

2018
SAIMS CONFERENCE
CELEBRATING
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16-19 September
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**The Southern African Institute of
Management Scientists (SAIMS)**

CONFERENCE PROCEEDINGS

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**30TH ANNUAL CONFERENCE OF THE SOUTHERN
AFRICAN INSTITUTE OF MANAGEMENT SCIENTISTS
(SAIMS)**

CONFERENCE PROCEEDINGS

16-19 September 2018
Hosted by Stellenbosch University

Prof. Edwin Theron & Ms Lomari Theart
Editors

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PREFACE

Stellenbosch University feels privileged to have been selected as host of the 30th Annual Conference of the Southern African Institute of Management Scientists (SAIMS). What makes it even more special, is that this conference coincides with Stellenbosch University's centenary celebrations.

The aim of the conference, which takes place on the Stellenbosch campus from the 16th to the 19th of September 2018, is not only to create an environment within which ideas can be freely shared, but also to provide networking opportunities. It is against these objectives that the theme for the 2018 conference is *Celebrating 30 Years Of Research-Inspired Management Advancement*.

The proceedings is the result of hard work by numerous parties, especially the authors that have submitted their work to be presented during the conference. The buildup to the conference already started towards the end of 2017 when the first call for papers was distributed. A total of 164 papers were received, of which 100 were full papers and 64 were submitted as work-in-progress papers. Once all submissions were received, the review process commenced. *Each of the papers* (in both the full paper and work-in-progress streams) *were subjected to a double blind review process*. Upon submission of papers, authors had to indicate their areas of specialisation, which were used to automatically assign papers to reviewers. In total, 110 reviewers participated in the review process. Two anonymous reviewers reviewed each submission, which means that the identity of the authors were not known to the reviewers (and *vice versa*).

In terms of the outcome of the review process, a small number of authors requested that their full papers should be published in the proceedings as work-in-progress submissions only. In addition, some full papers were accepted for the work-in-progress stream. In the final instance, 121 papers are scheduled to be presented at the conference, 63 as full papers and 58 as work-in-progress papers. This 120 papers appear in the conference proceedings that you now have in front of you.

From the academic side, the editors would like to thank the following individuals:

- The *authors* who decided to submit their work for the 2018 SAIMS Conference. Thank you for supporting the 2018 conference, and in particular, thank you for abiding to the strict timelines.
- The 110 *reviewers* that submitted their reviews in time. As editors, we were in a position to view each of the reviews upon submission, and we are in debt towards so many reviewers that submitted high quality reviews.
- All the *delegates* that are now joining us for the conference. We trust that you will thoroughly enjoy the conference, and that you will leave Stellenbosch inspired by all the new knowledge that you have gained.

We trust that these conference proceedings will travel far and wide. We encourage everyone to share this document, and that delegates will maintain and enhance the contacts that they have made during this year's conference. In addition, we hope that you leave Stellenbosch

inspired by what you have learnt during this year's conference, and that it will manifest in a large quantity of high quality papers to be submitted for the 2019 SAIMS Conference.

Kind regards



Edwin Theron & Lomari Theart
Editors: SAIMS 2018 proceedings

16 September 2018

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The evolution of accountancy to accountability – acknowledging Africa’s contribution

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Keywords: Accountability, Accounting, Accounting History, Africa, Eurocentric, Ubuntu

ABSTRACT

While this conceptual paper is to consider whether the accounting profession has adequately responded to the expectations of contemporary society for increased corporate accountability, it simultaneously questions the conventional Eurocentric view that aligns the development of contemporary accounting practices to the development of Western economies. Although the paper links financial reporting practices to shareholder primacy, and corporate social responsibility and integrated reporting to shareholder theory, it does question whether today’s companies were truly embracing the fundamental principles of responsible corporate citizenship. It suggests that some companies may only instrumentally provide non-financial reporting as a tool to entrench shareholder primacy. Without disregarding the contribution of the West to the development of accounting practices, it argues that Africa’s role, especially relating to early accounting developments, may have been deliberately ignored to perpetuate the prevailing Eurocentric dogma.

Gender-differentiated locus of control in a racially diverse accounting student body at a South African university

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Keywords: Gender, Race, Locus of Control, Racially Diverse

ABSTRACT

By analysing qualitative and quantitative findings, this study aimed to investigate whether including race distinction as a variable when conducting a study on gender-differentiated locus of control and performance in undergraduate accounting courses would yield associations which could be used meaningfully. This was to ascertain how locus of control could be better applied to yield more meaningful results when used by tertiary institutions with racially diverse student bodies. Past research has shown that when locus of control is applied in a racially diverse sample which has experienced enduring socio-economic inequalities and/or internalised racial oppression this has inhibiting psychological consequences on those students' perceptions of their abilities to perform academically. This study found evidence for the merits of race inclusion as a variable in the application of locus of control, albeit the evidence showed consistent associations exhibited for Black and Indian students only with their performance regardless of gender. This is despite six racial categories being included. The study also found the significance of associations for White and Other students, regardless of gender, depended on the accounting course being studied.

INTRODUCTION

Increased female representation on the boards of companies and in senior management roles are of particular importance as it has been proven to result in increased company profits and an improvement in a country's economy (Faust, 2013). These research findings also show evidence for increased female representation on boards resulting in improved corporate governance – which is pivotal in upholding the sustainability of companies and preventing future corporate failures such as Enron and WorldCom (Willows & van der Linde, 2016). Such findings have been instrumental in the formation of movements such as the “2020 Women on Boards” (2020 Women on Boards, 2015) in the United States of America and the “30% Club” campaign running in Australia (30 Percent Club, 2016), both of which are aimed at encouraging increased female representation on boards.

Due to female enrolment and performance at tertiary institutions surpassing that of males, many institutions have sought to research the reasons underpinning this female domination in

higher education (Pekkarinen, 2012; Weerakkody & Ediriweera, 2012). Researchers have also become interested in understanding why this female dominance exhibited at a tertiary level does not directly transfer itself into the corporate world, particularly in the accounting profession where women do not seem to be ascending to the ranks of senior management compared to their male counterparts (Callaghan & Papageorgiou, 2015; Ribeiro, Bosch & Becker, 2016). Furthermore, this research is important as it helps to better understand the economic benefits of increased female representation, which are not currently being fully utilised.

The idea of economic betterment through egalitarian approaches to gender in the corporate world is shared by Harvard President Dr Drew Faust who postulates that the most valuable resource in the world is human talent and therefore any sector of society that ignores a portion of its talent pool, in this case women, undermines the effectiveness thereof (Faust, 2013). The value of educating women and increasing female representation in a corporate setting is so immense that it has been termed the “girl dividend effect” whereby company profits and the gross domestic product of countries are increased through women empowerment. One manner in which this aim is achieved is through the improved representation of women in senior management roles and board composition (Brody, Cox & Kern, 2015, Faust, 2013; Willows & van der Linde, 2016). Therefore, the current consequence of companies not reaching their fullest profit potential due to a lack of female representation at senior management levels could be rectified by identifying positive relationships (Faust, 2013).

In an attempt to better understand this paradox, the use of a widely applied psychological tool, locus of control (hereafter referred to as LOC), has been used to investigate the relationship between gender, performance and the perceptions of students regarding whether the outcomes of their efforts are within their control (Khan, Saleem & Shahid, 2012; Rotter, 1966; Spector & O’Connell, 1994). Rotter’s (1966) theory of LOC is widely accepted as being an effective indicator of performance through identification of internality and externality in students in multi-disciplinary contexts (Khan et al., 2012; Rotter, 1966; Spector & O’Connell, 1994).

Although having been used successfully internationally to identify positive relationships between gender, performance and locus of control, LOC as applied at a South African tertiary institution has not exhibited the same positive relationships (Callaghan & Papageorgiou, 2015). The identification of more positive results would be beneficial and would allow for educational material enhancements to the betterment of students and universities (Kirkpatrick, Stant, Downes & Gaither, 2008). Most notably, the greatest benefit would be that of understanding what psychological changes in women lead to their declined dominance when they enter the corporate world.

A major difference in the environments in which the studies above were undertaken was found to be the racial diversity of student bodies. This variable is identified as a possible contributory factor to the differences in the results of the South African and international applications of LOC. Racial distinction is an important variable in a context such as South Africa as it underpins socio-economic inequalities and primes psychological biases that may affect one’s perceptions of their ability to succeed in life; the basis upon which LOC is derived, and thereby affecting one’s academic performance (Brown, Rosnick & Segrist, 2016).

This study will consequently explore the known impacts of racial distinction on LOC in order to ascertain whether there is evidence to warrant the addition of race as a variable in research determining the relationships between gender-differentiated LOC and performance.

The motivation of this study was to provide recommendations of additional methods in which LOC could be applied in tertiary institutions with a more diverse student bodies with the hopes of using LOC in future as a successful indicator of performance. These findings could assist

faculties in developing practical interventions to assist students in their studies (Kirkpatrick et al., 2008). This research adds further value in student learning development for the universities in that the concept of LOC is easily accessible, understood, measured, and potentially changeable through short, inexpensive interventions (Kirkpatrick et al., 2008). This cost-benefit for universities, especially in South Africa where the affordability of education is essential for increased access, is crucial in providing education that will not only educate students but will also bring social change through the success of more diverse students thereby tackling transformation issues by producing a more diversified workforce, both across racial and gender lines. From a cost perspective, tertiary institutions will benefit from this research in that retention rates can be increased by ensuring the success of students through the results of the research thus improving the financial pressures felt (Kirkpatrick et al., 2008).

This study's purpose was to investigate the impact of racial distinction on gender-differentiated LOC and performance. The following two objectives were identified:

To determine if any associations exist:

- Between gender and performance in accounting undergraduate courses of students at a tertiary institution within a racially diverse student body; and
- Between race-differentiated gender and performance in accounting undergraduate courses of students at a tertiary institution with a racially diverse student body.

This study begins by reviewing previous research on broad issues in the South African gender landscape, the link between LOC, performance and gender, gender-differentiated LOC in racially diverse student bodies, and race differentiate gender and LOC. This will be followed by the research method. The study concludes with the results, conclusion and limitations of the research and lastly recommendations for future research.

LITERATURE REVIEW

Broad issues

South Africa is a country whose history of apartheid is the premise upon which the current economic inequality of its citizens can best be explained (Seekings, 2007). The rectification of disparities created by such an unfair history has been the basis behind the adoption of strategies such as the Millennium Development Goals (hereafter referred to as the MDG) by the government. Such efforts by the government are an attempt to eradicate poverty and inequality in the near future at the same time as allowing citizens to take up the opportunities available to them (United Nations General Assembly, 2013). Despite immense strides in realising such goals, current economic downturns and political crises have resulted in there being a more urgent need to hasten the ideation and implementation of effective and innovative strategies with which to better the economic prospects of the South African economy.

Taking the lead from the MDG, a key instrument in effecting such economic betterment lies partly in the promotion of gender equality and the empowerment of women. And by improving the representation of women in senior management roles and board composition, the "girl dividend effect" can be fully utilised and South Africa's human talent can be realised to its fullest (Faust, 2013; Willows & van der Linde, 2015).

Currently, there is an increased enrolment in universities by female students, exceeding that of male students, as well as female undergraduate students surpassing their male counterparts in academic performance (Pekkarinen, 2012; Weerakkody & Ediriweera, 2012). These statistics seem paradoxical when compared to statistics which indicate that despite this dominance by women at a university level, women remain under represented at a corporate

level. Evidence of this is reflected in South Africa where only 4% of the CEO/Managing Director positions of the Johannesburg Stock Exchange's top 400 companies are held by women, and the number of women holding senior management positions in South African companies decreased from 28% in 2013 to 26% in 2014 (Maqutu, 2014). In South Africa only 29% of female accounting trainees have been noted to stay in public-practice audit, tax or advisory firms. Furthermore, of those that stay, they have a lesser chance on average of becoming partners when compared to their male co-workers (Ribeiro et al., 2016).

Given the evidence provided, South Africa is not taking full advantage of the "girl dividend effect" in that women are excelling at a university level but not rising to the management positions warranted by their skills range thereafter. Considering the immense contribution of the accounting profession to the advancement of the South African economy, it would be beneficial to investigate the gender disparities of tertiary level accounting studies. Such relationships may offer some indication as to how the lack of female representation in the professional context of accounting may be tackled (Callaghan & Papageorgiou, 2015; Stainbank & Ramatho, 2008). Therefore, to understand such paradoxes inhibiting the potential of the economy's growth and to better identify how to encourage tertiary institutions to be more accommodating to the needs and strengths of its students, many universities have undertaken to research the relationship between gender in locus of control and performance.

In the context of South African tertiary institutions, only one study has been conducted in an attempt to apply gender-differentiated LOC to the performance of accounting students, specifically at the University of the Witwatersrand (Callaghan & Papageorgiou, 2015). Callaghan and Papageorgiou (2015) aimed to add to the global literature on LOC by offering insight into the effects of gender based differences in LOC on accounting education in South Africa. Their study reflected that although female LOC was higher, most variables tested were not significant and LOC was found to not be associated with performance for male and female students. As their study did not yield the same positive relationships as was seen in the international application of LOC, one may question the applicability of LOC as a potential measure of performance in South African accounting studies.

There are numerous variables and constraints that may be investigated in an attempt to unearth the possible associations between gender, LOC and academic performance of students, when intending to use LOC in a South African context. Gracia and Jenkins (2002) indicate various qualitative factors in different learning environments that factor into the learning experience and may impact on the perceptions of students resulting in different learning experiences felt despite the same accounting principles being taught at different universities. Therefore, any number of factors may influence environmental factors within which LOC is applied thus distorting the results obtained. However, keeping in mind the goal of economic betterment, it seems beneficial to investigate the impact of a variable which created the divide between South Africans originally; not only through an unequal distribution of wealth but also through the perception it created as to how far above one's circumstance one may rise (Brown et al., 2016). This variable is racial distinction.

The racial diversity of student bodies in South African tertiary institutions, and the link between inequality and race in South Africa motivates for further investigation as to whether the addition of race as a distinction within gender-differentiated LOC could have an impact on the results of associations between the performance of male and female students.

Link between locus of control, performance and gender

LOC refers to the extent to which individuals believe they can control events affecting the outcomes of their lives (Brown et al., 2016). Individuals with a strong internal LOC believe events in their lives are derived primarily from their own efforts and internality has been associated with better academic performance (Rotter, 1966). Whereas people with a strong

external LOC tend to praise or blame external factors for their successes or failures and externality has been associated with lower academic performance (Rotter, 1966).

In psychology, LOC has been identified as having influence on performance in a broad context of disciplines (Khan et al., 2012; Rotter, 1966; Spector & O'Connell, 1994). It is Rotter's (1966) theory of social learning that has led to increased research into the linkage between LOC and performance (Khan et al., 2012). Within that body of research there have been investigations into how being differently endowed in LOC may potentially influence the performance of students, as well as influences on their gender-differentiated performance.

The association between gender and LOC is considered particularly strong as LOC is either a core self-evaluation trait or a performance-related characteristic stemming from a person's positive self-concept (Judge and Bono, 2001) and exposure to gender roles within one's environment (Callaghan & Papageorgiou, 2015). This association becomes particularly important in the use of LOC as a predictor of gender-differentiated performance because global educational trends are moving towards female domination in terms of enrolment and performance in institutions of higher learning regardless of global moves towards more egalitarian gender roles in all spheres of life (Pekkarinen, 2012; Weerakkody & Ediriweera, 2012). Gender disparities are also particularly important in a South African context as developing countries are said to face high inequity (Callaghan & Papageorgiou, 2015; Sadler & Erasmus, 2005).

Gender-differentiated locus of control in racially diverse student bodies

International studies regarding the influence of gender differences on performance (Linz and Semykina, 2008; Morris, 1998) and positive influences of LOC on performance (Judge and Bono, 2001; Rotter, 1991; Spector & O'Connell, 1994) have been largely restricted to student bodies which resemble a lack of racial diversity. Therefore can LOC be successfully used as a tool in a more racially diverse tertiary institution when qualitative factors in different educational environments impact perceived experiences and performance of students (Gracia & Jenkins, 2002)?

Limited research has been performed on LOC at South African universities; the application thereof is still for the most part unknown (Callaghan & Papageorgiou, 2015). Callaghan and Papageorgiou (2015) found results which showed little support for the contribution of LOC to general first year accounting student performance even though there was a positive relationship between certain variables and the performance for male, and not female, students. Therefore, keeping Gracia and Jenkins' (2002) theory about the effects of qualitative differences in learning environments in mind, racial diversity was identified as a possible contributory variable in the non-identification of positive relationships.

Racial diversity lends itself to economic inequalities in South Africa. Such economic inequalities create differences in the quality of education available to students prior to their enrolment in tertiary institutions and, furthermore, play a role in the self-perceptions of students regarding their ability to attain success during their studies at tertiary institutions (Brown et al., 2016). These racial differences result in perceived barriers to learning resulting in students experiencing a strain of being different which affects their performance (Mikkonen, Elo, Kuivila, Tuomikoski & Kääriäinen, 2016). Therefore validation for including race as a variable in the investigation of gender-differentiated LOC and performance, in order to include the effects of a diverse student body on the study's findings, was sought.

A study in California, United States aimed to test relationships between LOC, academic success and ethnicity among a cohort of diverse baccalaureate nursing students using both qualitative and quantitative methods (Wood, Saylor & Cohen, 2009). The results of this study confirmed a distinct difference in LOC patterns along racial lines, with Filipino and other Asian

students being most likely to exhibit externality and therefore achieving lower grades. Furthermore, they found that the Filipino ethnic group was most likely to exhibit lower grades. Unlike that of the Callaghan and Papageorgiou (2015) study, this study did not factor in gender as a variable. Nonetheless, it does provide plausible evidence for racial distinction having a relationship with academic performance and LOC which may be useful in better understanding how students perform in racially diverse student bodies.

Theory underpinning race-differentiated gender and locus of control

Early research into race differences in self-perception and LOC during adolescence and early adulthood showed that enduring social economic inequalities had a resultant effect on perceptions of one's self (Tashakkori & Thompson, 1991). This 1991 study is still relevant, as the deductions of the effect of racial distinction premised on enduring socio-economic inequality specifically most resembles the effects that racial differences experienced in a South African context have had on socio-economic inequality in the country. Stronger external beliefs were shown more by Blacks than Whites in perceptions pertaining to personal referents (Tashakkori & Thompson, 1991). Furthermore, the study found differences in self-esteem and LOC not only across racial divisions but across gender divisions within both races, as only Black and White respondents were tested (Tashakkori & Thompson, 1991).

Therefore, it is deduced that within gender-differentiated LOC there may exist a conflict of LOC associations as it seems that even within a particular gender there are further patterns of LOC differentiated by race, above and beyond gender divisions. Tashakorri and Thompson's (1991) results are of particular importance as their study was conducted on a sample of respondents between the ages of 16 and 19 years of age, which encapsulate the ages between which South African adolescents would typically begin their tertiary education.

Tashakorri and Thompson's (1991) deductions exist if there are enduring social economic inequalities in the environments in which the respondents inhabit. Given that the economic inequalities of South Africans are prevalent along racial divisions, due to the legacy of Apartheid, it seems appropriate that there should exist LOC differences not only by gender but also by race within a sample of South African students. Validation for investigating the impact of race on possible associations is also found in that although South Africa has experienced 20 years of democracy, the racial division and marginalisation of the majority of its population, mainly black Africans, would still be felt severely and particularly in the educational context where students are becoming more vocal about such effects (Onishi, 2015). Hence, it can be said that the socio economic inequalities experienced by South African students are indeed enduring in this context.

