in place but do not implement it in their overall business strategy. Also, in most SMEs there are no constituted committee to develop and drive the succession planning process to success.

Theoretically, a few studies have investigated the influence of a number of succession planning variables on business sustainability. To our knowledge, past literature did not empirically address the moderating effect of variables such as ‘Internal Talent Mobility’ and ‘Stakeholder Engagement’ on the relationship between succession planning and business sustainability. Therefore, to bridge this gap, the present study proposes to investigate the influence of ‘Internal Talent Mobility’ and ‘Stakeholder Engagement’ on the relationship between executive succession planning and sustainability of SMEs in Nigeria as well as to examine the extent of implementation of succession planning practices in the overall business strategy of SMEs in.

Research objectives

The general objective of this research is to examine the influence of executive succession planning on the sustainability of SMEs in Nigeria. The specific objectives however is to:

1. Examine the influence of succession planning implementation in the overall strategic plan on sustainability of Nigerian SMEs;
2. Establish the influence of Internal Talent Mobility on the relationship between succession planning and sustainability of SMEs in Nigeria.
3. Establish the influence of Stakeholder Engagement on the relationship between succession planning and sustainability of SMEs in Nigeria.

Thesis statement/hypothesis

To achieve the purpose of the current study, the following research questions have been formulated:

1. Is there a significant influence of succession planning implementation in the overall business strategy on sustainability of SMEs in Lagos, Nigeria?
2. Does internal talent mobility influence the relationship between succession planning and sustainability of SMEs in Lagos, Nigeria?
3. Does stakeholder engagement influence the relationship between succession planning and sustainability of SMEs in Lagos, Nigeria?

To answer the research questions that have been highlighted above, the current study tested out six hypotheses.
1. **H1.** The implementation of succession planning processes in the overall business strategy of SMEs in Lagos, Nigeria does not influence firm sustainability.

2. **H2.** The implementation of succession planning processes in the overall business strategy of SMEs in Lagos, Nigeria influences firm sustainability.

3. **H3.** There is no moderating effect of internal talent mobility on the relationship between succession planning and sustainability of SMEs in Lagos, Nigeria.

4. **H4.** There is a moderating effect of internal talent mobility on the relationship between succession planning and sustainability of SMEs in Lagos, Nigeria.

5. **H5.** There is no moderating effect of stakeholder engagement on the relationship between succession planning and sustainability of SMEs in Lagos, Nigeria.

6. **H6.** There is a moderating effect of stakeholder engagement on the relationship between succession planning and sustainability of SMEs in Lagos, Nigeria.

**Literature review**

**Succession planning and business sustainability**

Succession management is the key to business sustainability and the best companies groom talented employees for positions of leadership. Collins (2009) even went further to show that most fallen companies had chief executive officers and leaders who fail the process of succession planning and as such set their companies on a path to decline. Failure to engage in succession planning early on causes organizations to make decisions based on informal judgments, which are often problematic with negative results in most cases.

With the attrition rate for companies increasing, it has become an inevitable strategy to be considered by every organization. To mitigate risk and to enhance quality of life of an organization, succession management is highly necessary. Effort are made by leaders of organizations to recruit, develop and retain individuals with a range of leadership competencies capable of implementing current and future organizational goals (Leibman et al., 2006).

Several studies have also ascribed most proprietors’ hesitancy to make succession plans, to factors such as the proprietor’s strong passion and emotional attachment to the enterprise, retirement, incapacitation or death phobia, financial insecurity and absence of interest. It is therefore not unexpected that most small business owners rarely retire from their own businesses, but prefer dying while still managing the business.

**Internal talent mobility and business sustainability**

Employees don’t expect to spend a lifetime with an employer; leaving when a better opportunity arises and returning again if situations are right to do so. With visibility into the market place, individuals that possess “in demand” skills and knowledge have ready access to employment opportunities creating the need to make internal opportunities as appealing. (SAPinsider, 2014).