This enduring social-economic inequality would allude to emphasised external LOC resulting from student respondents' own "realm of activities" and "cultural activities" for blacks and, particularly, black males (Tashakorri & Thompson, 1991). In other words black respondents, particularly black males, would believe that they have little opportunity with which to succeed when compared to white respondents. This prediction by Tashakorri and Thompson (1991) was premised on a study by Gurin, Gurin, Lao and Beattie (1969), who found that stronger external beliefs were exhibited by black respondents when compared to their white counterparts pertaining to statements about being "blocked when they tried to get ahead", albeit, when it came to statements about "people being responsible for their own failures more globally" black students showed equal, if not higher, internality than their white counterparts. Although opening up discussion on the influence of race on the relationship between gender-differentiated LOC and performance, it must be noted that Tashakorri and Thompson (1991) exhibited that despite differences existing, between both races and gender, they were atypically of great magnitude although there were associations, noting that such relationships, however, do require further study.

On the other hand Brown et al. (2016), investigated the relationship between internalised racial oppression, higher education values, academic LOC, and gender among a sample of African Americans and found that greater internalised racial oppression correlated with a lower valuing of higher education and a more external academic LOC, particularly for male respondents, and not for women. The implications of this were that African American males would place lesser importance on education as they perceived an inability to succeed academically due to endorsing stereotypes about them being less intelligent (in other words they moved away from internal to external LOC when issues of academic performance arose) (Brown & Segrist, 2015; Brown et al., 2016). Whereas women would typically internalise perceived standards regarding their appearance and levels of beauty which were not associated with academic achievements (Brown & Segrist, 2015). And so perceiving no inherent limitation on their ability, save for perceived racial inadequacies, they would place higher importance on education (tending to internality).

Brown et al. (2016) highlights the effects of internalised oppression in African American students that is similar to that experienced by South African students, due to the Apartheid regime. The results of this test, although exhibiting significance, unlike Tashakorri and Thompson (1991), were similarly localised to male respondents. However, this localisation is not a negative result as it highlights that there does exist a difference between LOC along gender lines. Furthermore, the results illustrate that internalised racial oppression does have a negative impact on academic performance in that it leads to historically oppressed parties undermining their own ability.

The internalisation of racial oppression and undermining of self-ability exhibited by African American respondents in the Brown study is particularly of consequence in the educational sphere. Blackmon & Thomas (2014) noted that such internalisation of racial oppression would result in the educational and career values of African Americans being adversely affected. The severity of the effects would be based on the varying levels of racial oppression internalisation based on one's exposure to racial discrimination and inequality (Watts-Jones, 2002). This results in counterproductive approaches to one's education due to the development of emotional distress or the development of anti-self issues (Brown et al., 2016).

However, it is unclear whether the psychological effects (as opposed to the consequence of socio-economic inequality) of historical racial oppression are themselves enduring. If so, the addition of race as a variable in the South African context of study may return more differentiated results than those in Brown et al. (2016) as democracy was reached in South Africa 20 years ago (contrasting to African Americans receiving the vote 51 years ago). Tashakorri and Thompson (1991) predict that the psychological effects of race and gender dissipate over time as respondents mature, which would limit the time range in which effects of race on LOC would be most pronounced. Therefore, the young South African democracy may depict a more fitting setting for racial biases to influence young students; due to the immediacy of the oppression felt as opposed to that felt in America.

Given the uprising of the student protest movements in South Africa in 2015, it is evident that the black African minority of South Africa's student bodies are vocalising the marginalisation they feel within tertiary institutions in terms of their inability to feel that they can succeed in institutions whose environments seem to largely mirror the legacy of the oppressive Apartheid regime, feelings which suggest anti-self issues, as termed by Brown et al. (2016). Particularly, Black African students have admitted to feeling an inability to identify with the figures of success in institutions, such as their lecturers, which has led to them being unable to consider obtaining academic success; their oppression is internalised (Onishi, 2015).

From this indirect force of the tertiary institutions, and its effect on black African students, one would also expect black African students to feel greater externality than their white counterparts in terms of their perceptions about success, predicted by Tashakorri and

Thompson (1991), due to being blocked from getting ahead by the oppressive legacy perpetuated by their institutions. As Brown et al. (2016) suggests, this would impact performance negatively through counterproductive approaches to learning being adopted by such students.

Views which require further research

Thus far it is clear that there is evidence for race having an impact on gender-differentiated LOC and performance in the South African tertiary institution context but such evidence has been conflicting in significance, although clear associations were identified (Tashakorri and Thompson, 1991; Brown et al., 2016). The evidence provided was also localised to respondents belonging to two race groups only; African and White. This provides further differentiation to the diversity of the student body in a typical tertiary institution in South Africa. South Africa has a rich diversity of people with approximately 5 racial groups – African, Coloured, Indian/Asian and Other (South African Government, 2016). This creates an uncertainty as to the merit of adding race as a variable, as limited research has yet to test racial diversity on such a large scale in terms of its effects on LOC. However, the majority of the population, 79.2%, is African and together African and White people make up 88.1% of the country (South African government, 2016). Therefore the view that the effects of race inclusion in a gender-differentiated LOC and performance study of students in South Africa can be largely hypothesized by reviewed studies and the testing of race as a variable is adequately justified.

Another conflicting variable is that of time. Callaghan and Papageorgiou (2015) conducted their study on a group of first year students over one year. They cited range restrictions as possibly being more prevalent in second and third year students due to competitive criteria resulting in declining sample variance hence only one year was tested. Tashakorri and Thompson (1991), however, conducted their study on respondents between the ages of 16 and 19, over four years. Their study was conducted over four years as the goal was to observe race differences in self-perception and LOC during adolescence and early adulthood. But given the argument of enduring socio-economic inequalities and the uncertainty as to whether the psychological effects of racially internalised oppression has an enduring effect on students, it seems beneficial that in conducting a study on whether race would affect associations found in gender-differentiated LOC and performance that the period of study be extended to include the effects of maturation over students' academic careers and widen the impact of possible results on the landscape of universities.

METHODOLOGY

The research method used a quantitative methodology (Leedy & Ormrod, 2012; Ryan, Scapens & Theobald, 2002). The research focused on whether race as a distinction within gender-differentiated LOC could have an impact on the results of associations between the performance in undergraduate accounting courses of male and female students.

Participants

The group selected for this study was 92 students from a South African university, who had first enrolled for the Bachelor of Commerce Financial Accounting degree in 2013, and whom had completed their degree within the minimum time to graduation. This is done to include the effects of the maturation of the students over the course of their degrees in order to factor in any possible changes that would affect LOC (Tashakorri & Thompson, 1991) and may help us to understand the causes of those changes better. The Bachelor of Commerce Financial Accounting degree can be used towards all the professional accounting programmes, and requires more from students than the general accounting degree.

The data includes marks of 13 students who deferred their exams in 2015 due to the nationwide protests by students. The validity of the study was assessed after three academic years, following the same cohort.

Data collection

Data was collected from the university computerised database that was made available in the form of a spreadsheet showing student numbers with corresponding academic marks for the final exams. The data was sorted categorically into age, race, gender and year of study. Race was self-designated as either White, Indian, Black, Coloured, Chinese or Other. Then the data was analysed using Microsoft Excel, to identify associations between gender and performance, and race-differentiated gender and performance.

Statistical methods

A Chi-square test of independence was conducted to analyse the associations between gender and performance and race-differentiated gender and performance. Thereafter, a two-sample t-test was conducted to assess the associations' significance. Lastly, a 5% significance level was used to be comparable to and consistent with Callaghan and Papageorgiou (2015).

RESULTS AND DISCUSSION

The study reports on race as a factor as part of gender-differentiated LOC and performance at a South African university with a racially diverse student body. The results of the study are discussed to address the objectives of the study.

The objectives were addressed in conducting chi-square tests for independence and two sample t-tests for significance to determine if associations exist between gender and performance in accounting undergraduate courses.

Associations between separate gender and performance in accounting undergraduate courses of students at a tertiary institution with a racially diverse student body

For associations between male students and their marks over three years, $\chi^2(1, n = 158) = 70.701$, $p = .000$. Therefore there is an association between male students and their performance in accounting undergraduate courses, and the difference between the average performance of a male student according to the accounting course taken is significant.

Similarly, for associations between female students and their marks over three years, $\chi^2(1, n = 194) = 87.011$, $p = .000$. There is an association between female students and their performance in the different accounting undergraduate courses, and this association is also significant.

Associations between race-differentiated gender and performance in accounting undergraduate courses of accounting students at a tertiary institution with a racially diverse student body

In terms of associations between race-differentiated gender and performance, the results were different per race between female and male students. For male students: White, Black and Indian students exhibited a significant association between their race and performance over three years; $p = .000$, $.018$, and $.044$ respectively. Whereas, for females: Black, Other, Coloured and Indian students exhibited a significant association between their race and performance over three years; $p = .000$, $.046$, and $.020$.

Therefore, there is a consistent significant association exhibited for Black and Indian students with their performance over the accounting undergraduate courses, regardless of gender. Coloured, Other and White students gave inconsistent results per gender and results on Chinese students were inconclusive due to having no Chinese males available for comparison.

TABLE 1:

Association and significance between gender and race-differentiated gender and performance

	Accounting 1A		Accounting 1B		Accounting 2		Accounting 3	
	t stat	p-value	t stat	p-value	t stat	p-value	t stat	p-value
Males & females	1.7497	0.0836	1.2379	0.2190	1.8300	0.0706	0.1747	0.8617
Whites	2.4844	0.0230	1.5450	0.1397	-4.8709	0.0001	-0.2104	0.8357
Blacks	-0.3003	0.7661	-0.3350	0.7402	0.8914	0.3805	0.7687	0.4488
Other	1.6349	0.1243	2.3398	0.0346	2.8499	0.0128	1.4962	0.1568
Coloured	1.4567	0.1672	0	1	-0.2676	0.7929	0	1
Indian	0.8831	0.4111	2.4208	0.0518	0.7694	0.4707	0.4203	0.6889

Source: Authors' own construct

As observed, both male and female students have instances where one gender overtakes the other. But clear and outright dominance by one gender is not exhibited in any of the courses. Rather, both male and female students show the same decline in marks upon progression from level 1 accounting courses to level 3. The lack of significance between males and females is contradictory to Callaghan and Papageorgiou (2015), who found a significant association between females and performance.

The only indication tending towards the global trend of female dominance evident in this sample was that of the 92 students, who had successfully progressed from level 1 to level 3 accounting courses on the first attempt, 51 were female and 41 were male. Therefore, despite a lack of significance in gender-differentiated marks, it seems that more women are progressing to completion of the BCom Financial Accounting degree as compared to their male counterparts. Therefore, the discord between the number of females entering the accounting profession and those ascending to partner position (Brody et al., 2015, Willows & van der Linde, 2016) is further highlighted here in that as it stands although more women are completing accounting qualifications than their male counterparts, more males are becoming partners (Ribeiro et al., 2016). This would then suggest that further research into gender-differentiated LOC and performance at South African universities would be beneficial.

In terms of the significance of the race- and gender-differentiated associations, interestingly despite there being consistent associations for Black and Indian students, they exhibited no significant associations between their race and marks for all accounting courses – regardless of gender. And although inconsistent per gender, the results of significance for Coloured students were however not significant for all accounting courses.

Therefore, these results show that there is a difference between the associations between race-differentiated gender and performance in the sample tested as even for the same race, associations and significance in both genders is not guaranteed. And that if race was ignored as a variable then the effects of such conflicting associations and significance evident above may cancel each other out or, rather, may not be identified at all. Therefore there is merit in burrowing deeper into the data, through racial differentiation, to discover a reason why past

LOC studies in South Africa (Callaghan & Papageorgiou, 2015) have not found a relationship between LOC and performance.

It was also noted that as predicted by Tashakorri and Thompson (1991), the races in South Africa that do experience enduring socio-economic inequality, Black, Coloured and Indian, as a result of Apartheid are the races that consistently exhibited associations with performance. This is with the exception of Coloured students who exhibited an association only for females.

The differing results in significance may be explained in that the differences in experiences resulting in different perceptions of the educational environment would result in these inconsistencies. These differences in perceptions would stem from differences in severity of the racial oppression internalisation based on one's exposure to racial discrimination and inequality (Watts-Jones, 2002).

What was unexpected were the results of significance of White and Other students. The results of significance for these students were varied according to the accounting course taken instead of having an overall trend as seen with the other races. This may indicate that perceived experiences of the courses and complexity may be a factor to be considered in determining success factors for these particular students.

Overall if the average marks of students per race and per gender are compared over all of the accounting courses during their undergraduate degree, male students seem to exceed the female students regardless of race. The averages all students, regardless of the race, are similar, which supports the lack of significant results. As suggested by Callaghan and Papageorgiou (2015), the range restriction evident in all results attained may be as a result of a lack of variance between the students owing to the competitive nature upon which the candidates have been selected into the accounting programme.

CONCLUSION

The aim of this study was to investigate whether including race distinction as a variable to be tested when researching gender-differentiated LOC and performance in undergraduate accounting courses would yield associations which could be relied on. This was to make the application of LOC more meaningful in tertiary institutions with racially diverse student bodies. Based on a review of literature and the quantitative findings of this study, it is thus concluded that there is evidence indicating the plausibility of including race distinction in some instances as a variable in similar studies in the future.

This study focused on aggregating and analysing studies and theory conducted on gender-differentiated LOC and performance in racially diverse institutions in South Africa and abroad. Based on these findings, it was noted that South African students experience the effects of enduring socio-economic inequalities along racial lines due to the historical influence of the Apartheid regime. As a result of these inequalities, students' perceptions of their abilities are diminished and this has a negative effect on their ability to perform academically (Tashakkori and Thompson, 1991). It was further found that internalised racial oppression had the effect of lowering the perceived value of education of students – particularly African Americans – which lead to declined academic performance (Brown & Segrist, 2015). Therefore, there was qualitative evidence indicating increased value to be attained from the implementation of LOC in racially diverse student bodies by introducing race as a variable.

In determining whether the above qualitative claims were supported quantitatively, statistical analyses were conducted over a sample of students completing an undergraduate degree in accounting. These tests yielded varying results per gender and per race within each gender, for both association and significance. Although providing evidence for associations in much of

the data, and where White and Other students exhibited significant associations in two of the accounting courses, significance over all racial distinctions which was sought was not found.

Even though there was no widespread significance, the literature, coupled with limited significant associations in this study, supports further enquiry into racial differentiation for gender-differentiated LOC and performance in tertiary institutions with a more diverse student body in the South African context.

LIMITATIONS AND FUTURE RESEARCH

The limitations of the study include firstly, the use of one South African university. Secondly, the influence of gender distinction. Both of the studies from which validation for race as an additional study variable has been sourced, Callaghan and Papageorgiou (2015) and Tashakorri and Thompson (1991), included gender based on the sex in which the students were born and not the gender with which they identify. This study based gender on self-designation. Thirdly, although the results of deferred exams which were included in the sample represented a small part of the sample, and therefore does not have a known material effect on the results of associations, the full effect of these students on the results was not accounted for in the study and therefore remains unknown. Fourthly, expanding the study to include all the students in the individual accounting courses rather than a graduating cohort, including different programmes over different years, and incorporating multiple cohorts from multiple universities may provide further insight.

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Prevalence of investor and analyst presentations on investor relations webpages – an industry analysis

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ABSTRACT

Recent behavioural research indicate that non-textual cues are relayed during investor and analyst presentations that influences investors' judgement. The first objective of this study was to investigate to what extent Johannesburg Stock Exchange (JSE) listed companies provide media from these presentations on their investor relations webpages. A second objective was to determine whether industry differences exist in the availability and usability of these presentations on the webpages. Findings indicate that although many companies provided PDFs of slides and handouts of presentations, very few provided audio or visual recordings of these events. No significant industry association could be discerned, although Basic Resources companies performed best. This study highlights that JSE-listed companies were not making the most of available investor communication channels to convey subtle non-textual information cues. Institutional investors and analysts participating in presentations have informational advantages over retail investors who have to rely on textual reports, if any.

INTRODUCTION

Verbal communication is used daily by billions of people for various purposes. Laughlin (1995: 78) suggests that we "use language to make public what we are doing and why we are doing it and, where we need to convince". If language is used for general communication, then accounting is "a special-purpose tool for communicating about financial status and performance" (Bloomfield, 2008: 433). Investors use value-relevant information provided by companies themselves, investment analysts and the financial press to make buy, hold or sell decisions.

Information is the lifeblood of the capital markets. Investors risk their hard-earned capital in the markets in great measure based on information they receive from their target companies. They need reliable information on a timely basis. They want it in language they can understand, and they should receive it in formats they can easily use for analysis. (DiPiazza Jnr & Eccles, 2002: 9).

Hedlin (1999) argues that companies use the internet for communicating with investors in ways that cannot be achieved with printed reports alone. This can be achieved by providing audio and video information on the website, as well as hyperlinks between information, e.g. loans in the balance sheet linked to the note describing duration and interest rates. Institutional

investors, such as pension funds and insurance companies have access to analysts' reports about the prospects and risks of the companies they invest in. Institutional investors are invited to presentations by the company to the investment community. Analysts have conference calls with management after release of periodic results where there are question-and-answer sessions about the results and future prospects of the company. Historically, retail investors were not privy to these information sessions.

Following financial scandals such as Enron and Parmalat, regulations have been implemented in most equity markets since the early 2000s to provide equal and simultaneous access to information to all shareholders. The Organisation for Economic Co-operation and Development (OECD) proposes in their *G20/OECD Principles of Corporate Governance* that "simultaneous reporting of material or required information to all shareholders in order to ensure their equitable treatment" is an important principle (OECD, 2015: 37). They also caution that "In maintaining close relations with investors and market participants, companies must be careful not to violate this fundamental principle of equitable treatment" (OECD, 2015: 37).

Changes in internet technology now enables companies to archive audio and visual recordings of results announcements and roadshows with institutional investors on their websites where it is accessible by anyone. This is in line with the OECD's principle that "Channels for disseminating information provide for equal, timely and cost-efficient access to relevant information by users" (OECD, 2015: 44).

The purpose of this paper is thus to determine to what an extent Johannesburg Stock Exchange (JSE) listed companies provide archives of interactions with institutional investors and analysts on their investor relations (IR) webpages. This analysis also entails noting the format in which this information is provided and the ease of use (or usability) of the information provided. Secondly, it investigated whether industry differences exist in the prevalence of the presentations on the IR webpages. The study was executed by visiting webpages of a sample of JSE-listed companies and comparing it to best practices for investor presentations on the internet. Companies were coded by industry and analyses of variances were conducted to determine if significant industry variances exist. The rest of the paper consists of the literature review, the research questions, the methodology followed, the discussion of results, practical recommendations to management and conclusions.

LITERATURE REVIEW

This study's theoretical foundation is based on the theories around information asymmetry. Shareholders of a large listed company are not involved in the day-to-day management of the company, and hence they lack detailed knowledge of the company's operations, strategies, markets and finances. In the case of a company, there are two forms of information asymmetry. The first form arises between different investors in the company, for example, when existing shareholders want to sell their shareholding because they are aware of certain adverse trading conditions, but potential buyers of this shareholding are not aware of these conditions. A second form of information asymmetry occurs between the owners of a company (current and potential shareholders) and its managers (the board of directors and other managers). Companies communicate with the capital market participants to reduce information asymmetry.

Akerlof (1970) demonstrated how information asymmetry in the form of uncertainty regarding quality could lead to *adverse selection* where the under-informed buyer would only be willing to pay a *lower* average price for a product or service in an attempt to minimise potential future losses (in case the product/service turns out to be of low quality). Akerlof (1970) further found that the number of market participants declines when information about quality is uncertain or scarce, which in turn implies that a seller may have to accept a lower price in conditions of

illiquidity or in an inactive market. The discount on the optimal price (which could have been achieved between two fully informed participants) is referred to as the cost of information asymmetry. It follows then that management of a company would want to disclose more information to the capital market to indicate the good quality of the company, its management and its prospects in order to improve the share price and its trading liquidity.

Spence (1973) added to Akerlof's (1970) work by showing how management could incur *signalling costs* by voluntarily communicating more information to under-informed parties (current and potential shareholders, and debt providers). Examples of these signalling costs include paying a dividend (signalling confidence about the future cash flow generation capability of the company), employing a Big 4-audit firm (signalling high quality reporting mechanisms), or holding investor days to communicate with investors and analysts, or investing in a good IR website and annual report (signalling transparency). Holland, Krause, Provencher and Seltzer (2018: 263) comment that "[t]ransparency has long been considered a normative goal for organizations to pursue in the interest of acting ethically, demonstrating accountability, and building positive reputational and experiential relationships with stakeholders". How, what, to whom and when a listed company communicates with the capital market is regulated by the exchange on which its equity is listed.

Comparing the disclosure regime of the SEC to the JSE

Historically, institutional investors (investment funds, pension funds), block-holders, and analysts had access to sources of information such as analyst presentations (via road shows), conference calls, and one-on-one meetings with the management of the investee company, while private or individual shareholders did not have such access. These "back room" or private channels of communication were criticised for denying individual (or private) shareholders access to relevant information (exacerbating information asymmetry between investors) and for delays before privileged (value relevant) information was made public (Solomon & Soltes, 2015; Bushee, Matsumoto, & Miller, 2004). The Securities and Exchange Commission (SEC) in the US, and the Johannesburg Stock Exchange (JSE) Listings Requirements addressed the issue of unequal access with revised regulations in the early 2000s.

Regulation Fair Disclosure (US)

Following the financial scandals of Enron and Worldcom, the SEC in the US implemented Regulation Fair Disclosure (known as Reg FD) on 23 October 2000 (SEC, 2000). This prohibits companies from privately disclosing value-relevant information to selected securities markets professionals without simultaneously disclosing the same information to the public. Rule 101(e) stipulates that the company's website and the internet (for example, webcasting or a conference call) may be used as part of a process to provide equal and simultaneous access to material information (SEC, 2000).

Various researchers have studied the effect of Reg FD on voluntary disclosure via private channels. Ke, Petroni and Yu (2008) established that transient institutional investors (short-horizon) previously sold off shares a quarter before bad news broke (after a series of quarterly earnings increases). However, after Reg FD came into effect, the abnormal selling off before the breaking of bad news stopped. Like Ke *at al.* (2008), Ramalingegowda (2014) reported that long-horizon institutional investors sold off significantly fewer investments in companies where bankruptcy was imminent after the implementation of Reg FD than before. In the period before Reg FD, these investors would use their private information to project potential bankruptcy, and sell their holdings at least a quarter before the bankruptcy filing took place.

Other studies found that the public information environment was enriched after Reg FD came into effect. Lee, Strong and Zhu (2014) found that the mispricing of US stocks declined after

the implementation of Reg FD. This effect was stronger for companies that had a poor information environment before the regulation was implemented. Kirk and Vincent (2014) reported that companies with established professional IR departments more than doubled their public disclosure after the implementation of Reg FD. These companies also experienced a post-Reg FD increase in analyst following, institutional shareholders, and liquidity.¹

Despite some of the positive findings described here, other researchers had lingering doubts about whether the private disclosure channels had really been shut off. Soltes (2014:259) comments:

Despite the passage of Reg FD, analysts can still become more informed by speaking with management. While Reg FD restricts managers' ability to convey material information, analysts are legally permitted to acquire pieces of nonmaterial information from management. When used in conjunction with an analyst's other sources of information, this information may become material in an information 'mosaic'.

Brown, Call, Clement and Sharp (2015), found that information gathered by sell-side analysts during private conversations (mostly telephone calls) with management was more useful for their earnings forecast accuracy than their own primary research (Brown *et al.*, 2015: 10). One can conclude that despite the implementation of Reg FD in the US, retail shareholders in the US might still not face a level playing field with analysts and institutional investors.

Disclosure regulations of the JSE

Similar to Reg FD, the JSE also prohibits companies from releasing information that might influence the share price to selected parties only. This is stipulated in Regulations 3.4 to 3.8 of the JSE Listings Requirements, which came into effect on 1 September 2003 (JSE, 2011). If information is released, it should be released via a public medium accessible to everybody at the same time. Furthermore, Regulation 3.46 of the JSE Listings Requirements determines that after publishing announcements via the Stock Exchange News Service (SENS), companies are allowed to post the information on their websites and in the general news media (JSE, 2011). The use of the company website as a channel for disseminating information is also supported by the OECD (2015: 44).

The prohibition of private disclosure was recently reinforced with specific guidance on how management should handle discussions with financial journalists and investment analysts without releasing value-relevant information by chance (JSE, 2015). Of particular relevance are the following guidelines:

- During discussions with analysts, issuers are allowed to expand on information already in the public domain or discuss the markets/industry in which they operate, provided that such expanded disclosure does not qualify as price sensitive information. Therefore, issuers must decline to answer questions from analysts where the answer would lead to divulging price sensitive information. In responding to certain comments or views from analysts which appear to be inaccurate, issuers should respond with information drawn from information released publicly to the market through SENS (JSE, 2015:2).
- Issuers must not correct draft reports from analysts which are sent to them with a view to commenting on financial figures and/or assumptions. The issuer may consider the financial figures and/or assumptions and discuss them with the analyst, in broad terms and without providing any price sensitive information.

¹ For a comprehensive discussion of the many studies on the effect of Reg FD, see the literature review by Lee *et al.* (2014).

Issuers can of course correct information in relation to financial figures and/or assumptions that do not constitute price sensitive information and drawn from information released publicly to the market through SENS (JSE, 2015:3).

- Body language: Spokespersons must be mindful of body language when answering questions. As an example, the shake of a person's head in a 'yes' or 'no' gesture or showing thumbs up or down in a 'positive' or 'negative' gesture, does constitute communication when answering questions although not in a verbal format (JSE, 2015:3).
- Responding to financial projections and reports: Issuers must confine comments on financial projections by analysts to errors in factual information and underlying assumptions that do not constitute price sensitive information. Avoid any response which may suggest that the current projections of an analyst are incorrect (JSE, 2015:4).

The JSE further recommends that companies institute a written policy for handling confidential and price sensitive information (JSE, 2015: 3). Provisions against insider trading are also contained in sections 77 to 82 of the *Financial Markets Act, No. 19 of 2012* (RSA, 2012). The JSE's Regulations 3.4 to 3.8 and 3.46 paved the way for the company's website to become a channel for simultaneous "publication" (after publication via SENS) of value-relevant information, as well as a "repository" of previous SENS and other news releases.

Corporate governance of boards in South Africa was also strengthened by the principles contained in the King III Code of Governance Principles, effective from 1 March 2010 (IoD, 2009). Principle 8.4 requires that "Companies should ensure equitable treatment of shareholders" and Recommended Practice 8.4.2 specifically requires that "The board should ensure that minority shareholders are protected". In terms of communication, Principle 8.5 states that "Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence". Recommended Practice 8.5.3 proposes that "The board should adopt communication guidelines that support a responsible communications programme". In the spirit of King III, I argue that a responsible company would protect the interests of its minority shareholders (including retail or private shareholders) by communicating in a way that does not disadvantage them, in this case by providing access to media and other recordings of interactions with institutional investors and analysts.

Effect of tone and other non-textual cues on investor judgement

The regulations described above necessitate disclosures in written format first (or only), by posting a SENS text announcement and then announcements in the financial press. Various studies, however, indicate audio and visual communication have an effect on investor judgment about a company. Basoglu and Hess (2014: 82) manipulated corporate IR webpages in a 2 x 2 experiment (high vs no online media content, while keeping financial information constant) and found significantly increased trust and perceptions of investment quality in companies with a higher media content on their IR webpages. Lee (2016) analysed the conference calls of US companies and found that where management stuck to a predetermined script and lacked spontaneity in answering questions, it invoked a negative sentiment with the analysts that results in a downward forecast of future earnings (Lee, 2016: 247). Borochin, Cicon, DeLisle and Price (2018) analysed the tone of management and the analysts' discussions in quarterly earnings conference calls of US companies. It was found that where the tone (e.g. positivity) differs between management and analysts, it contributes to market uncertainty (Borochin *et al*, 2018: 15). Investors were also less willing to invest when the CEO was humble during a conference call *vis-à-vis* bragging, but the opposite occurred when the communication channel was Twitter (Grant, Hodge & Sinha, 2018: 7).

PROBLEM INVESTIGATED

Assuming retail investors have access to the same *textual* information as institutional investors and analysts (reports, press announcements), prior studies indicate that *other information cues* might be conveyed during results announcements, conference calls, investor roadshows etc. that affect investors' judgements (Borochin *et al*, 2018; Grant, Hodge & Sinha, 2018; Lee, 2016; Basuglo & Hess, 2014). By providing an audio and/or video recording of these presentations on their IR webpages, companies are increasing transparency and levelling the playing field for retail investors. The purpose of this study was to determine whether, and to what extent, JSE-listed companies archive these recordings and related information on their IR webpages.

RESEARCH OBJECTIVES

The first research objective was to determine to what extent JSE-listed companies use their IR webpages to archive investor presentations. Apart from posting value-relevant information via the JSE SENS and press releases (JSE, 2011), companies are not under any obligation to archive investor presentations in any format. This paper argues that willingness to do so, speaks to the company's commitment to be transparent and accessible to retail shareholders as well as to institutional investors. The second research objective was to determine whether industry differences exist in the prevalence of investor and analyst presentations on the IR webpages.

RESEARCH METHODOLOGY

This study used secondary data collected during a larger study. The websites of 205 JSE-listed companies were visited during July to mid-September 2012 to collect the data². This period is of interest as it coincided with the first or second financial years after the implementation of King III with its requirements for equitable treatment of all shareholders and transparent communication (IoD, 2009).

Websites were analysed, based on best practice recommendations by the Investor Relations Society (IRS) in the UK (IRS, 2012) as well as that of Loranger and Nielsen (2009). The presence of an item or format type was coded "1" and the absence of it "0". A score/percentage was obtained by dividing the number of available items by the total best practice criteria for that category. Separate scores were obtained for presentations relating to Results Announcements (six criteria), Conference Calls (four criteria), Roadshows (five criteria) and Annual General Meetings (AGMs) (six criteria). Usability features for presentations on the websites were also assessed (eight criteria). Lastly, an overall presentation score/percentage was calculated for all presentation types and usability of the available formats (denominator = 29).

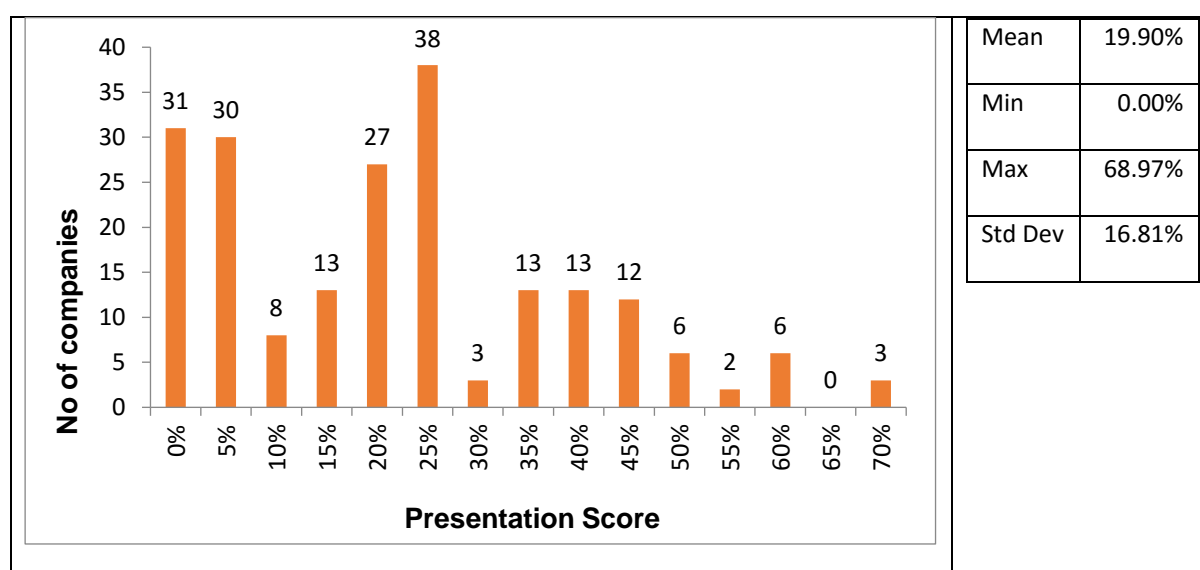
Industry data for each company was obtained from the IRESS database. Telecommunications (three companies), oil and gas (two companies), and health services (seven companies) had too few cases to justify being in separate industry classes. These companies' main segments were reviewed in their annual reports, and reclassified into industrial, technology, or consumer services. The final statistical analyses were therefore done with six industry classifications. Statistical analyses were conducted in SPSS 24.

² Selective investor relations data were initially reported in Esterhuyse & Wingard (2016). Refer to Esterhuyse & Wingard (2016) for more detail about the sampling process.

RESULTS AND DISCUSSION

The mean score for the prevalence of investor and analysts presentations on IR webpages of the 205 JSE-listed companies came to 19.90 per cent. Thirty-one companies scored zero with no presentation formats available on their websites. It is encouraging that 85 per cent of companies did provide some information relating to investor presentations, although it is clear that best practices are not followed. The highest presentation score was 69.97 per cent for Sasol Ltd. From the frequency distribution in Figure 1, we can see that the distribution is positively skewed and with quite a wide standard deviation of 16.81 per cent. The mode is composed of 38 companies that achieved presentation scores of between 20 and 25 per cent.

FIGURE 1:
Frequency distribution of presentation scores



Source: Own from SPSS

TABLE 1:
Availability of presentations per industry

	No presentations	Presentations	Total
Basic Materials	5	37	42
	11.9%	88.1%	100.0%
	16.1%	21.3%	20.5%
Consumer Goods	0	22	22
	0.0%	100.0%	100.0%
	0.0%	12.6%	10.7%
Consumer Services	8	34	42
	19.0%	81.0%	100.0%
	25.8%	19.5%	20.5%
Financials	8	32	40
	20.0%	80.0%	100.0%
	25.8%	18.4%	19.5%
Industrials	6	41	47
	12.8%	87.2%	100.0%
	19.4%	23.6%	22.9%
Technology	4	8	12
	33.3%	66.7%	100.0%

	No presentations	Presentations	Total
	12.9%	4.6%	5.9%
	31	174	205
Total sample	15.1%	84.9%	100.0%
	100.0%	100.0%	100.0%

The 1st row in every industry represents the number of companies with/without presentations.
The 2nd row represents the proportion of companies in that **industry** with/without presentations.
The 3rd row represents the proportion of companies in the **column** with/without presentations (shaded).
Source: Own from SPSS

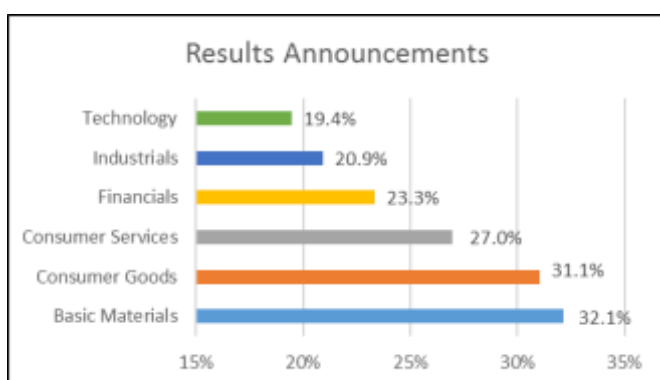
I now turn to a discussion of the results of the different types of investor and analyst presentations. Companies release their periodic financial results via press releases and in many cases via webcasts by management. Table 2 indicates that just under half of the sample provided at least a PDF copy of the press release in the financial press on their website. Next popular was the Powerpoint slides of the results announcement at 40.49 per cent. Only about a fifth of the companies provided an audio or video track of the results announcement, and only eleven companies provided a transcript of the presentation. The means score for Results Announcements on IR webpages is 25.93 per cent, driven mostly by the Basic Materials and Consumer Goods industries, as can be seen from Figure 2. The lowest mean score is in the Technology industry at 19.4 per cent. However, a one-way ANOVA indicates no significant differences between the industries for Results Announcements ($F(5, 199) = 1.647, p = 0.149$) assuming equal variances.

TABLE 2:
Results announcements on websites

Criteria	Available	(N = 205) %
Results announcements as audio	45	21.95
Results announcements as video	41	20.00
Results announcements as PPT	83	40.49
Results announcements as PDF of press release	99	48.29
Results announcements as HTML of press release	40	19.51
Results announcement audio track transcription	11	5.37
Mean score		25.93

Source: Own from SPSS

FIGURE 2:
Industry means for results announcements



Source: Own from SPSS

Many companies hold separate conference calls with analysts the day after the results were announced, or for other announcements. From Table 3 we can see that the prevalence of archiving these calls on the company's website is very low. Only ten companies provided a

podcast/audio recording of the conference call and only four had it transcribed. From Figure 3 we can see that once again, the Basic Materials industry is doing the best, and the Technology industry was second best. The one-way ANOVA, rejecting equal variances, indicates that there were no significant industry differences (Welch $F(5, 199) = 1.825$, $p = 0.121$).

TABLE 3:

Conference calls on websites

Criteria	Available	(N = 205) %
Dial in to conference call with analysts	10	4.88
Dial in to conference calls for other events	8	3.90
Podcast of conference call available	10	4.88
Conference call transcribed	4	1.95
Mean		3.90

Source: Own from SPSS

FIGURE 3:

Industry means for conference calls



Source: Own from SPSS

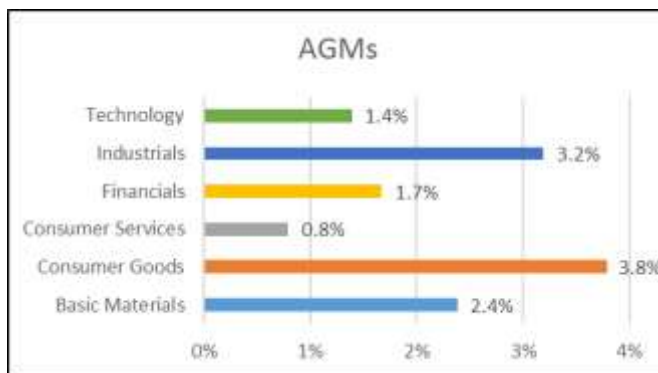
A company's AGM is open to all registered shareholders or their proxies. This is an important event as the results for the past year are discussed and directors and auditors are up for re-elections and re-appointment. Other business decisions might also be voted upon at the AGM. Table 4 indicates that very few companies provide a recording of the AGM on their website. As with the Results Announcement, the most prevalent item is the PDF of the handout or booklet. Only six companies provided the results of the voting that took place on their website and even less provided an audio or video recording of events. This is disappointing, as one would think that companies could at least provide recordings for the AGM as important decisions are made regarding the management of the company. Figure 4 indicates that the Consumer Goods and Industrial companies performed better in this area. The one-way ANOVA, rejecting equal variances, indicates that there were no significant industry differences (Welch $F(5, 199) = 0.542$, $p = 0.744$).

TABLE 4:
AGMs on websites

Criteria	Available	(N = 205) %
AGMs as audio	3	1.46
AGMs as video	2	0.98
AGM's PPT	5	2.44
AGM's PDF of handout/booklet	10	4.88
Results of voting: For/Against	6	2.93
AGM audio track transcription	1	0.49
Mean		2.20

Source: Own from SPSS

FIGURE 4:
Industry means for AGMs



Source: Own from SPSS

Roadshows, or investor conferences, are held by companies to “sell” their company as an investment proposition to institutional investors. This might be undertaken if the company is looking for capital to fund expansion plans. The prevalence of these type of presentations on the IR webpages is considerably more. Table 5 indicates that a third of companies posted their Powerpoint presentation on their website and a further 16.59 per cent made the handout/booklet available. A few companies did provide an audio or video recording, but only five provided the transcription. The mean score for Roadshows is 13.37 per cent, which is still low.