Sherman (2015) posit that candidates brought in from outside tend to cost more because they often give up existing career options, which may include equity positions, bonuses and more. They also have a long learning curve, even if they come from the same industry, because they don’t know how their new company works. Internal candidates, on the other hand, having a background at the firm, typically don't require as much additional compensation and are more stable. According to research from the Wharton School of the University of Pennsylvania, external candidates are 61 percent more likely to be fired and 21 percent more likely to leave a company than internal candidates. This position aligns with findings made by Njigua (2014) that majority of SMEs have directors who are founding members or where new appointments had to be made, majority also made appointments and promotions from the senior management teams.

Charan et al (2001) argued that a crisis in leadership is a result of a company-wide breakdown rather than the actions or failure of one person and finding a new CEO does not in most cases solve the crisis nor does going outside to fill the vacant CEO role. They stressed that going outside would in fact be an admission of failure which hides the truth that the establishment has failed to develop a pipeline of internal who can step in and manage the bigger challenges of the day. Kowalewski, Moretti and McGee (2011), pointed out that both insiders and outsiders have strengths and
weaknesses in entering new positions - employees know the institution and its inner workings, but may not recognize the need for change. New ideas can come from the outside, but many times these newcomers do not know the institution well enough to foster the changes needed.

**Stakeholder engagement and business sustainability**

Rosenthal et al. (2018) concluded in their study that most companies either avoiding succession planning altogether or are taking a dispassionate, process-oriented approach that minimizes, or even fail to address the impact of human behavior on the succession planning process nor consider stakeholder engagement. Further suggestions were made to support the stance that succession planning is most effective when it takes a “centered” approach that focuses on people first while maintaining objectivity and procedural discipline. By approaching succession planning in this way, an organization can likely make it not only an effective part of its growth strategy, but also a signature feature of its corporate culture. (Rosenthal et al, 2018).

Jacobs Drew (2015) argued that senior leadership has to be behind the succession plan in more than verbal support and agreement. They have to be willing to make the necessary decisions and support the decisions of the team which is accountable. If senior leadership doesn’t support and hold accountable those in the organization, those who want to pocket veto the initiative know they have an out and the entire process limps to be ineffective the result being a waste of both time and money. (Jacobs, 2015).

**Empirical review**

Akpan et al (2017) examined how succession planning influences survival of small businesses operating within Makurdi metropolis. The study indicated that manpower training significantly influences longevity of small businesses; This finding implies that there is need for small business owners to put a succession plan in place to achieve desired business sustainability. The study therefore recommended that small business owners should infuse a workable succession plan in their business strategy as this will ensure the survival of the family business through several generations.

Obadan & Ohiorenoya (2013) studied the process of succession planning in small business enterprises in the hotel industry in Benin City, Edo State. The findings showed that the two small business enterprises (Hotels) have no succession plan in place and the ability and competence of successors are not considered in succession planning. The study recommended that small business enterprises should develop a formal plan for succession, communicate the identity of successor, provide basic business management education, provide training/monitoring to the incumbent Chief Executive Officer (CEO) and all stakeholders should help him in planning for succession ensuring that owners are comfortable after disengagement.

Ogbechie & Anetor (2015) carried out a study on appraisal of succession planning in family-owned businesses in Lagos State, Nigeria. The population of the study includes all family-owned enterprises in Lagos state, Nigeria. A purposive sampling technique was employed by the study to select 80 participants (owners/founders of family businesses) from the population. Data was elicited from questionnaire and analyses of the responses were done using descriptive statistics and factor analysis through the use of Statistical Package for Social Sciences (SPSS). From the findings, it indicated that the lack of a succession plan is not the significant factor responsible for the problem of succession despite the fact that most family enterprises lack succession plan. They observed that there were other factors (cultural factors like extended family system, inheritance tradition (such as preference for sons, marriage), and education responsible for the problem of poor succession in family-owned businesses in Nigeria.

Nnabuife and Okoli (2017) examined succession planning influence on sustainability of some family-owned enterprises in Anambra State, Nigeria. The study concluded that mentorship is central in ensuring the continued existence of family-owned businesses. It therefore suggested that mentorship should be embraced by family-owned businesses as an inevitable process to achieving business sustainability; family business owners should ensure that genuine interest is shown by identified successors, while the process should be seen as a process of ensuring longevity of the enterprises as against an act of relinquishing power and control.
Methodology

In this research the researcher used a quantitative research design due to the complexities involved in the study of small and medium enterprises. The quantitative design approach allows the researcher to integrate literature from academia relevant to executive succession planning and from this develop a cross sectional questionnaire which will be employed to make inferences about possible relationships or to gather preliminary data to support further research and experimentation. In this research, the phenomenon of interest was to examine the level of implementation of succession planning strategies in the overall business strategy of SMEs in Lagos, Nigeria and to determine the effect of internal talent mobility and stakeholder engagement influences on the relationship between executive succession planning and the sustainability of small and medium businesses in Lagos state of Nigeria.

By randomly selecting SMEs that had been in existence for over three years, the researcher was able to gain insights and in-depth understanding of the phenomenon of interest. The design strategy also did not try to generalize the data from a sample to a population but merely looked at gaining insight about the phenomenon studied. The data collection for this qualitative study took place during a 6-week period in October 2019 within Lagos state, Nigeria. The enquiry centered on how executive positions were filled within these organizations. The researcher made inquiries to find out if formal succession planning took place and if various element of succession planning were considered in the process or head hunting started at the eminent departure of the current executive.

The executive management of 44 companies in Lagos, Nigeria were used as research samples. Statistical analysis was further conducted after organizing and summarizing the original questionnaire data recovered. The questionnaire survey in this study was divided into two stages, a pilot questionnaire and a formal questionnaire, and analyzed and described, as follows:

Pre-test

The pilot questionnaire of this study was dispatched to a total of 10 senior and executive management persons of SMEs in Lagos Nigeria in October 2019 and a total of 9 valid pilot questionnaires were recovered.

Reliability test

The reliability of the items used in the research instrument was measured using Cronbach’s alpha test. The test was done to assess the internal consistency or homogeneity among the research instrument items.

<table>
<thead>
<tr>
<th>Reliability statistics</th>
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<tbody>
<tr>
<td>Cronbach's Alpha</td>
</tr>
<tr>
<td>764</td>
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</table>

From the table above, the computed Cronbach/Coefficient Alpha value was .764 N = 16, which means that .764% of the variance in the scores is reliable variance. as suggested by most value greater than .70 indicates a degree of internal consistency.

Formal questionnaire

In this study, data were collected by means of dispatching electronic questionnaires. In order to acquire the required information to validate the various research hypotheses, specific items were determined by inductive and deductive means; a Likert 5-point scale was implemented for item measurement indicators, from Not at all (1) to Great extent (5); the higher the score, the higher extent of the agreement of the respondent and vice versa. In addition, before dispatching the formal questionnaires of this study, the purpose and requirements of this study were explained to the respondents via e-mail, and their consent was sought.
Results analysis

Statistical analysis of sample characteristics

A total of 50 questionnaires were administered, 42 were collected which represented 84% of the total questionnaires sent out. Of this value 2 were invalidated leaving 40 as the valid questionnaires used for analysis. This represents 80% of the total questionnaires administered. The sample size of this study is 40 respondents.

The table of statistical analysis shows that male respondents account for the largest proportion (65.5%), which indicates that most Small and medium businesses in Lagos, Nigeria were founded or succeeded by males. Regarding age, respondents aged 30–40 and 40 – 50 years account for the largest proportion (48.3% and 31% respectively). This indicates that most SME executives are not thinking about retirement or handling over the reins of their businesses to a successor for another 10 years. 62% of the respondents had less than 10 years of experience in an executive position and about 38% with over 10 years’ experience in an executive position. In addition, Limited liability companies represent 44.8% of the total number followed by sole proprietorship (20.7%) and partnerships (17.2%), which indicates that the structure of SMEs in Lagos do not reserve the right of strategic decision making on a sole individual.

Succession planning implementation

The study considered various indicators of succession planning implementation among respondents in SMEs. Respondents commented on their extent of agreement with implementation qualities, and issues presented to them on a Likert scale where: (5) presents Great extent; (4) large extent; (3) some extent; (2) little extent; (1) Not at all. Table 2 below shows the outcomes of that inquest.