TABLE 5:

Roadshows on websites

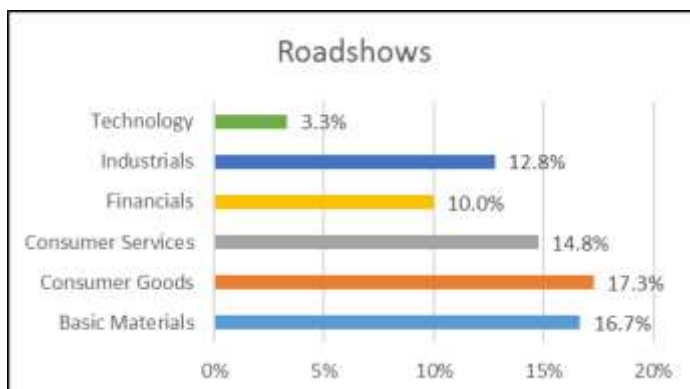
Criteria	Available	(N = 205) %
Roadshows as audio	17	8.29
Roadshows as video	13	6.34
Roadshow's PPT	68	33.17
Roadshows PDF of handout/booklet	34	16.59
Roadshow audio track transcription	5	2.44
Mean		13.37

Source: Own from SPSS

From Figure 5 we can see that Technology are once again performing poorly. The one-way ANOVA, rejecting equal variances, indicates that there were indeed significant industry differences (Welch $F(5, 199) = 3.494, p = 0.007$). The Games-Howell post-hoc tests reveal that the significant differences in means arise between the Basic Resources and Technology industries.

FIGURE 5:

Industry means for roadshows



Source: Own from SPSS

The last grouping of criteria relate to the usability of the formats of the presentations. ISO 9241-11 (ISO, 1998) defines usability as “the extent to which a system can be used by specified users to achieve a specified goal with effectiveness, efficiency and satisfaction in a specified context of use”. Using the information on the website should be easy for visitors. The results are available in Table 6. About a quarter of the companies in the sample complied with the criteria relating to indicating the length of the webcast recording, splitting the audio/video file in smaller sections and using auto detect to determine the visitor’s media player. With this information available on the website, visitors can decide upfront if they want to download large files or not. A fifth of companies had their Powerpoint slides of the presentation run synchronously with the audio/video of the speaker, which makes it easier to follow. Half of the companies grouped all materials of the same event together so that visitors do not need to “jump around” on the website to find it. About sixty per cent of the sample complied with the criteria relating to the handouts/slides. Overall, usability was the area where companies scored the best, with a sample mean of 40.73 per cent.

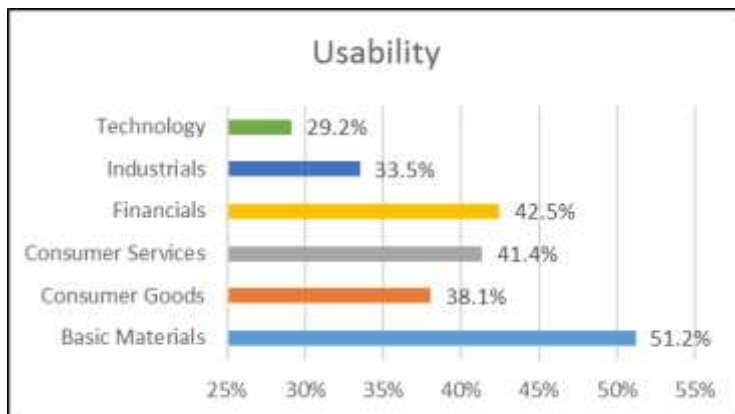
TABLE 6:
Usability of presentation files

Criteria	Available	(N = 205) %
Webcast: Duration/length	51	24.88
Webcast: Divided in sub-sections	49	23.90
Webcast: Use auto detect for player	52	25.37
PPT slides synchronised to audio track	45	21.95
Groups materials of same event together	101	49.27
PPT or booklets' default font size readable	126	61.46
Total number of pages/slides and current progress	122	59.51
Avoids dark colours for background	122	59.51
Mean		40.73

Source: Own from SPSS

From Figure 6 we can see that Basic Materials once again performed the best with a score of 51.2 per cent. Financial companies had the second highest score with a mean of 42.5 per cent. Technology companies again achieved the lowest compliance score of only 29.2 per cent. The one-way ANOVA, assuming equal variances, indicates that there were no significant industry differences ($F(5, 199) = 1.563, p = 0.172$).

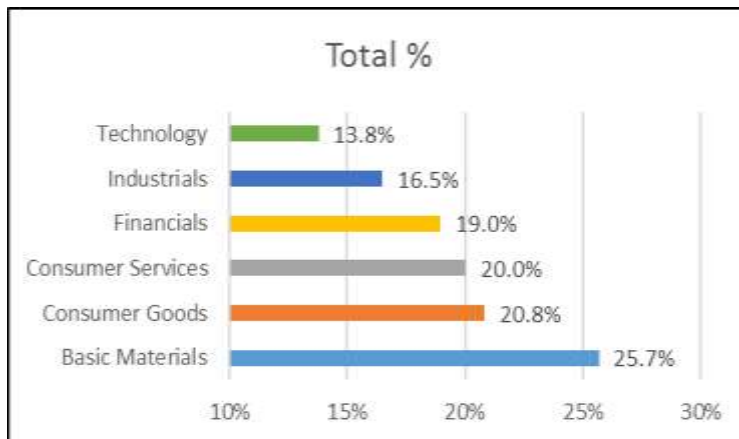
FIGURE 6:
Industry means for usability



Source: Own from SPSS

FIGURE 7:

Industry means for total presentation score



Source: Own from SPSS

Lastly, Figure 7 provides an industry analysis of the total presentation score. From the previous discussions of the different types of investor presentations, it is not surprising to see that the Basic Materials industry had the highest mean score of 25.7 per cent and that the Technology industry had the lowest mean score of 13.8 per cent. Esterhuysen and Wingard (2016: 227) also reported that six of the top ten online IR scores in their comprehensive study were obtained by Basic Materials companies. Finally, the one-way ANOVA, assuming equal variances, indicates that there were no significant industry differences ($F(5, 199) = 1.771, p = 0.120$) in the prevalence of investor and analyst presentations on IR webpages for the sample of JSE-listed companies.

PRACTICAL MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

The low mean score of 19.90 per cent and the fact that 31 companies had no information regarding presentations or meetings with investors is worrying. One of the key roles of the CEO, CFO and Investor Relations Officer (IRO) is to communicate with the capital market. Although the sample companies may comply with the letter of the JSE Listings Requirements regarding disclosure of value-relevant information via SENS and press releases, it seems that most are not concerned with being more transparent and accessible to retail investors by also making available on the company's IR webpages information communicated via other fora.

By perpetuating a state of information asymmetry, it seems that many boards of JSE-listed companies are not complying with good corporate governance in terms of King III's (IoD, 2009) Principle 8.5, which states that "Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence". It is interesting to note that Steinhoff International was included in this study and performed very poorly.

It is recommended that the IROs familiarise themselves with best practices (IRS, 2012; Loranger & Nielsen, 2009) for hosting Results Announcements, Conference Calls, AGMs and Roadshows, including usability aspects surrounding archiving these communications on the website. Although PDF copies of Powerpoint presentations or handouts are provided by more companies, very few companies provided audio or video recordings. That means that institutional investors and analysts that attend these presentations, or dial in to the conference calls, are privileged to receive non-textual cues that prior research indicated influence investment decisions, yet this is not available to retail investors. Bandwidth has increased during the last few years, enabling even retail investors to download and listen to/view media files with ease on their laptops and smartphones. Furthermore, by archiving recordings and other material related to these investor and analyst presentations, they are also available for

future use by institutional investors and analysts that did not attend the presentations, or decided at a later stage to research the company as a potential investment.

CONCLUSIONS, LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

Information asymmetry arises when one party has qualitatively better information than another party, and in some cases receives it earlier than another party. Information asymmetry can arise between management of the company and all current and potential investors. Information asymmetry also occurs between investors themselves, based on their access to information provided by management and own research efforts. In order to reduce information asymmetry, companies communicate additional information voluntarily. The first objective of this study was to determine the prevalence of investor and analyst presentations on IR webpages as one means of communicating information to capital market participants. Although PDF slides and handouts were provided in many cases, very few JSE-listed companies provided audio and/or video recordings of these presentations and conference calls. The second objective was to determine whether industry classification played a role in the prevalence of investor and analyst presentations on companies' IR webpages. Results indicate that although the Basic Resources industry performed the best in most areas, and the Technology industry the worst, there was no statistically significant difference in the association of presentation score and industry.

This study contributes to the literature about alternative disclosure channels used by companies to reduce information asymmetry in the capital market and compliance with corporate governance guidelines for communication practices to be equitable. Although Hedlin (1999) propagated for companies to employ the unique features of the internet to enhance their communication with investors beyond that which can be achieved with written text, only a few companies listed on the JSE made use of this channel. Institutional investors and analysts may still gather additional signals from these investor presentations based on behavioural cues in the verbal communication from management and questions asked by analysts. Preventing retail investors from accessing the same verbal and non-verbal cues as institutional investors and analysts, even if by omission rather than deliberate intent, is also a contravention of the spirit of good corporate governance practices.

Future areas for research can be gleaned from the limitations of this study. The websites of the JSE-listed companies were surveyed in 2012. Companies could have improved their IR practices in the meantime and a follow-up study is recommended. The current study investigated industry differences in trying to explain the prevalence or absence of investor presentations on the IR webpages. Future studies could endeavour a more comprehensive analysis by incorporating other elements that are associated with disclosure quality in general, such as size (market capitalisation), ownership concentration, foreign ownership, listing on more than one exchange, and auditor quality.

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An Assessment of the Nature and Prevalence of Real Activity Manipulation among Quoted Companies in Nigeria

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ABSTRACT

In Nigeria, various reforms, reviews, and enactments of Acts and codes of corporate governance have taken place to curb fraudulent practices and strengthen corporate governance among quoted companies. Some of these are the Companies and Allied Matters Act (1990) reviewed and amended in 2004; the Investment and Securities Act (2007); the Financial Reporting Council Act 2011; the Securities and Exchange Commission (SEC) Code of corporate governance (2003) reappraised in 2011; and several other sectorial codes. In spite of all these measures, corporate failures still abound in Nigeria.

Fraudulent financial reporting has dire consequences for the economy of any nation; its effect on the investing public and even the entire society is devastating. A colossal amount of money is lost yearly by investors as a result of corporate fraud and eventual collapse (Okaro, Okafor, & Ofoegbu, 2013).

Poor corporate governance is characterized by fraudulent financial reporting. "Corporate governance has been defined as the way, and manner companies are governed as well as for what purpose. It involves the practices and procedures by which companies achieve its legitimate objectives in the interest of all the stakeholders" (Damagum and Chima, 2013). These manipulations otherwise called real activity manipulations (RAM) have severe implications on corporate existence of a firm. According to Roychowdhury (2006), real activities manipulation is an action taken by management, which is contrary to the usual business operations with the motive to mislead stakeholders and the investing public to achieve a desired earning threshold.

The integrity of financial reporting has been the focus of several studies both in Nigeria and other parts of the world. Nigeria just like what is happening in the global community, has several studies on accrual management but scanty empirical work on real activities

manipulation. Most of the studies on real activities manipulation have focused more on the manufacturing industry. This research will therefore contribute to knowledge by first ascertaining the prevalence of real activities manipulation in firms listed on NSE and secondly ascertaining the nature of the manipulation.

Following previous studies on real activities manipulation (Roychowdhury, 2006, Sun, Lan, & Liu, 2014, Sanjaya, Sugiarta, & Saragih, 2012) this study examined the following real activities manipulation: sales manipulation, reduction of discretionary expenditures and overproduction. The abnormal level of each type of real activities manipulation is measured as the residual from the relevant estimation model.

Pooled Mean Group form of panel data analysis using secondary data approach will be adopted covering a period of fifteen years (2000 – 2014). The sample size consist of firms that are consistently listed on the Nigerian Stock Exchange from the year 1998 up to 2014, and having the relevant data of interest for the study. Relevant data will be sourced from the libraries of NSE and SEC, head offices of the companies, and also from the INET BFA online database and the NSE FACTBOOK. In line with previous studies (e.g., Krishnan 2003), this research excludes financial industries, due to their peculiarity and to improve the comparability of results among sample firms.

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The debt counselling process in South Africa: Why are we not “winning” yet?

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ABSTRACT

Despite the implementation of the National Credit Act 34 of 2005 and South Africa's stricter legislation on irresponsible lending, many consumers are experiencing the constant inability to meet their debt repayments as they become due. Many South African consumers are faced with more debt obligations and required credit repayments than what they earn (Paile, 2013). These consumers are over-indebted. More specifically, past research has implied that the low-income credit consumers of South Africa are more vulnerable than other consumers to falling into the trap of mismanaging their financial obligations (Naidu, 2017; Carte Blanche, 2013; Naerum, 2012).

Through the National Credit Regulator, provision has been made for a debt relief mechanism as a solution for over-indebted consumers, known as the debt counselling process. However, past research suggests that there are many complexities, setbacks and challenges within the practicalities of the debt counselling process, ultimately suggesting that the process is not as effective in providing debt relief as it should be (Groenewald, 2010; Roestoff, Haupt, Coetzee and Erasmus, 2009; Piprek, Dlamini and Coetzee, 2004).

This study elaborates on three of the challenges that have been identified by past research, said to affect the effectiveness of the debt counselling process, namely (1) the quality of debt counsellors where quality to a large extent refers to the competency of debt counsellors; (2) the degree of compliance and co-operation by credit providers and (3) the financial literacy levels of consumers in the process. It was against this background that the objective of this study was to analyze the impact and potential drawbacks that these challenges have on debt relief levels. The specific focus of the study was over-indebted consumers from low-income strata.

Primary qualitative research was conducted by using semi-structured interviews. Open-ended questions were designed in order to compile an interview guide. The sample included nine registered debt counsellors from three different South African provinces. A deductive content analysis approach was used to identify general themes in the challenges of the debt counselling process.

A number of interesting findings emanated from the research. Firstly, it was clear that each challenge has an influence on the debt relief levels of the low-income strata. Secondly, the

actual impact is contingent to the situation at hand. Ultimately, some challenges actually benefit the low-income strata more so than other income groups. The contribution of the study lies in the fact that stakeholders are now empowered to review and analyze these challenges, and to develop strategies to improve the effectiveness of the debt counselling process. These stakeholders included, amongst others, debt counseling firms, credit providers, the South African legislative authorities, and most importantly the South African National Credit Regulator. From a managerial perspective this study might also prompt management to gain an understanding of the debt counselling process wherein a number of their employees might be engaged in as well as endeavor to actively increase the financial literacy of their employees.

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Death and taxes: A proposal to replace South Africa's estate duty regime

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ABSTRACT

Death and taxes are certain, but paying two taxes on the same assets upon death is detrimental and undesirable. Since 2001, two taxes have been levied upon death in South Africa, namely estate duty and capital gains tax (CGT). These taxes have given rise to several controversial issues, including the unsuccessful redistribution of wealth, limited revenue from estate duty, and so-called "double taxation". These contentious issues intensify the debate regarding which taxes must be levied upon death in South Africa.

In addition to estate duty and CGT, transfer duty and donations tax are also levied in South Africa. These taxes are widely regarded as wealth taxes, although the Davis Tax Committee views CGT as an income tax. This strengthens the argument for doing away with estate duty, because South Africa already has numerous wealth taxes in place. The literature review conducted in this study reveals some opposing viewpoints, which add controversy to the debate. Arguments in favour of doing away with estate duty include high compliance costs and relatively low revenue collections (Cole 2015; Basson 2015), as well as resulting double taxes (Ger 2012). On the other hand, the redistributive effect of estate duty (however small) in South Africa cannot be ignored (Makoti & Oosthuizen 2015).

This study adopted an interpretive research approach to understand, describe and explore the research problem of replacing South Africa's estate duty regime. The desktop study entailed a literature review of and reference to both foreign and local statutory laws and policy documents as well as authoritative studies on estate duty and CGT. Management sciences span many disciplines, including economics, business and taxation. This study is therefore relevant not only for individuals, but also for tax managers whose role it is to oversee tax returns and compliance for corporations, partnerships, trusts and individuals.

The history and workings of estate duty and CGT upon death in South Africa were thoroughly analysed. The study also discusses the arguments against and in favour of the abolishment of estate duty. The question of which taxes must be levied upon death is not unique to South Africa, but part of an ongoing global debate. Consequently, the tax regimes upon death of four other Commonwealth countries, namely Canada, Australia, India and the United Kingdom,

were investigated. It was found that feasible alternative taxes upon death, such as CGT, exist, but that none of the foreign jurisdictions levy two taxes on the same assets upon death.

This study therefore argues that death should not trigger both estate duty and CGT. The study posits that CGT should replace estate duty as the only tax levied upon death in South Africa. This should have the effect of simplifying the tax administration process and reducing the detrimental effect of double taxation.

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Broad-based black economic empowerment: the holy grail for financial performance? A study of companies listed on the Johannesburg Stock Exchange (JSE)

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Keywords: Broad-based Black Economic Empowerment, Accounting-based Performance Measures, Market-based Performance Measures, Value-added Measures of Financial Performance

ABSTRACT

The promotion of Broad-Based Black Economic Empowerment (B-BBEE) is not only important from a socio-political point of view, but also has significant financial implications for companies. Compliance with the B-BBEE Act (No. 53 of 2003) is primarily driven by the view that transformation is a necessary step in rebuilding the South African economy (Sartorius and Botha, 2008). Whereas some companies regard B-BBEE as vital for growth, others have expressed concerns about its impact on performance.

A number of researchers have investigated the compound abnormal returns of JSE-listed companies before and after making B-BBEE announcements (Chipeta and Vokwana, 2011; Ward and Muller, 2010). Others have examined the relationship between a company's B-BBEE score and a range of financial ratios (Kleynhans and Kruger, 2014; De Villiers and Ferreira, 2011). Given inconclusive empirical evidence, the researcher set out to improve prior studies by using a larger sample, a longer time-frame, a more comprehensive B-BBEE measure and a wider range of financial performance measures. Whereas previous researchers evaluated the relationship between companies' B-BBEE scores and mostly accounting-based ratios (such as return on sales), the current study will also include market-based and value-based measures.

B-BBEE data will be sourced from Empowerdex, a leading B-BBEE rating agency, over the period 2004 to 2015. Data for the most empowered JSE-listed companies will include a total B-BBEE score (out of 100) and scores for the seven individual elements of the B-BBEE scorecard. Details on the companies' B-BBEE compliance levels will also be sourced.

In line with previous studies, the following accounting-based measures will be incorporated: annual percentage change in turnover, return on sales, return on assets and return on equity. Four market-based financial performance measures will be utilised, namely cumulative annual growth rate, market-to-book ratio, price-earnings ratio and excess return. This study will also

employ economic value added (EVA) as a value-based measure of financial performance. Financial data will be obtained from the Bloomberg database. Descriptive and inferential statistics will be computed to analyse the data.

It is foreseen that the findings of this study will make a valuable contribution to the limited body of knowledge on the financial benefits of B-BBEE compliance among JSE-listed companies.

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Investigating director overboardedness in South Africa

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Keywords: Director Overboardedness, Director Interlocking, Busyness Hypothesis, Experience Hypothesis.

ABSTRACT

Multiple board positions that are held simultaneously might be regarded as a double-edged sword. When a director concurrently serves on more than one board, it might have positive and negative implications for the director and the respective institutions. Based on the agency theory, directors have an important monitoring role. The busyness hypothesis states that overboarded directors (typically those serving on more than three boards) might have excessive commitments that limit their monitoring ability. In contrast, according to the resource dependence theory, multi-boarded directors could offer access to social networks and other resources. The experience hypothesis predicts a positive relationship between director interlocking, corporate governance and ultimately financial performance (Clements, Neill and Wertheim, 2015).

Several authors who considered overboardedness in developed market contexts reported contrasting relationships between overboardedness and financial performance. In line with the busyness theory, some established a negative relationship. Others found support for the experience theory by showing that multi-boarded directors could positively contribute to strategic decision-making. Limited research on overboardedness has been conducted in emerging markets such as South Africa.