Table 2. Descriptive statistics of succession planning implementation

<table>
<thead>
<tr>
<th>Descriptive Statistics of Succession Planning Implementation</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Kurtosis</th>
<th>Skewness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Succession planning vision is known company-wide</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>2.3500</td>
<td>.73554</td>
<td>3.01</td>
<td>0.96</td>
</tr>
<tr>
<td>Succession planning strategy forms a substantive part of the recruitment strategy</td>
<td>40</td>
<td>1.00</td>
<td>4.00</td>
<td>2.4750</td>
<td>.81610</td>
<td>-0.33</td>
<td>0.38</td>
</tr>
<tr>
<td>Systems exist to assess future requirements of work and competency of different executive positions</td>
<td>40</td>
<td>1.00</td>
<td>4.00</td>
<td>2.3500</td>
<td>.62224</td>
<td>0.13</td>
<td>0.27</td>
</tr>
<tr>
<td>My organization has mentoring and training programs</td>
<td>40</td>
<td>1.00</td>
<td>4.00</td>
<td>2.2500</td>
<td>.58835</td>
<td>1.13</td>
<td>0.70</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>40</td>
<td></td>
<td></td>
<td>2.3563</td>
<td>1.0075</td>
<td>0.5775</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field data (2019).

Table 2 above shows that succession planning vision is only communicated across company to a small extent (mean = 2.35), recruitment strategy of most SMEs in Lagos, Nigeria have embedded succession plan to a small extent (mean = 2.48). It was further observed that businesses in Lagos, Nigeria organize mentoring and training programs for their employees and make provision of systems to assess future needs and competency requirements of various executive positions to a small extent (mean 2.25 and 2.35 respectively).
The findings indicate low implementation levels of succession planning activities with low average mean of 2.3563 meaning that the firms implemented the succession planning process to a small extent. The study observed skewness values (Average 0.5775) to range between 1.0 or -1.0. Similarly, it was also observed that the study Kurtosis (average 1.0075) ranged between the -3.0 or 3.0 levels. The result indicates that the variable’s data is symmetrical and is normal being flat topped around its mean. Therefore, the study data can be said to be highly reliable and able to determine succession planning implementation levels in the institutions.

**Internal talent mobility**

The study also considered various internal talent mobility indicators perceived among respondents in the SMEs involved in the study. Various indicators of the existence of internal talent mobility activities in the firms were applied. Respondents commented on their extent of agreement with Internal Talent Mobility indicators and issues presented to them on a Likert scale where: (5) presents great extent; (4) large extent; (3) some extent; (2) little extent; (1) Not at all. Table 3 shows the Internal Talent Mobility activities.

<table>
<thead>
<tr>
<th>Table 3, Descriptive statistics for internal talent mobility</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Descriptive Statistics for Internal Talent Mobility</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>N</strong></td>
</tr>
<tr>
<td>40</td>
</tr>
<tr>
<td><strong>There is a great focus on high potential and high performing managers</strong></td>
</tr>
<tr>
<td><strong>Employees are constantly engaged at work</strong></td>
</tr>
<tr>
<td><strong>Part of talent management strategy</strong></td>
</tr>
<tr>
<td><strong>Frontline management are educated on the benefits of internal talent mobility</strong></td>
</tr>
<tr>
<td><strong>The right learning and development resources are in place for employees</strong></td>
</tr>
<tr>
<td><strong>Employees are given models and narratives for advancement</strong></td>
</tr>
<tr>
<td><strong>Transparency in roles and promotion process</strong></td>
</tr>
<tr>
<td><strong>Valid N (listwise)</strong></td>
</tr>
<tr>
<td><strong>Average</strong></td>
</tr>
</tbody>
</table>

**Source:** Field data (2019)

The skewness of the variables ranged within 1.0 or -1.0, an indication that the data is symmetrical or nearly symmetrical and hence considered to be normal. Similar views were elicited in the Kurtosis analysis where the data was near the 3.0 or -3.0 values indicating that the sub-constructs of entrepreneurial orientation are flat topped near the mean (average 0.345).