Although South Africa has a well-developed corporate governance framework, the King Reports do not provide specific guidance on the maximum number of boards on which a director ought to serve simultaneously. The researchers set out to investigate the opinions of selected directors of listed South African companies on the causes and consequences of overboardedness.

Primary, qualitative data were collected during ten semi-structured interviews. Given the association between overboardedness and diversity highlighted in literature (Kaczmarek, Kimino and Pye, 2014), the sample comprised diverse directors (age, race, gender and

industry association were considered). Open-ended questions in the interview guide allowed meaningful answers that reflected the participants' beliefs and experiences. Thematic analysis was employed to extract common themes. Attention was given to credibility, confirmability and research ethics considerations.

Although participants were aware of overboardedness concerns in the local context, they mentioned that multi-boarded directors offer a wealth of experience and access to social networks. They ascribed overboardedness to the limited talent pool and board diversity targets. Concerns were raised that eligible, diverse candidates might become overboarded. The interviewees warned that multiple board positions could affect directors' meeting attendance. Responses, however, varied regarding whether overboardedness could have a positive, neutral or negative impact on financial performance. All participants opposed regulation on holding multiple directorships simultaneously in favour of voluntary guidelines. They argued that director interlocking should be considered on a case-by-case basis.

Interviewees recommended that nomination committees should carefully consider a candidate's current directorships before nominating him/her for a position on their company's board. Directors' board and committee meeting attendance should furthermore be discussed during performance reviews to timeously address concerns.

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The influence of governance on foreign investor decisions: empirical evidence of Zimbabwe 2010-2015

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ABSTRACT

This paper examines the Governance-Foreign Direct Investment nexus within the period 2010-2015 in Zimbabwe by determining the influence of Zimbabwe's governance on the decision-making process of foreign investors. A quantitative online survey was conducted as part of a broader cross-sectional deductive study. Empirical data was generated from a purposive sample of 305 foreign investors. Principal Components Analysis, Exploratory Factor Analysis, Cronbach's alpha, Pearson product-moment correlation coefficient analysis, Multi-collinearity testing, as well as Multiple Regression Analysis were employed to analyse the data. Seventeen Governance variables were identified as being influential by investors when considering FDI to Zimbabwe. Overall, Governance was found to be influential to resource- and strategic asset-oriented foreign investors, thereby advancing the understanding of the influence that the Governance of a country has as a heuristic in the internationalisation decisions of foreign investors interested in investing in an African economy. The findings have significant policy and public administrative management implications for both Zimbabwean and African governments.

INTRODUCTION

The stereotypical characterisation of Africa as a homogenous, poorly governed, endemically corrupt, civil war-torn and disease infested continent has subjected the continent to the adverse economic effects of Afro-pessimism (Aina, 2014; Hunter-Gault, 2006; Louw, 2016; Nothias, 2013; Schorr, 2011). Africa's perceptual and reputational challenges have in most cases impinged on the competitiveness of individual African countries in economic activities such as the attraction of foreign direct investment (FDI inflow) (Browning and Oliviera, 2017; Louw, 2016; Papadopoulos, Hamzaoui-Essoussi and El-Banna, 2016). To a larger extent, it may be argued that at the core of most African countries' reputational challenges within the international business context are the negative perceptions of Africa which are rooted in the continent's negative 'brand effect' - primarily informed by the perceived poor quality of governance on the continent.

Governance in the broader sense refers to the effective implementation of policies and processes to manage a country's political, institutional and legal environment (Calver, 2013). Thus, conventional wisdom suggests that governments with good governance *reputations* are better positioned to attract FDI inflow to their economies, as they may be perceived as having minimal, but effective government interventions that foster favourable business environment conditions for maximising their return on investment (Bokip, 2017). To this end, within the contemporary international business environment, governance has become an important heuristic for foreign investors. Heuristics refer to the mental shortcuts that decision makers utilise to make judgments in their analysis of information, and within the context of the present paper, governance is a critical reference point for foreign investors as it signals the efficiency and effectiveness of the macro-environmental management mechanisms within a globally integrated economy (Agyemang, Fantini and Ansong, 2016; Dale, 2015; Steyn and van Vuuren, 2016). With this notion in mind, this paper aims to examine the governance-FDI inflow nexus, particularly the potential influence of governance on the perceptions of foreign investors when making decisions to engage in all types of foreign direct investment activity in Zimbabwe.

The remainder of this paper presents the research gaps and objectives, an overview of the literature and goes on to formulate the hypotheses to be tested. The methodological approach is then outlined, before the empirical results of the study are presented. This paper then presents the discussion of the results, before presenting the conclusions and recommendations of the study.

RESEARCH GAPS AND OBJECTIVES

While, the new discourse within contemporary Afrocentric FDI theory appears now to be an emerging academic interest in the explanatory variables (*such as governance*) of FDI inflows to the African region, it appears as though significant research has already been conducted in developed countries (Bbale and Nnyanzi, 2016; Chidede, 2017; Nondo, Kahsai and Hailu, 2016). However, less academic attention has been on the influence of governance as a purely *heuristic* factor influencing the perceptions and ultimately the behaviour of foreign investors both in Africa and beyond. Firstly, a significant proportion of the literature advances empirical evidence of the governance-FDI relationship within a country or region(s) based on the analysis of panel data. This implies that research into the governance-FDI relationship within the contemporary literature tends to be generic in nature, and predominantly utilises secondary panel data to examine the impact of governance on the attraction of FDI. Thus, an investigation into the governance-FDI relationship based on primary data (investor perceptions) would significantly contribute to the depth of knowledge regarding the influence of governance to the FDI inflows of a country.

Secondly, the contemporary literature lacks significant empirical evidence on whether the generally perceived image of some African countries influences FDI inflows into their economies (Schorr, 2011; Schuly and Tenzer, 2017). Despite some authors (Dinnie, 2008; Sun, 2009; Qobo, 2017) concluding that the image of a country as a heuristic in the global business context has a significant role in the attraction of FDI to a country, the palpable significance of the governance as a subjective determinant of FDI within the African context is under-researched. There is also a discernible dearth in Afrocentric, *country-specific* research into the specific subjective governance factors influencing foreign investors when considering engaging in FDI activity in post-political and post-economic crisis countries. Hence, the case of Zimbabwe was a unique opportunity to explore this gap in the literature by exploring the potential relationship between the perceptions of a country's governance and foreign investor behaviour.

Lastly, Schuly and Tenzer (2017) identify a distinct gap in knowledge with regards to the country-specific attributes that influence foreign investors in their selection of an investment

location. More-so the based on the type of FDI. This paper appears to be (to the best of our knowledge) a first attempt at empirically establishing the influence that governance as a country-specific heuristic, may have on foreign investors across all FDI typologies (*market-, resource-, efficiency- and strategic asset-seeking FDI*). The findings of this paper thus, have significant implications for both developed and developing countries, with regards to the insights on the influence of the Governance-FDI nexus on the attractiveness of a country for FDI.

In order to address the identified research gaps, the objectives of this paper were thus, to firstly empirically establish the governance factors influencing foreign investor decisions when considering investment in Zimbabwe's economy between 2010 and 2015. These aforementioned factors will constitute Zimbabwe's governance factor. Secondly, this paper sought to empirically examine whether Zimbabwe's governance influenced the uptake of market-, resource-, efficiency- or strategic asset-seeking driven FDI opportunities in the country between 2010 and 2015. The findings of this paper therefore, contribute to the enrichment of the extant of knowledge and understanding of the influence of governance, as a subjective heuristic, on a country's key external stakeholder - foreign investors. More significantly, this paper contributes Afrocentric knowledge to the behavioural economics, investment promotion and FDI discourses respectively.

LITERATURE REVIEW

Citing the particular case of Zimbabwe, Amavilah, Asongo and Andres (2017) inextricably link and illustrate the causal relationship between good governance and the economic development and the enhanced productivity of a country respectively. The 1998 to 2008 Zimbabwe crisis was principally an economic meltdown precipitated within a broader protracted political crisis (Chiumbu and Musemwa, 2012; Mlambo and Raftopoulos, 2010; Raftopoulos, 2009). The resulting, and widely publicised severe economic contraction and record inflationary rate 'tainted' and 'hamstrung' the Zimbabwean economy to the extent that Zimbabwe became a relatively uncompetitive FDI location within the Sub-Saharan African region (Games, 2011; Kahiya, 2015; Munongo, 2015; Mzumara, 2012).

Some authors (Kariuki, 2015; Park, 2014) draw the conclusion that smaller and less resource endowed countries are more likely to succeed in attracting FDI if they can effectively control and manage their institutional corruption, law enforcement and impartiality of the law. Despite multiple interventionist strategies being implemented by the Zimbabwean government to better manage its institutions, mitigate endemic corruption and eliminate political interference in public resource management, Zimbabwe is still perceived as a poorly governed country (Danha, Takaindisa, Mlotshwa and Simlet, 2015; Muzurura, 2016; Zimbabwe Agenda for Sustainable Socio-Economic Transformation - ZIMASSET, 2013). To this end, between 2010 and 2015, Zimbabwe only managed to attract an average of up to 3.5% of the total FDI inflows to Sub-Saharan Africa (United Nations Centre for Trade and Development, 2016). It is acknowledged that significant changes may have occurred in Zimbabwe since 2017 - with a regime change in the country. The data examined in this study was generated in 2016 from a sample of foreign investors from between 2009 and 2015 however, the findings remain valid and have become increasingly important to the new Zimbabwean government, as the study provides empirical evidence of the influence of Zimbabwe's governance to the country's competitiveness in the attraction of FDI.

Some researchers (Bannaga, Gangi, Abdrazak and Fakhry, 2016; Kucera and Principi, 2017) argue that governance influences FDI through various channels. The literature does offer a plethora of governance variables from studies that have evaluated the impact of governance on FDI in general. For instance, some studies (Ajayi, 2006; Kalamova and Konrad, 2009; Lahiri, 2017; Naude and Krugell, 2007) advance the notion that the quality of a country's business environment is significantly influenced by how governments exercise their authority

over their political and socio-economic environments through government and quasi-government institutional activities. While, Tunyi and Ntim (2016) discern that accountability, the effectiveness of public institutions and the management of corruption as government functions have a significant influence on FDI, especially within the African context. Other studies (Ajide and Eregha, 2014; Asiedu, 2006; Campos and Kinoshita, 2006; Moreira, 2009) make similar findings that in general, ineffectively managed institutions, corruption, the poor enforcement of contracts, and the disregard for the proprietary rights of business and individuals, particularly deterred FDI to African countries.

Relatedly, Basson (2015) observes that the ability of a government to ensure impartiality in appeals procedures and their legal frameworks, in addition to respect for the intellectual property rights of foreign investors, influences the volume of FDI inflows to the country. Dreher and Voigt (2011) establish a correlation between the membership of a national government of international supra-governmental organisations and an enhanced level of global credibility for the country. A subsequent study by Dreher, Mikosch and Voigt (2015) concludes that there is a significantly robust relationship between government membership of international organisations and FDI inflows. Relatedly, Holmes, Miller, Hitt and Salmador (2013) posit that governments through their policies and fiscal mechanisms stimulate the demand and/or supply of capital within their economies, thereby influencing perceived access to loan capital.

Elements such as the selective application of the rule of law and political unrest have been found to be deterrents to FDI inflow to Economic Community of West African State (ECOWAS) members (Ajide, 2014). Gomez-Mera, Keyon, Margalit, Reis and Varda (2015) draw the conclusion that foreign investors investing in Africa were influenced by government transparency in their investment decision-making. Kinda (2010) finds that the improvement of physical (roads, public utilities) infrastructure through government spending generally increases the probability of FDI inflows. Relatedly, Oyin (2014) deems infrastructural logistics to be key to the extraction of natural resources, as well as having an influence on FDI inflows. Hailu (2010) finds that the ability of the investor to repatriate resources is an important consideration for foreign investors, while Dupasquier and Osakwe (2005) argue that the relaxation of repatriation regulations in most African countries has in fact encouraged further FDI in African economies.

Generally, governments are responsible for the availability of online investment services to investors, since Investment Promotion Agencies are quasi-government organisations and their online platforms form part of e-Government platforms (Zimbabwe Investment Authority, 2014). Governments are also the responsible entity for management of public resources which include resources related to standard of living and health systems all of which influence the willingness of foreign investors to settle in the host country (Ajayi, 2006; Burns, Jones, Goryakin and Suhrcke, 2017; Coy and Cormican, 2014). Relatedly, governments manage and influence key stakeholder relationships such as the membership of a country to global financial institutions and ease of access to loan capital, since governments are the members of supra-governmental financial institutions such as the IMF and World Bank that offer funding to governments based on fundamental economic prerequisites which are often suitable for FDI (Vinesh, Boopendra and Hemraze, 2014). Governments often have the decision-making authority to also decide whether to make access to loan finance either easier or more difficult for foreign investors. Government financing availability (or the lack thereof) for both infrastructure development and maintenance of public resources such as transport infrastructure and public utilities can be associated with government activities (Khadaroo and Seetanah, 2007; Tembe and Xu, 2012). The fairness of legal frameworks, adherence to intellectual rights and the perceived fairness of appeal procedures respectively are within the purview of government control over the macro environment through legal and regulatory frameworks (Ajide, 2014; Holmes *et al*, 2013; Ojong, Aripko and Ogar, 2015; Park, 2014).

Based on Dunning's (2000) eclectic paradigm, the primary reasons for foreign location-based MNE activity may be explicated within the context of four typologies: market-, resource-, efficiency-, and strategic asset-seeking FDI motives. Within the context of this paper, each typology constituted the dependent variable – FDI opportunities in Zimbabwe. Each is briefly operationalised.

- *Market-seeking FDI opportunities* attract demand-oriented FDI activity to a country (Dunning, 2000). Market-seeking investors particularly focus on the exploitation of foreign market opportunities to meet existing market demand and/or open new international markets (Benito, 2015; Hansson and Hedin, 2007). Foreign investors are particularly motivated by opportunities which include access to: markets, tariff concessions, tax incentives, export markets, and/or value chain integration (Kudina and Jakubiak, 2008; Paul and Benito, 2018; Shen, Puig and Paul, 2017).
- *Resource-seeking FDI opportunities* attract supply-oriented FDI activity to a country (Dunning, 2000). Resource-seeking investors particularly focus on accessing and exploiting factor endowments such as natural and man-made resources which represent inputs at a comparatively lower cost (Benito, 2015; Hansson and Hedin, 2007). Foreign investors are particularly motivated by opportunities which include access to: cheap labour, natural resources (such as oil, gold, tobacco), and/or physical infrastructure (Kudina and Jakubiak, 2008; Paul and Benito, 2018; Shen, Puig and Paul, 2017).
- *Efficiency-seeking FDI opportunities* attract internalisation-oriented FDI activity to a country (Dunning, 2000). Efficiency-seeking investors particularly focus on exploiting improved asset utility and productivity through technology transfer, improved division of labour or skills development (Benito, 2015; Hansson and Hedin, 2007). Foreign investors are particularly motivated by opportunities which include access to: common governance, synergetic advantages in production, and economies of scale and/or production (Kudina and Jakubiak, 2008; Paul and Benito, 2018; Shen, Puig and Paul, 2017).
- *Strategic asset-seeking FDI opportunities* attract ownership-oriented FDI activity to a country (Dunning, 2000). Strategic asset-seeking investors particularly focus on consolidating their ownership advantages to enhance their competitiveness or mitigate competition within foreign markets (Benito, 2015; Hansson and Hedin, 2007). Foreign investors are particularly motivated by opportunities which include access to: patents, proprietary technology, copyrights, skilled human capital, and/or knowledge (Kudina and Jakubiak, 2008; Paul and Benito, 2018; Shen, Puig and Paul, 2017).

Based on these operationalisations, the following four null hypotheses were formulated to be tested:

- H0₁: The perception of Zimbabwe's *Governance* does not influence investor decisions regarding market-seeking opportunities in Zimbabwe.
- H1₁: The perception of Zimbabwe's *Governance* influences investor decisions regarding market-seeking opportunities in Zimbabwe.
- H0₂: The perception of Zimbabwe's *Governance* does not influence investor decisions regarding resource-seeking opportunities in Zimbabwe.
- H1₂: The perception of Zimbabwe's *Governance* influences investor decisions regarding resource-seeking opportunities in Zimbabwe.
- H0₃: The perception of Zimbabwe's *Governance* does not influence investor decisions regarding efficiency-seeking opportunities in Zimbabwe.

- H1₃: The perception of Zimbabwe's *Governance* influences investor decisions regarding efficiency-seeking opportunities in Zimbabwe.
- H0₄: The perception of Zimbabwe's *Governance* does not influence investor decisions regarding strategic asset-seeking opportunities in Zimbabwe.
- H1₄: The perception of Zimbabwe's *Governance* influences investor decisions regarding strategic asset-seeking opportunities in Zimbabwe.

RESEARCH METHODOLOGY

The data generated for this study is drawn from a larger study that examined multiple non-financial factors influencing the decision-making process of foreign investors between 2010 and 2015.

Research paradigm

There are traditionally two research paradigms, the positivistic paradigm which support the quantitative approach to research and the phenomenological approach to research which supports the qualitative approach to research (Maree, 2012). In order to best examine the Governance-FDI Inflow nexus the positivistic research design was adopted as it allowed for the generation of quantitative data which could be synthesise to measure the relationship between governance and FDI inflows. A quantitative cross-sectional deductive study was conducted (Welman, Kruger and Mitchell, 2005).

Population and sample

The universal population for the study comprised of all investors on the Zimbabwe Investment Authority (ZIA) database from the period of 2010 to 2015. Total population sampling was employed to draw up the sample for the study (Toepoel, 2016). Therefore, the examination of the Governance-FDI Inflow nexus within the Zimbabwean context was based on data generated from all foreign investors who; had invested; considered investing, but had not invested, and; would consider investing in Zimbabwe in the future post the Zimbabwe crisis period of between 2010 and 2015. As a result, an effective population of 640 foreign investors with valid e-mail contact details on the ZIA database were sampled.

Data collection and Questionnaire design

Secondary data was collected as part of an extensive desk research. Secondary data was drawn from various journal, text books, working papers and previous unpublished academic studies. The resultant literature review informed the questionnaire design. The questionnaire was published online as a self-administered online survey on Google Forms, and a link to the survey was sent to respondents as part of an invitation e-mail for the generation of empirical (primary) data. The online survey responses were recorded on a 5-point Likert scale (Toepoel, 2016). The Likert scale solicited investor responses on the extent to which governance indicators influenced their investment decision-making process when considering engaging in FDI activity in Zimbabwe. The scalar responses ranged from (1) not at all influential to (5) extremely influential. Of the 640 survey invitations sent out, $n=305$ surveys were completed and submitted, representing a response rate of 47.66%. This sample was deemed suitable for the generalisation of the results based on the guidelines provided by Izquierdo, Olea and Abad (2014), Krejcie and Morgan (1970), as well as Sue and Ritter (2007) respectively.

Data analysis

Data from the online survey was exported from the Google Forms program to an Excel spreadsheet. The data was then exported to a STATISTICA 12 (2016) for analysis. Descriptive statistics were generated by means of central tendency (means) and variability (standard deviation). Principal Components Analysis (PCA) was employed to establish the factor model for the data (Hair, Black, Babin and Anderson, 2010). The PCA generated the value (Eigenvalue - EV) underlying the *Governance* factor through dimension reduction, with *Governance* being deemed valid at $EV > 1$ (Reio and Shuck, 2015). Exploratory Factor Analysis (EFA) was employed to extract and then cluster (at Varimax raw) the correlated independent (observed) variables from the set of raw data into the discernible *Governance* factor (Larsen and Warne, 2010). Based on the guidelines posited by Hair *et al.* (2006), only items with a factor loading coefficient of practical significance (≥ 0.50) were deemed to have loaded on the *Governance* factor. To establish the inter-item consistency (reliability) of the measuring instrument, the Cronbach's alpha (α) test was conducted. A minimum cut off $\alpha \geq 0.7$ was deemed to be acceptable for the purposes of this paper (George and Mallery, 2003).