**Stakeholder engagement**

The study looked at the indicators of stakeholder engagement that the respondents commented on their extent of agreement as presented to them on a Likert scale where: (5) very large extent; (4) large extent; (3) some extent; (2) little extent; (1) Not at all. The outcomes are as shown in Table 4.
Table 1. Descriptive statistics for stakeholder engagement

<table>
<thead>
<tr>
<th>Descriptive Statistics for Stakeholder Engagement</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Kurtosis</th>
<th>Skewness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Needed resources are deployed to kickstart the process</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>2.9500</td>
<td>1.01147</td>
<td>-.42</td>
<td>-.05</td>
</tr>
<tr>
<td>Collaboration is encouraged within the organization</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>2.3250</td>
<td>.88831</td>
<td>.99</td>
<td>.68</td>
</tr>
<tr>
<td>Monitor all implementation stages of the succession plan</td>
<td>40</td>
<td>2.00</td>
<td>5.00</td>
<td>3.1250</td>
<td>.85297</td>
<td>-.07</td>
<td>.53</td>
</tr>
<tr>
<td>There is regular evaluation of the entire succession planning program</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.1000</td>
<td>1.10477</td>
<td>-.62</td>
<td>-.09</td>
</tr>
<tr>
<td>Talent reviews are regularly conducted</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.5500</td>
<td>.90441</td>
<td>.50</td>
<td>-.48</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>40</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>3.01</td>
<td></td>
<td></td>
<td></td>
<td>.076</td>
<td>.118</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Field data (2019)

The study observed that the skewness of the variables ranges from 1.0 to -1.0, (average 0.118) an indication that the data is symmetrical or nearly symmetrical, hence considered to be normal. Similar views were elicited in the Kurtosis analysis where the data was observed to near the 3.0 or -3.0 values indicating that the constructs of stakeholder engagement are flat topped near the mean (average 0.076).

**Sustainability**

The study looked at various indicators of the sustainability performance of the family businesses involved in the study. Respondents commented on their extent of agreement on these performance indicators presented to them on a Likert scale where: (5) presents great extent; (4) large extent; (3) some extent; (2) little extent; (1) Not at all. The outcomes are as shown in Table 5 below.

Table 5. Descriptive statistics for sustainability

<table>
<thead>
<tr>
<th>Descriptive Statistics for Sustainability</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Kurtosis</th>
<th>Skewness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Share</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>2.5000</td>
<td>.93370</td>
<td>1.10</td>
<td>.99</td>
</tr>
<tr>
<td>Profitability</td>
<td>40</td>
<td>1.00</td>
<td>4.00</td>
<td>1.9000</td>
<td>.77790</td>
<td>-.12</td>
<td>.52</td>
</tr>
<tr>
<td>Number of employees</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.1000</td>
<td>1.10477</td>
<td>-.62</td>
<td>-.09</td>
</tr>
<tr>
<td>Sales turnover</td>
<td>40</td>
<td>1.00</td>
<td>4.00</td>
<td>2.4000</td>
<td>.81019</td>
<td>-.22</td>
<td>.34</td>
</tr>
<tr>
<td>Governance structure</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>3.0750</td>
<td>.99711</td>
<td>-.29</td>
<td>.01</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>40</td>
<td>1.00</td>
<td>5.00</td>
<td>2.6000</td>
<td>1.00766</td>
<td>-.49</td>
<td>.27</td>
</tr>
<tr>
<td>Legal and regulatory compliance</td>
<td>40</td>
<td>2.00</td>
<td>5.00</td>
<td>3.7750</td>
<td>.83166</td>
<td>-.58</td>
<td>-.11</td>
</tr>
<tr>
<td>Technological advancement</td>
<td>40</td>
<td>1.00</td>
<td>4.00</td>
<td>2.2250</td>
<td>.73336</td>
<td>.35</td>
<td>.44</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>40</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>40</td>
<td></td>
<td></td>
<td></td>
<td>2.6969</td>
<td>-.11</td>
<td>.30</td>
</tr>
</tbody>
</table>

**Source:** Field data (2019)
Correlation of variables and test of hypotheses

The second and third objective of the study was to establish the influence of Internal Talent Mobility on the relationship between succession planning and sustainability of SMEs in Nigeria and establish the influence of Stakeholder Engagement on the relationship between succession planning and sustainability of SMEs in Nigeria. Pearson Correlation Product Moment Correlation analysis was done to test the strength and the direction of the linear relationship between the study variables. Table 6 presents Pearson Correlation coefficients.