Pearson product-moment correlation coefficients were calculated to determine the linear associations between the continuous variables of the study at $r \geq 0.30$ (Cohen, 1988) – that is, the *Governance* factor and each of the dependent variables, market-, resource-, efficiency-, and strategic asset-seeking FDI inflow market entry motives. Multi-collinearity analysis was utilised to further analyse the data to mitigate high factor correlation data distortions, the absence of which is denoted by a Tolerance value of >0.1 and VIF of <10 (Henson and Gates, 2010). To test the hypotheses put forward by this paper, Multiple Regression Analysis was employed (Orwa and Njeri, 2014). Hypotheses were accepted at the critical t-value of >3.09 at $p < 0.001$ and between 1.96 and 3.09 at $p < 0.05$, with p-values of $p < 0.001$ or $p < 0.05$ for significance.

EMPIRICAL RESULTS

The following are the empirical results of the several descriptive and inferential statistics conducted for the study.

Results of the EFA, PCA and Cronbach's alpha tests

Table 1 presents the findings of the EFA, PCA and Cronbach's alpha tests for the *Governance* factor.

TABLE 1:
Validity and reliability of the Governance factor

Eigenvalue: 26.27	Cronbach's alpha = 0.952		
Items	Factor loading	Item correlation	Cronbach's alpha after deletion
Enforcement of rule of law	0.708	0.744	0.949
Accountability of government officials	0.773	0.775	0.948
Transparency of government business transactions	0.821	0.777	0.948
Competent public institution management	0.784	0.777	0.948
Control of institutional corruption by government	0.774	0.809	0.948
Availability of e-Governance platforms	0.617	0.661	0.951
Good living standards	0.500	0.664	0.950
Excellent health system	0.545	0.710	0.950
Membership of international financial institutions	0.622	0.638	0.951

Eigenvalue: 26.27	Cronbach's alpha = 0.952		
Items	Factor loading	Item correlation	Cronbach's alpha after deletion
Ease of access to loan capital	0.669	0.694	0.941
Government funding for transport infrastructure development	0.663	0.699	0.950
Government funding for transport infrastructure maintenance	0.649	0.747	0.949
Government funding for new public utilities buildings	0.627	0.724	0.949
Government funding for public utilities building maintenance	0.620	0.721	0.949
Fairness of business legal frameworks	0.576	0.706	0.950
Strict adherence to intellectual rights laws	0.554	0.661	0.951
Availability of fair appeal procedures	0.530	0.699	0.950

Note: Loadings < .50 are omitted

As is evident in Table 1, of the 36 items that were extracted by the EFA within the broader study, 17 items loaded onto the *Governance* construct with factor loading coefficients of ≥ 0.50 (Varimax raw), ranging between 0.500 and 0.821. All other items loaded onto other factors which were measured as part of the broader study, with factor loading coefficients of ≥ 0.50 (Varimax raw), and therefore are not within the scope of this paper. The *Governance* factor returned an EV of more than 1.0 (26.27%), and was thus retained as a valid factor. The *Governance* factor reported a Cronbach's alpha coefficient of ($\alpha = 0.952$), which can be regarded to be highly reliable (George and Mallery, 2003).

Table 2 presents the findings of the EFA, PCA and Cronbach's alpha tests for the dependant variables.

TABLE 2:
Validity and reliability of the dependant variables

Dependant variable	Items loaded	Factor loading		EV	Item correlation		Cronbach's alpha
		Min	Max		Min	Max	
Market-seeking FDI market opportunities	7	0.554	0.804	10.91	0.587	0.765	0.885
Resource-seeking FDI market opportunities	11	0.553	0.726	3.52	0.426	0.731	0.884
Efficiency-seeking FDI market opportunities	6	0.520	0.715	1.88	0.523	0.689	0.819
Strategic asset-seeking FDI market opportunities	6	0.524	0.830	2.42	0.531	0.812	0.849

As summarised in Table 2, a total of 30 items loaded onto the respective dependent variables with factor loading coefficients of ≥ 0.50 (Varimax raw). As described in Table 2, factor loading coefficients for Market-, Resource-, Efficiency-, and Strategic asset-seeking FDI market opportunities ranged between 0.554-0.804, 0.553-0.726, 0.520-0.715, and 0.524-0.830 respectively. Table 2 also shows that each dependent variable returned an EV of more than 1.0, Market-seeking (10.91%); Resource-seeking (3.52%); Efficiency-seeking (1.88%) and; Strategic asset-seeking FDI (2.42%), and were thus retained as a valid dependent variables. All the dependent variables reported good Cronbach's alpha coefficients ($\alpha > 0.800$), suggesting that Market-seeking ($\alpha=0.885$); Resource-seeking ($\alpha=0.884$); Efficiency-seeking ($\alpha=0.819$) and; Strategic asset-seeking FDI ($\alpha=0.849$), can be regarded to be reliable (George and Mallery, 2003).

Descriptive statistics of the Governance brand factor

Table 3 presents the descriptive statistics for the items that loaded onto the *Governance* factor.

TABLE 3:
Descriptive statistics of the items

Items	N	Mean (\bar{x})	STDEV
Enforcement of rule of law	305	3.21	1.37
Accountability of government officials	305	3.17	1.43
Transparency of government business transactions	305	3.13	1.47
Competent public institution management	305	3.16	1.39
Control of institutional corruption by government	305	3.13	1.38
Availability of e-Governance platforms	305	2.99	1.57
Good living standards	305	3.28	1.32
Excellent health system	305	3.21	1.28
Membership of international financial institutions	305	3.40	1.46
Ease of access to loan capital	305	3.24	1.48
Government funding for transport infrastructure development	305	3.17	1.46
Government funding for transport infrastructure maintenance	305	3.09	1.40
Government funding for new public utilities buildings	305	2.92	1.46
Government funding for public utilities building maintenance	305	2.97	1.45
Fairness of business legal frameworks	305	3.41	1.28
Strict adherence to intellectual rights laws	305	4.49	1.35
Availability of fair appeal procedures	305	3.27	1.30

Table 3 shows the mean (\bar{x}) and standard deviation for each of the 17 items that loaded onto the *Governance* factor and were retained for further analysis. The surveyed foreign investors seemed undecided (tending towards rating 3 on the Likert scale) regarding the influence of a significant proportion (all but one) of the *Governance* elements when considering Zimbabwe's *Governance* construct. Means ranged between $\bar{x}=2.92$ and $\bar{x}=3.40$, with the exception of considering the strict adherence to intellectual rights laws being considered to be extremely influential ($\bar{x}=4.49$), tending towards rating 5 on the Likert scale. However, when considering the standard deviations, there was much variation in responses (>1) indicating diverse response opinions, with the most variation in responses being for the availability of e-Government platforms (1.57) as a *Governance* element. Significant variances also occurred in relation to membership of international financial institutions, government funding for transport infrastructure development, and government funding for new public utilities buildings (1.46); transparency of government business transactions (1.47) and; ease of access to loan capital (1.48) as *Governance* elements. The least standard deviation was reported for fairness of business legal frameworks (1.28).

Results of the Pearson product-moment correlation analysis

Table 4 presents the results of the Pearson product-moment correlation of the *Governance* factor and the four dependent variables.

TABLE 4:**Correlation matrix of Governance factor as an independent variable and FDI inflow market opportunities**

Variables	GOV	MKT	RES	EF	SA
Governance (GOV)	1.000				
Market-seeking (MKT)	0.491	1.000			
Resource-seeking (RES)	0.676	0.570	1.000		
Efficiency-seeking (EF)	0.502	0.564	0.752	1.000	
Strategic asset-seeking (SA)	0.751	0.464	0.650	0.491	1.000

p<0.05

Table 4 provides evidence of a significant ($p<0.05$) moderate correlation between Zimbabwe's *Governance* and *Market-seeking* ($r=0.491$) FDI inflow motives. Table 4 also reports a significant ($p<0.05$) strong correlation between *Governance* and *Resource-seeking* ($r=0.676$), *Efficiency-seeking* ($r=0.502$) and *Strategic asset-seeking* ($r=0.751$) FDI inflow market opportunities in Zimbabwe. This notion draws a discernible correlation between *Governance* and *Resource-*, *Efficiency-* and *Strategic asset-seeking* FDI inflow market opportunities in Zimbabwe. These notions are supported by Gerlach and Liu (2010), who found that government interventions in Ghana through policy reforms and the more effective management of its public institutions attracted resource-seeking investors to its agricultural sector. Dupasquier and Osakwe (2005) and Hailu (2010) on the other hand, found that restrictive government regulation of the repatriation of capital and profits had a negative effect on resource-seeking FDI inflows to African economies. Importantly, Lintunen (2011) and Wilson, Baak and Baak (2014), noted a correlation between governance and efficiency-seeking foreign investors pursuing the exploitation of government local production incentives facilitated by a reasonable and transparent business environment. Lastly, the literature (African Development Bank, 2011; Kramarenko, et al., 2010) recognises the Zimbabwean governments unclear, often corrupt and chaotic indigenisation, land ownership and appropriation policy as an impediment for strategic asset-oriented foreign investors.

Multiple regression analysis results

A Multi-collinearity diagnostics test for the dependent variables (*Market-*, *Resource-*, *Efficiency-* and *Strategic asset-seeking* FDI inflow motives in Zimbabwe), reported Tolerance values ranging between 0.602 and 0.668 and VIF values ranging between 1.497 and 1.661. These results suggest that the dependent variables were free from collinearity and that multiple regression analysis could be conducted. Table 5 summarises the empirical results of the multiple regression analysis.

TABLE 5:**Summary of the results of the Multiple Regression Analysis**

Independent variable: Governance						
Dependent variable	Adjusted R ²	β	T-value	Sig. (p)	Hypothesis Number	Null Hypothesis
Market-seeking FDI market entry motives	0.469	-0.072	-1.017	0.310	H0 ₁	Accepted
Resource-seeking FDI market entry motives	0.581	0.242	5.049	0.000*	H0 ₂	Rejected
Efficiency-seeking FDI market entry motives	0.369	0.072	1.099	0.273	H0 ₃	Accepted
Strategic asset-seeking FDI market entry motives	0.581	0.566	9.127	0.000*	H0 ₄	Rejected

* **p<0.001**

Evidence of statistically significant ($p < 0.001$) relationships between Zimbabwe's *Governance* and the dependant variables *Resource-seeking* ($p = 0.000$) and *Strategic asset-seeking* ($p = 0.000$) FDI inflow market opportunities in Zimbabwe respectively, is shown in Table 5. The t-values of Zimbabwe's *Governance* exceeded the critical value of 3.09 at $p < 0.001$, thus, null hypotheses H_{02} and H_{04} were rejected. It follows then that alternative hypotheses H_{12} and H_{14} were accepted. These findings imply that foreign investors seeking *Resource* and *Strategic asset* FDI inflow market opportunities perceived Zimbabwe's *Governance* to be influential in their investment decision-making process when considering engaging in FDI inflow in Zimbabwe. The magnitude of the path coefficients (β) for Zimbabwe's *Governance* was moderate positive ($\beta = 0.242$) for *Resource-seeking* FDI inflow market opportunities in Zimbabwe, and was strong positive ($\beta = 0.581$) for *Strategic asset-seeking* FDI inflow market opportunities in Zimbabwe. It is also evident from Table 5 that Zimbabwe's *Governance* did not report statistically significant ($p < 0.001$ or $p < 0.05$) relationships with *Market-seeking* ($p = 0.310$) or *Efficiency-seeking* ($p = 0.273$) FDI inflow market opportunities in Zimbabwe respectively. Thus, null hypotheses H_{01} and H_{03} were accepted, and the alternative hypotheses H_{11} and H_{13} were rejected. This implies that Zimbabwe's *Governance* was not perceived by foreign investors as influential in their consideration of market- and efficiency-seeking FDI inflow market opportunities in Zimbabwe.

DISCUSSION OF RESULTS

From an Afro-pessimistic perspective, it may be inferred that a significant proportion of the negative stereotypes about Africa stem from how African countries are governed (Aina, 2014; Louw, 2016; Schorr, 2011). The findings of this paper provide empirical evidence that the subjective preferences of a nation's external stakeholders such as foreign investors may be influenced by a country's *Governance* as a behavioural economics heuristic factor. The findings of this paper support the notion that the perceptions held of governance are an important subjective heuristic for foreign investors (Adekele, 2014; Agyemang, Fantini and Ansong, 2016; Steyn and van Vuuren, 2016). Thus, the findings of this paper also give credence to the notion that the nation brand image may be considered as an explanatory variable of FDI inflow to the African region (Bbale and Nyanzi, 2016; Chidede, 2017; Nondo *et al.*, 2016).

In practice, the assumption that *Governance* dimensions influence the perceptions held of a country, holds true in the case of Zimbabwe as an investment destination. The empirical findings of this paper have significant implications for Zimbabwean policymakers and potentially, the practice of investment promotion at a governmental level within the African context. As it emerged, investors identified 17 *Governance*-related variables that may influence resource- and strategic asset-seeking in their investment decision-making when considering engaging in FDI activity in Zimbabwe. This is beyond the conventional six to eight measures utilised by most studies based on governance variables from data sources which include the World Bank (Adekele, 2014; Amavilah *et al.*, 2017; Bokpin, 2017) and Transparency International (Tunyi and Ntim, 2016). This implies that African policymakers, more-so Zimbabwean policymakers, must be cognisant of the subjective significance of their *Governance* to the investment decisions of foreign investors, beyond the conventional generic variables.

The findings of this paper are idiosyncratic and may only be generalised to the influence of a country's perceived *Governance* image on foreign investor behaviour within the Zimbabwean context. Other subjective factors may equally influence investor behaviour in other African country contexts. This paper is also limited to foreign investors within the Zimbabwean context between 2010 and 2015 only. It would be prudent to engage in further research into the influence of the *Governance* within the broader African context, particularly as such research will contribute to information symmetry on governance-related factors and their influence on the subjective preferences of investors and ultimately investor behaviour in relation to

investing in Africa, albeit within an Afro-pessimistic global environment. More importantly, further research would inform African public policy decision-makers about the *Governance* aspects critical to the attraction of FDI inflow to their economies.

CONCLUSIONS AND RECOMMENDATIONS

The findings of this study may be categorised into four distinct aspects, general government management, human resource, financial resource, and infrastructural resource aspects. It can thus be concluded that, in terms of general government management it appears as if investors were influenced by the consistent enforcement of the rule of law by the Zimbabwean government; the fairness of Zimbabwe's business legal frameworks; the government's strict adherence to intellectual rights laws and; the fairness of the country's appeals procedures. Relatedly, it seems as though the Zimbabwean government's ability to manage its public institutions competently by controlling institutional corruption and holding government officials accountable for their actions, thus ensuring the transparency of the Zimbabwean government's business transactions, also influenced foreign investors.

In terms of human resource aspects foreign investors seem to consider the ability of the Zimbabwean government to ensure good quality human living standards and provide excellent health services to be influential. It also appears as though financial resource aspects such as, Zimbabwe's membership to global financial and banking institutions; the ease of access to loan capital, as well as; the availability of government funding for the development and maintenance of future, as well as current transport infrastructure and utilities buildings respectively, were influential in the investor decision-making process. Foreign investors further considered infrastructural resource management aspects such as the availability of online investment services like the e-Governance platforms, as influential in their decision-making process.

The empirical evidence affirms that Zimbabwe's *Governance* was influential to foreign investors with resource-seeking motives. Zimbabwe's *Governance* presented a moderate statistically significant relationship with resource-seeking FDI inflow market opportunities in Zimbabwe. Thus, general government management aspects such as the fairness of Zimbabwe's business legal frameworks; the fairness of the country's appeals procedures; the Zimbabwean government's ability to manage its public institutions competently by controlling institutional corruption and; ensuring the transparency of the Zimbabwean government's business transactions may have been influential to their investment decisions. These aspects would impact on the legitimisation efforts of foreign investors in their procurement activities and their ability to circumvent institutional barriers to resource exploitation. It may therefore, be concluded that Zimbabwe's *Governance* is influential to resource-seeking investment decisions. The literature supports this conclusion. For instance, Gerlach and Liu (2010) found that government interventions in Ghana through policy reforms and the more effective management of its public institutions attracted resource-seeking investors to its agricultural sector. Interestingly, Aleksynska and Havrylchuk (2011) observe an inverse relationship between resource-seeking FDI inflow and government intervention in particular - finding that in the case of resource-rich developing countries, poor government institutional management and corruption seem to encourage more resource-seeking FDI inflow from countries such as China.

The empirical evidence also affirms that Zimbabwe's *Governance* was influential to foreign investors with strategic asset-seeking FDI motives. Zimbabwe's *Governance* presented a strong statistically significant relationship with strategic asset-seeking FDI inflow market opportunities in Zimbabwe. Thus, general government management aspects such as the government's strict adherence to intellectual rights laws; controlling institutional corruption; and holding government officials accountable for their actions may be considered to be influential to strategic asset-seeking investment decisions – considering the attractiveness of

Private-Public Partnerships in the potential acquisition of strategic assets. Relatedly, financial resource aspects such as the ease of access to loan capital, as well as; the availability of government funding for the development and maintenance of future and current transport infrastructure and utilities buildings respectively may have been influential to strategic-seeking investment decisions - as these aspects relate to the capital requirements for the acquisition of strategic assets by foreign investors. It may therefore, be concluded that Zimbabwe's *Governance* is influential to strategic asset-seeking investment decisions.

The literature also supports this conclusion. For instance, Lintunen (2011) advances the notion that good governance creates positive brand equity for national governments and possibly creates an opportunity for positive brand equity for strategic asset-seeking investors who may consider it a reputational asset. Vijayakumar, Sridharan and Rao (2010) observe a positive relationship between governance and the inflow of strategic asset-seeking FDI inflow within BRICS countries. Relatedly, Du and Boateng (2015) found that in the case of China, between 1998 and 2011, government policy was the catalyst for a concerted global strategic asset-seeking outbound FDI drive to improve their competitiveness and position China as a key region in the global value chain.

With this in mind, it is recommended that firstly, the Zimbabwe Investment Authority (ZIA) should proactively engage in a policy evaluation and advocacy role by researching investor sentiment on general government management aspects such as the Zimbabwean government's business legal frameworks; implementation of intellectual rights laws; as well as FDI inflow-oriented appeal procedures and frameworks. Relatedly, ZIA should also benchmark Zimbabwe's enforcement of the rule of law and the management of institutional corruption in relation to contemporary global best practice. Doing so will improve investor perceptions of Zimbabwe's *Governance*. These governance-oriented initiatives would be influential to resource-seeking investors as they seek to legitimately exploit Zimbabwe's resources.

Secondly, image-building activities such as the targeting of key stakeholders (members of chambers of commerce and institutional entities in foreign countries) - by ZIA and the Zimbabwean Government - with Public-Private-Partnership investment opportunities in the development and maintenance of Zimbabwe's transport and public utilities are recommended. Such activities may include government led investor forums and the hosting trade missions, to orient investors on conducting business with the Zimbabwean government; promote interaction between investors and its public institutions; as well as the establishing of stakeholder relations with the responsible government officials to ensure accountability. These governance "brand" oriented image-building activities would be influential to strategic asset-seeking investors in joint venture and/or acquisition activities.

Lastly, specialised presentations and/or the sending out of periodical circulars to update investors on any positive developments in Zimbabwe, such as the launch of ZIA's e-Government platform; the Zimbabwean government's renewed relations with and membership of international financial institutions and access to loan capital; as well as any improvements in Zimbabwe's standard of living or health system. This would provide investors with up-to-date information contributing to information symmetry on *Governance* "brand" image-related factors – thereby influencing the subjective perceptions and behaviour of both resource- and strategic asset-seeking investors.