Table 6. Pearson correlation coefficients

<table>
<thead>
<tr>
<th>Correlations</th>
<th>AVGSP</th>
<th>AVGSI</th>
<th>AVGITM</th>
<th>AVGSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>AVGSP</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>.528**</td>
<td>.581**</td>
<td>.130</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.000</td>
<td>.000</td>
<td>.423</td>
</tr>
<tr>
<td>N</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>AVGSI</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.528**</td>
<td>1</td>
<td>.631**</td>
<td>.685*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td></td>
<td>.000</td>
<td>.034</td>
</tr>
<tr>
<td>N</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>AVGITM</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.581**</td>
<td>.631**</td>
<td>1</td>
<td>.361</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td></td>
<td>.710</td>
</tr>
<tr>
<td>N</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>AVGSE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.130</td>
<td>.685*</td>
<td>.361</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.423</td>
<td>.034</td>
<td>.710</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>40</td>
</tr>
</tbody>
</table>

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

*. Correlation is significant at the 0.05 level (2-tailed).

The results in Table 6 indicate the relationship between the study variables. The key correlation outcomes are those of the relationship between firm sustainability (AVGSI) and the independent variables of succession planning (AVGSP), internal talent mobility (AVGITM), and stakeholder engagement (AVGSE).

The relationship between succession planning implementation and businesses sustainability is moderate, positive and statistically significant (R = 0.528, p-value = .000). The p-value (.000) is less than the value of significance (0.01). Hence, H1 (The implementation of succession planning processes in the overall business strategy of SMEs in Lagos, Nigeria does not influence firm sustainability) is hereby rejected while H1 (The implementation of succession planning processes in the overall business strategy of SMEs in Lagos, Nigeria influences firm sustainability) is hereby accepted.

Similarly, the relationship between internal talent mobility and business sustainability is strong, positive and statistically significant (R = 0.631, p-value = .000). From the correlation matrix presented in Table 6, business sustainability has a correlation index of 0.528 when regressed against succession planning. This correlation coefficient increases to 0.631 when internal talent mobility is introduced in the model. This observation is an indication that there is an improvement in the relationship between the business sustainability and succession planning. Hence, H2 (There is no moderating effect of internal talent mobility on the relationship between succession planning and sustainability of SMEs in Lagos, Nigeria) while H2 (There is a moderating effect of internal talent mobility on the relationship between succession planning and sustainability of SMEs in Lagos, Nigeria) is hereby accepted.

The relationship between stakeholder engagement and firm sustainability was found to be strong and statistically significant with a coefficient of 0.685 and a p-value of 0.034. From the correlation matrix presented in Table 6, business sustainability has a correlation index of 0.528 when regressed against succession planning. This correlation coefficient increases to 0.685 when stakeholder engagement is introduced in the model. This observation is an indication that there is an improvement in the relationship between the business sustainability and succession planning. Hence, H3 (There is
no moderating effect of stakeholder engagement on the relationship between succession planning and sustainability of SMEs in Lagos, Nigeria.), while H3 (There is a moderating effect of stakeholder engagement on the relationship between succession planning and sustainability of SMEs in Lagos, Nigeria.) is hereby accepted. This result implies that the study variables considered i.e. succession planning implementation internal talent mobility, and stakeholder engagement plays a critical role in influencing SME sustainability.

**Discussion of analysis**

The research reveals that most of the admired and flourishing organizations that have achieved longevity have had executive teams that prioritized succession planning as an integral part of their overall strategic plan. This seems to make sense because all the business executives will ultimately come and go, and how they come and go has a profound transition effect on their organizations, which may largely determine the difference between extended periods of failure and success. In SMEs in Lagos, Nigeria, we found that only 44.8% of SMEs have a succession plan in place with about 46.2% of this population having finalized and implemented the succession plan in their businesses. 23.1% responded that they board and management have finalized but are yet to implement while 30.8% are yet to finalize on the plan. 68.7% of the SMEs executives whose organization have no succession plan gave board prioritization as a reason for not developing one while the remaining 31.3% gave that the management’s failure to initiate the process as a reason.