Overall, this paper represents the first comprehensive attempt to examine the Governance-FDI inflow nexus in Zimbabwe. This paper identifies non-traditional variables that constitute Zimbabwe's governance construct and finds empirical evidence of the influence of *Governance* as a heuristic in the decision-making process of foreign investors seeking resource and strategic asset-oriented FDI inflow market opportunities in Zimbabwe. Critically, the empirical evidence based on investor perceptions, makes a significant and novel

contribution to the extent of the literature relating to the Governance-FDI inflow nexus within the behavioral economics, investment promotion and FDI discourses.

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Evaluating the rates of business failure using Altman's Z – score: A case study of a business in Johannesburg

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ABSTRACT

Organizations can only conduct successful operations when they have enough funds to finance their operations. Finance is needed to start up the organization, maintain, expand and diversify its operations. Financing can be acquired thru debt or equity. The former introduces an element of risk to the lender; the risk that the borrower will not be able to repay the debt. During the course of a typical working day, every manager navigates their way through an obstacle course of risks, such as the risk of a client defaulting on a payment as faced by financial managers; a risk which gives rise to rigorous credit approval processes. To manage a business, is to manage risk. As part of business to business lending, a credit approval process involves the examination of the borrower's financial statements. The financial statements (if accurate) provide an account of the business' past, present and future financial standing. Furthermore, they provide an indication of the ability of the borrower to repay the debt.

The value of financial statements in assessing the current and future prospects of a business has given rise to corporate failure prediction models incorporating information from financial statements and using the information in financial ratios. Prior research into corporate failure prediction models has shown that financial statement analysis provides value. However, there has been little research into the use of these models as part of a credit approval process. Some researchers have argued that corporate failure prediction models are flawed in that they can alert financial distress but do little in terms of identifying the cause of failure. Conversely, other researchers argue that since most corporate failure prediction models provide signals of financial distress two to five years ahead of time; they offer the parties involved sufficient time to identify the cause of failure.

Altman's Z-score is a corporate failure prediction model based on financial ratios and is used in the study. A multiple discriminant analysis tool, Altman's Z-score is used in the study to determine whether or not a business is in or heading towards financial distress. Past researchers have tested the accuracy of the model and corporate failure prediction models in general. One showed that most statistical failure prediction models achieve 84% accuracy.

Another study found that Altman's Z score achieved an 82% accuracy rate when applied to medical aid schemes. The model uses a set of financial ratios that measure among other things, the ability of a firm to convert noncash assets into cash, how much profit the firm's assets are producing and the amount of money an organization retains after fulfilling its obligations. The application of the model assumes that the application will produce an accuracy rate similar to that achieved by previous researchers.

The target population includes 120 companies that are under evaluation for credit approval. The companies in the chosen sample originate from a variety of industries such as retail and automotive manufacturing.

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Investigating the financial risk capacity of South Africans

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Keywords: Financial Risk Profile, Financial Risk Capacity, Financial Risk Tolerance.

ABSTRACT

An individual's risk profile has an impact on a number of financial decisions regularly made. From a personal finance point of view, it forms an integral part of the financial planning process, and from an investment point of view, it informs the portfolio management process. When investing, the risk profile will determine whether a more aggressive or more conservative approach will be followed for both short-term and long-term decisions. In consumer finance, decisions need to be made on a regular basis regarding financing of purchases, including the use of debt in the form of mortgages, credit cards or other types of credit. The risk profile of an individual will have an influence on all these decisions.

The Financial Advisory and Intermediary Services (FAIS) Act (37/2002) of South Africa states in Section 8(1)(c) of its General Code of Conduct for Authorised Financial Services Providers and Representatives that "A provider must, prior to providing a client with advice ... identify the financial product or products that will be appropriate to the client's risk profile ..."

Although the term 'risk profile' is not defined in the FAIS act, it is accepted that a client's risk profile is made up of at least three components, i.e. risk required, risk capacity, and risk tolerance. Risk required is the risk associated with the return that needs to be achieved to reach a client's goal. Risk capacity is the financial ability of the client to withstand risk, and risk tolerance is a psychological trait indicating the client's attitude towards risk.

This study will focus on the risk capacity component of a client's risk profile. A number of variables can be used to determine the risk capacity of a client, including the client's age, marital status, number of dependents, the time horizon, income, financial wealth, saving, borrowing and homeownership.

Data from the Financial Literacy Survey conducted by the Human Sciences Research Council on behalf of the Financial Services Board¹ as part of the 2011 South African Social Attitudes Survey will be used. The data set includes responses from 2 972 individuals representing the broad spectrum of the South African population.

¹ Effective 1 April 2018, the Financial Services Board has taken up its new mandate as the Financial Sector Conduct Authority.

A composite measure will be calculated from the individual variables identified in the literature that determines the risk capacity of an individual. The association of the composite risk capacity measure with demographic and behavioural variables will be investigated in order to obtain a better understanding of the risk capacity of the South African population.

The outcomes of the study will be of value to individuals, financial services providers and financial advisors, and help them to better understand the risk capacity component of a client's financial risk profile. This will enable financial advisors and service providers to offer more suitable advice to clients in managing their finances and investments.

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The determinants of retirement savings behaviour in South Africa

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ABSTRACT

The study examines the determinants of retirement behaviour in South Africa using the 2015 South African social attitudes survey (SASAS). Adopting the “Big Three” financial literacy questions to construct the financial literacy variable, the study employed a Probit model and investigated the relationship between retirement planning and financial literacy as well as other demographic variables found to be significant for retirement planning in the literature. The study finds financial literacy as a construct to be insignificant for retirement planning in South Africa however, with individuals who understand interest, risk and diversification more likely to be planners. Furthermore, education and higher income are found to reduce the likelihood of being a non-planner. The study has policy implications for the Government and the retirement industry to assist individuals to make complex retirement planning decisions.

INTRODUCTION

In the last three decades, there has been a global shift from defined benefit to defined contribution plans which has transferred the responsibility to save adequately for retirement from employer to employees (MacDonald, Jones, Morrison, Brown & Hardy, 2013). Defined contribution plans place much of the decision making authority on individuals to determine how much to save, which funds to invest in and how to de-accumulate retirement savings sensibly (Lusardi, Mitchell & Washington, 2011). Planning for retirement can be a daunting task, which requires an individual to be knowledgeable about more than just basic economic or financial concepts, but also how much of their salary they would require at retirement, which funds to invest in to obtain the best return and which savings products or vehicles to use to achieve their retirement goals. For many, the hurdle begins here, as studies have shown that those who are not knowledgeable of basic financial concepts such as numeracy, interest compounding and inflation are least likely to save for retirement (Lusardi, 2011).

Planning for retirement is thought to be an easier task for individuals with occupational pension funds, as some employers offer retirement education workshops or seminars to educate employees on the mechanisms of their retirement funds, as well as provide annual reminders for employees to increase their retirement contributions in line with their annual salary increases. This thinking is reinforced by a study conducted by Bernheim and Garrett (2003) who found both participation in, and contribution to, voluntary savings plans to be significantly higher when employers offer retirement seminars. Workplace interventions can assist with increasing participation; the responsibility to ensure one has adequate retirement savings, however, still remains with individuals.

Saving for retirement is one of the largest financial challenges facing South Africa today. In the absence of retirement savings, retirees who meet the means test criteria are assisted through the social security program, offering a monthly state old age pension (SOAP). Increased reliance on the fiscus for retirement provision has potential to place strain on the economy, and increase the country's Debt-to-GDP ratio. It is, hence, imperative to understand the extent to which financial literacy and other demographic variables have an impact on retirement planning decisions, and consequently retirement savings rates, to enable focused interventions to the appropriate groups that are most vulnerable and likely to have insufficient funds for their retirement and be left depending on the state for assistance. Consequently, the objective of this study is to identify the impact of financial literacy, and other demographic variables, on retirement planning decisions in South Africa. The study aims to explain the poor retirement savings levels and in so doing, attempt to answer the following research questions: 1) What is the relationship, if any, between financial literacy and retirement planning in South Africa? 2) What is the impact of age, income, education, employment status, gender, geographical location, marital status, race, social class and living in a household with a recipient of an old age pension or any other social assistance on retirement planning in South Africa?

In the existing literature, research conducted on household savings in South Africa has primarily focused on the determinants of household savings and has found financial illiteracy as one of the most significant contributors to poor overall savings amongst South Africans (Cronjé & Roux, 2010; Chauke, 2011). However, there is still a substantial lack of research (especially providing empirical evidence) on the influence of financial literacy and other demographic variables on South Africans retirement planning decisions. The growing field of interest in the relationship between financial literacy and retirement planning has resulted in numerous studies across the world, however according to the authors' research none have been conducted in South Africa.

The rest of the paper is structured as follows: Section 2 traces the various theoretical lenses that have been used to explain savings and retirement behaviour from the life cycle hypothesis to the financial literacy construct. Section 3 and 4 situates the current study within the context of existing literature, while section 5 details the research method and econometric model employed in the study. Section 6 presents and discusses the result of the econometric analysis and section 7 concludes with recommendations for further studies.

THEORETICAL FRAMEWORK: THE LIFE CYCLE HYPOTHESIS, BEHAVIORAL LIFE CYCLE HYPOTHESIS, AND FINANCIAL LITERACY

The life cycle hypothesis (LCH) suggests that a fully rational and well-informed individual will consume less than their income in times of high earnings (save), which is often during years of employment. Once retirement is reached or income falls, individuals will begin to drawdown on their savings (dis-save). The increase in research on savings behaviour has however indicated

the LCH no longer holds true, as people save less before retirement and it also assumes that households have the cognitive ability to solve the necessary optimization problem and also have sufficient willpower to execute the optimal plan.

Behavioural economics offers a new perspective on the standard economic theories of savings and the decision-making process. Thaler and Shefrin (1988) modified the life cycle hypothesis to be more behaviourally realistic and derived the behavioural life cycle hypothesis (BCH). The BCH incorporates three important behavioural features that are often missing in economic analysis namely; self-control, mental accounting, and framing. The study of behavioural finance and economics to explain retirement savings behaviour is a new field of study and much of the current research is still exploring the role individuals' knowledge of the financial and economic concepts plays in the decision-making process for retirement savings.

Financial literacy as a savings construct is a recent development in the literature. The earliest conceptualization of financial literacy came from Bernheim (1995) who diverged from the traditional life cycle assumptions used in investigating savings behaviour and investigated the possibility of "financial illiteracy" as the reason for low savings in US households. In the aftermath of the global financial crisis, financial literacy has increasingly been recognized, by a number of economies, as an important individual skill in response to the changing economic environment. Individuals now shoulder greater financial responsibility in the face of increased complexity of financial products, number of financial market participants and the inability of regulation to solely address consumer protection (Hastings, Madrian & Skimmyhorn, 2013).

Several studies in the literature have investigated financial literacy as a determinant of savings behaviour and retirement planning. This study joins discourse by investigating the applicability of the financial literacy theoretical lens to the South African retirement planning environment.

FINANCIAL LITERACY AND RETIREMENT PLANNING - A REVIEW OF RELEVANT LITERATURE

There is a growing interest in understanding the role of financial literacy on retirement planning and the extent to which the information costs to formulate a financial decision effects the outcome. Lusardi (2003) investigating how households in the US collect information to make savings decisions using data from the health and retirement study (HRS) found that the lack of planning has important consequences for savings and portfolio choices, since there is evidence that those who do not plan, accumulate much less wealth than those who plan, and are less likely to invest in stocks and tax-favoured assets. Following this, Lusardi and Mitchell (2005) utilised the financial literacy model they'd purpose-built for the 2004 health and retirement study with questions that tested the respondents knowledge of interest rates, inflation and risk and diversification. Their study found an interrelation between financial knowledge and retirement planning, with those who displayed higher levels of financial knowledge more likely to plan. The South African Social Attitudes Survey financial literacy module contained questions similar to those of the Health retirement study whose exact wording is as follows:

- (1) Basic numeracy: *Imagine that 5 friends are given a gift of R1000. If the friends have to share the money equally, how much does each friend have?*
- (2) Inflation: *Imagine that the friends have to wait for one year to get their share of the R1000 and inflation remains the same in one year. Would they be able to buy more than they could today, the same amount, less than they could buy today?*

- (3) Interest: The interest questions in the survey comprised three questions which tested the understanding of simple interest and compounding interest.
- 3.1 *You Lend R25 to a friend one evening and he gives you R25 back the next day? How much interest has he paid on this loan?*
- 3.2 *Suppose you put R100 into a savings account with a guaranteed interest rate of 2% per year. You don't make any further payments into this account and you don't withdraw any money. How much would be in the account at the end of the first year, once the interest payment is made.*
- 3.2 *And how much would be in the account at the end of five years?*
- (4) Risk: *If someone offers you the chance to make a lot of money it is likely that there is also a chance you would lose a lot of money?*
- (5) Diversification: *It is less likely that you will lose all of your money if you save it in more than one place.*

Studies on financial literacy and its relationship to retirement planning carried out since the health and retirement study have utilised various adaptations of these questions to capture financial literacy, (see Almenberg & Säve-söderbergh, 2011; Boisclair, Lusardi & Pierre-Carl, 2011; Bucher-koenen & Lusardi, 2011; Crossan, Feslier & Hurnard, 2011; Sekita, 2011; Van Rooij, Lusardi & Alessie, 2011).

Klapper and Panos (2011), in a study for Russia, examined whether financial literacy is linked to the use of different types of pensions. They found financial literacy to be positively correlated with retirement planning for individuals with private pensions and negatively correlated with non-planners. In addition, they identified that financially literate individuals are 30% more likely to own private pension plans and 30% less likely to have no retirement plan.

In a similar study Almenberg and Säve-söderbergh (2011) in the case for Sweden identified a positive albeit weak link between financial literacy and retirement planning which they attributed to the introduction of the premium pension in 2000. The introduction of this pension scheme was accompanied by an increase in the dissemination of financial education information in Sweden to all individuals eligible for the pension, which they posited resulted in an increase in the Swedish population's awareness of basic financial concepts. This theory however was not supported by the findings from the responses on the financial literacy questions that showed only 21% of Swedes could answer all three of the financial literacy questions correctly.

These findings on the poor link between financial literacy and retirement planning were echoed by Crossan, Feslier and Hurnard *et al.* (2011) in the study of the adult population of New Zealand. They found no relations between answering all financial literacy questions correctly and retirement planning. The study attributed the findings to the strength of the New Zealand public pension system that provides a significant degree of security and thus likely reduces individuals' inclination to plan privately for their retirement needs. However most of the literature reviewed for this study found positive relationships between retirement planning and financial literacy, supporting the growing awareness in the role of financial literacy for improving retirement security (see Boisclair, Lusardi & Pierre-Carl, 2011; Bucher-koenen & Lusardi, 2011; Sekita, 2011; Van Rooij, Lusardi & Alessie, 2011; Agnew, Bateman & Thorp, 2013b; Brown & Graf, 2013b; Githui & Ngare, 2014; Kalmi & Ruuskanen, 2015; Lusardi & Mitchell, 2016). A noticeable majority of the studies reviewed were conducted in developed or developing nations outside Africa, with only one identified for the African continent – the Kenyan study that explored the effect of financial literacy on pension

preparedness amongst members of the informal sector. This study fills the gap by using the South African Social Attitudes Survey (SASAS) data to evaluate the drivers of retirement planning in South Africa, incorporating additional variables pertinent to the South African context

DRIVERS OF RETIREMENT PLANNING AS IDENTIFIED IN THE LITERATURE

The literature identified other demographic variables that are significant for retirement planning, namely; age, income, educational level, employment status, gender, marital status, home ownership, geographical location, and number of children.

Age

Boisclair, Lusardi and Pirre-Carl *et al.* (2011), Crossan, Feslier and Hurnard *et al.* (2011), Almenberg and Säve-Söderbergh (2011) and Sekita (2011), identified hump shaped age profiles in their respective country studies, with older respondents more likely to be prepared for retirement than their younger counterparts who believe they still have sufficient time to save for retirement. The studies, however, did not investigate the causes of the decline in retirement preparedness in the older age-groups of those respondents closer to retirement. These results differed from the study for Switzerland where Brown and Graf (2013) found an increase in retirement planning amongst respondents aged 50 to 65, as well as those of Germany (Bucher-koenen and Lusardi, 2011) and the Netherlands (Van Rooij, Lusardi & Alessie, 2011) where studies found no relation between age and retirement planning.

Income

A positive relation between high income and retirement planning was consistent through all the studies surveyed. Lusardi and Mitchell (2016), and Klapper and Panos (2011), in their studies for the United states and Russia respectively, went on to investigate another element of income by including a measure for individuals who had experienced an income shock in their lifetime, to scrutinise the impact of a financial crisis on individuals' propensity to save. Both studies' results showed that those who had suffered large decreases in income in their lifetime are more likely to plan for retirement.

Education

The results of the impact of education on planning activities were consistent across the majority of the countries surveyed with, those with a higher educational level found to be more prepared for retirement. The Japanese study by Sekita (2011) included a measure to identify the impact of having participated in a *children's bank programme* in school, which was Japan's earliest form of financial education. The results found an increase of up to 7% in the chances of having a savings plan for retirement if you had been exposed to the *children's bank financial education program* during school. Almenberg and Säve-Söderbergh (2011) in their study for Sweden, contrary to other studies, did not find a statistically significant link between retirement planning and education, a conclusion echoed in Bucher-koenen and Lusardi's (2011) study of the German population, which found no large differences in planning across educational levels.

Employment status

Very few studies have investigated the link between employment status and retirement planning with even fewer studies focusing on the self-employed. The studies reveal conflicting results with

Githui and Ngare (2014) finding both the employed and business owners amongst the Kenyan population more inclined to plan for retirement. Moure (2016) in the Chilean case found the employed only slightly more likely to plan for retirement. Van Rooij, Lusardi and Alessie *et al.* (2011) reveal a significant and positive relationship amongst the self-employed in the Netherlands, with the Dutch self-employed more than 50% more likely to think of retirement planning compared to those with mandatory workplace pensions.

Gender

The impact of gender on retirement planning was found to be significant in Boisclair, Lusardi and Pierre-Carl *et al.* (2011) in the study for Canada and Sekita (2011) in the study for Japan. Both studies found women to be more likely to save for retirement. Interestingly, in the Kenyan study Githui and Ngare (2014), found all variables except gender to be significantly associated with retirement planning.

Marital status

Brown and Graf (2013) in investigating the gender gap in financial literacy questions, found it to be stronger in single respondents than amongst married or divorced respondents. However, when included in the tests for retirement planning, marital status was only significant in the Australian study in which Agnew, Bateman and Thorp *et al.* (2013a) found marital status and in particular widowhood to be the most significant variable for retirement planning, and posited that this may be due to widowed respondents being forced to reconsider their financial futures after the death of a spouse.

Home ownership

In a baby-boomer retirement security study, Lusardi and Mitchell (2007) identified housing wealth as one of the key components of savings for boomers close to retirement. However, when asked an additional question on whether they planned to use home equity for retirement, 60% of homeowners indicated they would not be selling their homes to finance their retirement. Van Rooij, Lusardi and Alessie *et al.* (2011), Sekita (2011) and Agnew, Bateman and Thorp *et al.* (2013a) found homeownership to be strongly correlated with retirement planning, with the Australian study reporting an up to 9% increase in retirement planning for homeowners.

Geographical location

Klapper and Panos (2011) found rural area residents not only more likely to be poorer and less educated but also almost 50% less likely to invest in private pensions than urban residents.

Number of children

Having many children was found by Lusardi and Mitchell (2016) in the United States study to be important for retirement planning. In a similar study in China, Niu and Zhou (2017) found having more children lowered the probability of respondents planning for retirement as traditionally Chinese parents rely on their children to take care of them in retirement.