The result of the study agrees with the previous works of (Ifekwem et al., 2011; Ogundele and Idris, 2008; Utomi 2008), which confirms that planning for succession ensures the firm’s survival and sustainability over the long run. Failure to plan for succession has been cited as the primary cause for the poor survival rate of small firms. This research is in agreement with the empirical work of (Ifekwem et al., 2011) carried out on family business owners in the South Eastern States of Nigeria which identified the non-availability of succession plan in most family businesses. They found out that 70 percent of the respondents have no plans on who succeeds them.

The result of the study further implies that when deliberate efforts are made by business owners to groom internal talents for executive positions, the firm as a whole stands a greater chance of maintaining its viability for a very long time. This finding is also in alignment with the result of Adedayo et al (20160 which indicated that a strong positive relationship exists between succession planning and the organization’s sustainability, once business owners’ grooms and train their successor with their experience to understand the management intricacies of the business.

According to (Utomi, 2008) professionalizing business succession and planning, trust in ownership structure that makes a broad block of stakeholders committed to ensuring smooth transition of enterprise leadership from one team to another is important to ensure business sustainability. This study reveals that engaging all relevant and concerned stakeholders in the succession planning process improves the possibility of success during implementation and ultimately sustainability of the business.

**Conclusions**

The study concludes that succession planning, though lowly practiced in the firms, have a positive impact on the business sustainability. The research shows that executive succession planning is essential for any organization that is to achieve consistent performance. Though succession planning is critical to achieving business sustainability and competitive advantage, organizations in Nigeria do not appear to have well thought out succession plans. The absence of succession planning has resulted in the placement of square pegs in round hole, thus affecting negatively on morale and overall performance. This explains why some small and medium establishment, which did well in the past, are performing badly and almost in extinction now. It is evident from the research that executives understand the crucial role that succession planning plays in ensuring smooth transition of leadership between predecessors and successors but yet, board have not made the development of the succession plan a priority as indicated by 72% of the respondents whose organizations currently have no succession plan in place.
The research also points out that some of these establishments do not have succession plans as an integral part of their recruitment strategy. The consequences of this are obvious; talent and knowledge drain, critical skill gaps, a change in the ethos and dynamics of the business and disruptions. The study also found out that when succession planning is combined with internal talent mobility and stakeholder engagement, a higher impact on business sustainability is realized. Stakeholder engagement was a key characteristic in most of the businesses in the study, with most of these businesses applying various stakeholder engagement strategies in their operations. Furthermore, 80% of the current executives are within the age group (30-50 years) and may not have to retire nor hand over the reins of the business to a successor in the next ten years, a yet safer approach would be to kickstart the development of a systematic succession plan and management process to manage transition anxiety and fill the talent pipeline with individuals who are equipped with the specific knowledge and skills to steer the wheels of the business to success.

**Recommendations**

To reposition organization for effective performance and service delivery, there is the urgent need for organizations to establish effective succession planning capable of building a pool of talents from within. This will enhance leadership continuity, values, and ethos of the business. It will also facilitate the development of a strong „talent resource” for the future which is vital to attract and retain the best and key people which will help in present and more for the future growth of the organization. Have the right people with right skills in the right jobs doing the right things. The key is to match the needs of the organization to the goals of the individual.

The study found that succession planning and internal talent mobility and stakeholder engagement are some of the key determinants of business sustainability in small and medium enterprises. However, succession planning was applied in very few SMEs. The study therefore recommends that key stakeholders in business and enterprise development should be duly engaged in providing the necessary resources required, provide support throughout the process and demand accountabilities from all talent managers during the process so as to ensure smooth transition from one leader to another. For Nigeria to be a major player in the global economic arena, we must have thousands and millions of well managed small to medium scale enterprises.

**References**