RESEARCH METHOD

This study used the results from the 2015 South African Social Attitudes Survey (SASAS) which continue from the baseline study on financial literacy in the 2011 and subsequently the 2013 SASAS rounds. The survey is a nationally representative sample survey of adults aged 16 years and older who live in private residences excluding special institutions (hospitals, military camps, old-age homes, schools and university hostels). A total of 2,940 respondents were interviewed and statistically weighted to be representative of 36,778, 675 South African adults

Construct of dependent and independent variables

As in Klapper and Panos (2011), the retirement planning variable was constructed from a question asking the respondents how they planned to fund their retirement, the exact wording of the question was: ‘*How will you –or do you- fund your retirement?*’ Two types of planners were constructed from the responses given. “*Planners*” were categorised as all those who responded with occupational/workplace pensions, private pension plan or will sell financial and non-financial assets, “*Non-planners*” were categorised as respondents who intended to rely on children/family members, spouses/partner and government pension/old- age benefits for their retirement needs.

The independent variables identified as significant in the literature comprised of *age, income, educational level, employment status, financial literacy, gender, geographical location and marital status*. In addition, this study, we also controls for race and social class based on the living standards measure (LSM) and for living in a household with someone who receives the state old age pension from the government, as an “*old age grant influence*” variable. This variable captured the impact of the state’s grant on an individual’s inclination to plan for retirement.

Like Lusardi, Mitchell and Washington *et al.* (2011) we use two specifications of financial literacy, the first model comprising of an Indicator of 1 If the respondent answered all 7 Financial literacy questions correctly 0 if otherwise) and the second specification sums up the number of questions each respondent answered correctly to obtain a score between 0 and 7. A third model specification is also created to reduce the number of categories in the second model specification; a dummy variable of 0 for all respondents who got four or less of the financial literacy questions correctly and 1 for those who correctly answered five questions and above. The fourth model analysed the individual impact of each of the seven financial literacy questions.

Econometric methodology

To explore the relationship between retirement planning, financial literacy and other demographic variables, a Probit model is used. The Probit model is deemed appropriate for this study as the dependent variable retirement planning takes the form of a binary response model in that retirement planning comprises two variables: “planners” or “non-planners”. For this study, the model evaluated is specified empirically in equation 1 below:

$$\text{Pr}(\text{Retirement Planning} = 1) = F[\alpha + \beta_1 \text{Age} + \beta_2 \text{Income} + \beta_3 \text{Education} + \beta_4 \text{Employment Status} + \beta_5 \text{Financial Literacy} + \beta_6 \text{Gender} + \beta_7 \text{Geographical Location} + \beta_8 \text{Marital Status} + \beta_9 \text{Race} + \beta_{10} \text{Social Class} + \beta_{11} \text{Grant Influence}] \quad \text{equation (1).}$$

Where: **Retirement planning** is the respondents’ method of funding their retirement. The dependent variable comprises one dummy variable comprising a variable of 0 for planners and 1 for non-planners; **Income** is the total monthly household income as reported by respondents.

Reported household income comprises five categories of income ranging from R0 to over R50 000 per month; **Education** is the highest level of educational attainment achieved, ranging from no education to tertiary education, as measured by the highest standard passed or qualification obtained; **Financial literacy** is the level of financial literacy as captured by four models (described in section 5.1) utilizing the number of correct answers obtained on the financial literacy questions; **Gender** is a binary variable which indicates whether respondents were male or female; **Geographical location** is where the respondents reside in one of the nine provinces of South Africa; **Marital status** is the reported marital status of respondents; this indicates whether the respondents are in legal marriages or civil partnerships, divorced, separated, widowed or single; **Race** is the race of respondents according to the four census categories of race comprising Black, Coloured, Indian or Asian, and White; **Social class** is the social class of the respondents measured according to the Living Standards Measure (LSM), this variable comprised three categories, lower class, middle class and upper class; **Old age grant influence** is the measure of respondents living in a household with individuals who are recipients of social assistance including the state old age pension;

The study acknowledges the potential endogeneity of the financial literacy variable, as identified by Ricci and Caratelli (2017). However, unlike the studies by Bucher-koenen and Lusardi *et al.* (2011) Van Rooij, Lusardi and Alessie *et al.* (2011), and Agnew, Bateman and Thorp *et al.* (2013b) which used instrumental variables (IV) to overcome this bias; the current study did not address this bias mainly due to the infancy of research on financial literacy in South Africa and thus the lack of access to data to construct an exogenous financial literacy variable.

Results and discussion

Our data documents a low level of retirement planning amongst South Africans with only 30% of respondents reporting they have occupational or private pension plans to fund their retirement. These levels are comparable to developed countries like Sweden that report 41% of respondents as having voluntary savings plans (Almenberg & Säve-söderbergh, 2011). Table 1 documents that those respondents who plan are more likely to obtain correct answers on the financial literacy questions. The difference between correct answers for planners and non-planners are larger for the basic numeracy question (8%), the first and second Interest questions (12% and 27% respectively) and the question on understanding risk (10%).

TABLE 1:
Financial Literacy and Retirement Planning

	Planners [n=640] %	Non-Planners [n=1491] %
<i>Question 1: Basic Numeracy</i>		
Correct	91%	83%
None Correct	9%	17%
<i>Question 2: Understanding Inflation</i>		
Correct	13%	15%
None Correct	87%	85%
<i>Question 3: Understanding Interest (1)</i>		
Correct	78%	66%
None Correct	22%	35%
<i>Question 4: Understanding Interest (2)</i>		
Correct	59%	32%
None Correct	41%	68%

<i>Question 5: Understanding Interest (3)</i>		
Correct	34%	37%
None Correct	66%	63%
<i>Question 6: Understanding Diversification</i>		
Correct	56%	58%
None Correct	44%	42%
<i>Question 7: Understanding Risk</i>		
Correct	86%	76%
None Correct	14%	24%

Notes: This table reports the summary statistics for the financial literacy variables, comparing respondents that are "planners" to respondents that are "non-planners" *None Correct* Indicates all respondents who answered incorrectly or responded that they did not know the answer

Next, we examined the relationship of primary interest in this study – the relationship between financial literacy and retirement planning in a multivariate framework controlling for age, household income, education, employment status, gender, geographical location, marital status, race, social class and old age grant influence. Table 2 reports the results of the standard errors from Probit regression of the four model specifications of financial literacy. Financial literacy in Model 1 is a dummy variable of 1 for respondents answering all seven financial literacy questions correctly and zero if they answered at least one question incorrectly or responded that they do not know. Model 2 sums up the number of questions each respondent answered correctly to obtain a score out of 7.

Model 3 compressed the results of Model 2 into two categories and created two dummy variables: a dummy variable of 0 for giving zero to four correct answers and a dummy variable of 1 for obtaining five to seven correct answers. The fourth model measures financial literacy based on each of the seven financial literacy questions in order to assess the individual impact of understanding each question. The analysis of the regression results of the demographic variables of interest for this study (as presented in Table 2) will be discussed in sections.

Financial Literacy: Financial literacy in the first model specification was found to be positively associated with being a planner, and like the findings of Lusardi & Mitchell (2016) show respondents who answered all seven retirement planning questions correctly, more likely be planners. This relationship, however, was not significant. The second model specification also showed an insignificant relationship between financial literacy and retirement planning. The results differed when aggregated into two categories as created in the third model specification with the respondents who answered five or more questions correctly shown to be least likely to be planners than the base group of respondents who answered four or less answers correctly. These results were possibly skewed by the distribution of the respondent's financial literacy scores with 66% of respondents placing in the first category giving four or less correct answers. In reviewing the 4th model specification the second interest question was found to be significant for retirement planning at the 99% confidence level with these respondents less likely to be non-planners.

TABLE 2:
Financial literacy and retirement planning (Probit model estimations)

	Model 1	Model 2	Model 3	Model 4
Financial Literacy (2)				
0 Correct		(Omitted)		
1 Correct		-0.396 (0.599)		
2 Correct		-0.413 (0.787)		
3 Correct		-0.387 (0.626)		
4 Correct		-0.308 (0.595)		
5 Correct		-0.414 (0.611)		
6 Correct		-0.190 (0.595)		
7 Correct		0.128 (0.522)		
Age Category				
16 -35 years		(Omitted)		
36-50 years	-0.197 (0.178)	-0.200 (0.173)	-0.186 (0.177)	-0.169 (0.193)
61-65 years	0.0598 (0.122)	0.0585 (0.112)	0.0555 (0.126)	0.0592 (0.132)
65 years	-0.0448 (0.0731)	-0.0382 (0.0740)	-0.0441 (0.0795)	-0.00316 (0.0779)
Education				
No Education		(Omitted)		
Primary	-0.277*** (0.0910)	-0.283*** (0.100)	-0.278*** (0.0900)	-0.345*** (0.105)
Secondary	-0.476*** (0.0437)	-0.465*** (0.0530)	-0.478*** (0.0433)	-0.520*** (0.0363)
Tertiary	-0.716*** (0.0870)	-0.706*** (0.0899)	-0.706*** (0.101)	-0.755*** (0.120)
Do not know	-0.277 (0.749)	-0.283 (0.767)	-0.288 (0.736)	-0.143 (0.797)
Employment Status				
Employed		(Omitted)		
Self-employed	0.245 (0.349)	0.261 (0.348)	0.245 (0.352)	0.271 (0.366)
Gender				
Male		(Omitted)		
Female	0.413*** (0.152)	0.413*** (0.142)	0.415*** (0.154)	0.423*** (0.151)
Geographical location				
Western Cape		(Omitted)		
Eastern Cape	0.543*** (0.0443)	0.536*** (0.0425)	0.557*** (0.0494)	0.478*** (0.0763)
Northern Cape	0.0492 (0.204)	0.0368 (0.168)	0.0478 (0.208)	0.0361 (0.237)
Free state	0.0200 (0.215)	0.00871 (0.216)	0.0371 (0.212)	-0.0516 (0.208)
Kwa-Zulu Natal	-0.0132 (0.171)	-0.0266 (0.174)	-0.00384 (0.170)	-0.138 (0.198)
North West	0.218** (0.0885)	0.246*** (0.0870)	0.223** (0.0957)	0.121 (0.116)
Gauteng	0.230	0.231	0.230	0.216

Mpumalanga	(0.184) -0.285 (0.185)	(0.188) -0.277 (0.170)	(0.183) -0.285 (0.189)	(0.157) -0.342* (0.192)
Limpopo	0.162 (0.161)	0.165 (0.182)	0.163 (0.161)	0.0853 (0.148)
Marital Status				
Married/Civil Partnership		(Omitted)		
Divorced/Separated	-0.316*** (0.0872)	-0.316*** (0.0853)	-0.320*** (0.0903)	-0.271** (0.114)
Widowed	-0.0582 (0.0767)	-0.0502 (0.0856)	-0.0577 (0.0775)	-0.0624 (0.0823)
Single	-0.0182 (0.135)	-0.0228 (0.130)	-0.0159 (0.131)	-0.0361 (0.132)
Race				
Coloured		(Omitted)		
Black	-0.632*** (0.0485)	-0.631*** (0.0492)	-0.635*** (0.0533)	-0.619*** (0.0518)
Indian/Asian	-0.378*** (0.145)	-0.413*** (0.136)	-0.361*** (0.140)	-0.369*** (0.130)
White	-1.077*** (0.0787)	-1.102*** (0.0802)	-1.083*** (0.0780)	-1.045*** (0.0881)
Grant Influence				
Other Social grants		(Omitted)		
State old age grant	-0.181 (0.135)	-0.190 (0.128)	-0.178 (0.140)	-0.148 (0.136)
No one in household	-0.583*** (0.0975)	-0.580*** (0.0953)	-0.583*** (0.0982)	-0.559*** (0.0982)
Social Class				
Lower Class		(Omitted)		
Middle Class	-0.158** (0.0781)	-0.156** (0.0616)	-0.155** (0.0771)	-0.181*** (0.0622)
Upper Class	-0.445*** (0.0922)	-0.443*** (0.0764)	-0.443*** (0.0961)	-0.434*** (0.0884)
Household Income				
R0 – R3,000		(omitted)		
R3,001-R10,000	-0.263*** (0.0708)	-0.263*** (0.0735)	-0.263*** (0.0720)	-0.264*** (0.0709)
2.R10,001-R30,000	-0.847*** (0.0569)	-0.845*** (0.0610)	-0.836*** (0.0641)	-0.814*** (0.0678)
3.R30,001- R50,000	-1.105*** (0.345)	-1.089*** (0.365)	-1.111*** (0.350)	-1.073*** (0.364)
4.R50,000	-1.017*** (0.371)	-1.077*** (0.321)	-1.002*** (0.387)	-1.033*** (0.384)
Financial Literacy (1)				
At least 1 incorrect		(omitted)		
All Correct	0.452 (0.295)			
Financial Literacy (3)				
At least 0 to 4 correct		(Omitted)		
5 to 7 Correct			-0.00319 (0.0367)	
Understanding Basic Numeracy				0.117 (0.0710)
Understanding Inflation				-0.0589 (0.108)
Understanding Basic Interest (1)				0.105 (0.0657)
Understanding Basic Interest (2)				-0.257*** (0.0659)
Understanding Basic Interest (3)				0.154 (0.134)

Understanding Risk				-0.255*
				(0.137)
Understanding Diversification				0.110*
				(0.0631)
Constant	2.191***	2.537***	2.184***	2.275***
	(0.129)	(0.624)	(0.140)	(0.169)
Observations	1,079	1,079	1,079	1,079
Pseudo R2	0.2899	0.2918	0.2890	0.2997

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Understanding of both risk and diversification was found to be significant at the 90% confidence level, with respondents who answered these questions correctly also less likely to be non-planners. Understanding of basic numeracy, inflation and two of the interest questions were found to be insignificant for retirement planning in South Africa. These results are further discussed in detail below.

Age: The results showed that South Africans aged 36 to 50 years are less likely to be planners than the base group of respondents aged 16 to 35 years. Respondents aged 50 to 65 years in contrast are found to more likely to be planners consistent with the findings of Brown and Graf (2013). The study found respondents who were above 65 years less likely to be planners than the base group, as expected, as these respondents are already of retirement age and likely to be in the drawdown phase of the retirement planning process. Overall age did not appear to be a significant variable for retirement planning in all model specifications.

Retirement planning and education: For level of educational attainment, we found that the Individuals with any level of education; primary secondary or tertiary education was significantly more likely to be a planner compared to those with no education. Also, the value of the coefficients decreases as the educational level increases, indicating that compared to no-education category, the higher the level of education, the lower the likelihood that the individual is a non-planner.

Employment status: This study found the self-employed respondents more likely to be planners when compared to the employed, although this relationship is not significant. The positive relationship is however consistent with the findings of Githui and Ngare (2014) for Kenya. The positive relationship could suggest some level of complacency amongst the employed, encouraged by holding occupational funds, where employed individuals assume they have sufficient retirement savings by virtue of belonging to an occupational pension fund and do not actively plan outside of their occupational funds.

Income: Over indebtedness and the resultant lack of disposable income are often pushed as reasons for low savings levels, with higher income earners expected to be better savers. The results of this study supports this postulation, as the increasingly negative and significant coefficients found that the higher the income bracket, the lower the likelihood that an individual is a non-planner. This could suggest that higher income earners are able to afford better planning support structures, either privately or from their places of employment.

Gender: The impact of gender on retirement planning was found to be significant, with females significantly more likely to be planners than their male counterparts. These findings are in contrast to Lusardi's (2006) findings that most women in America had undertaken no financial planning for their retirement.

Geographical location: The results suggests that residing in the Eastern Cape and North West Province as being significant for retirement planning with these respondents being more likely to be non-planners at the 99% and 90% confidence level respectively compared to respondents from the Western Cape.

Marital status: The results showed that compared to the base group (i.e. married respondents or those in civil partnerships), divorced or separated Individuals are significantly less likely to be non-planners at the 99% confidence level. The single and widowed did not show any significant difference from the base group.

Race: Race was found to be a significant determinant of retirement planning in all model specification. Compared to Coloured individuals, Indian/Asian respondents were significantly less likely to be non-planners. This is followed by the Black and then the White population. This indicates that the White population are the leaders in planning for retirement when compared to other race groups.

Grant Influence: In this under-researched area of the influence of residing in households with a grant recipient we find the results to be significant only for respondents who live in households with no recipient of any kind of social assistance when compared to the base group of those living in households with recipients of social assistance. The results also show respondents living in a household with recipients of the state old age grant specifically to be less likely to be planners although not significant.

Social class: The influence of social class on retirement planning in South Africa was found to be significant for the middle and upper class, at the 95% and 99% confidence level respectively, with both classes less likely to be non-planners than the base group of lower class respondents. The difference in the size of the coefficients suggests a strong class influence, with those in the upper class the least likely to be non-planners.

Policy implications

The findings of this study have a number of policy implications:

- The complexity of the retirement decision cannot be ignored, with government having an opportunity to mandate the retirement industry to provide compulsory financial education to assist individuals in making these decisions. Understanding of interest, risk and diversification is integral in the decision making process for retirement planning, and financial services providers could assist in increasing knowledge in these areas.
- Government interventions to increase access to tertiary institutions have possibility to make impact on South African retirement savings levels as well, as we find increased education reduces the likelihood of being a non-planner.
- Lower income earners are least likely to plan for retirement and likely to end up dependent on the state for their retirement provision. Government and financial services providers have an opportunity to design affordable retirement savings products to assist low income earners to prepare privately for their retirement needs.

CONCLUSION

This study set out to evaluate the significance of financial literacy in predicting retirement planning behaviour in South Africa. Empirical results from various Probit model specifications, found

financial literacy to have a positive but insignificant relationship with retirement planning in three of the model specifications. In the fourth model specification where responses to the 7 individual questions was evaluated, the interest, risk and diversification questions were found to be significant predictors of retirement planning, with respondents who answered these questions correctly being less likely to be non-planners. The results also show race, gender, education, income, geographical location, social class and grant influence as significant for retirement planning. This study has implications for policy makers and financial institutions as our findings add to the literature on how to address South Africa's low retirement savings levels.

Limitations of the study and Recommendations for further research

Due to the lack of research and data testing the application of the behavioural life cycle hypothesis on savings decisions in South Africa, the study focused on analysing the relationship between financial literacy and retirement planning in South Africa using the assumptions of the traditional life cycle hypothesis. The success of the work of Benartzi and Thaler (2007) on retirement savings behaviour argues that studies on savings behaviours of individuals cannot be studied without considering the biases and heuristics intrinsic in human behaviour. An area of focus for future research is to further examine how these biases have impacted South Africa's retirement savings levels and utilise behavioural economics nudges to improve the savings rate.

The study has added to the African literature on influences on retirement planning, an area of potential interest would be to see similar studies in Sub-Saharan Africa to provide a more comparable analysis of how South Africa fares against other countries on the continent.

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Developing rural entrepreneurs for local economic development in South Africa: Lessons learnt from Bushbuck Ridge.

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ABSTRACT

Rural entrepreneurship is increasingly being recognised as a catalyst to local economic development in South Africa. In rural areas, the challenge is how to create entrepreneurs in a business ecosystem that is weak. How to empower village-based small business owners into resilient, rural entrepreneurs was the task embarked upon by the Pfunanani Enterprise Development Project.

The methodology used was qualitative research using an inductive paradigm. Participating researchers in the initiative collected qualitative data from 100 SMMEs, 5 NGOs and 10 community leaders whilst secondary data was also extracted from consultants' reports. Data was analyzed through thematic analysis. The results showed how the Pfunanani entrepreneurial skills development intervention managed to create rural entrepreneurs and job spinoffs. Evidence gathered shows that 182 new and permanent jobs were created in 71 small businesses, including 266 temporary jobs created in the duration of the project. There were also increased business partnerships between private lodges and local small businesses culminating in 73 supply contracts between small businesses and private game lodges.

The empirical contribution of the study, which was carried in the rural areas that border the precinct of Kruger National Park in Bushbuckridge (Mpumalanga Province), is an apt demonstration of an impactful enterprise development methodology used in creating resilient, rural entrepreneurs.

INTRODUCTION

Literature has been limited in terms of adequately explaining how rural, village-based small business owners can be transformed to be resilient, rural entrepreneurs needed for local economic development. This gap in literature and practice is met by this article, which demonstrates a best practice model for developing rural entrepreneurs, who are capable of generating employment and wealth, as part of their contribution to support local economic development efforts. This article will present a case study conducted in rural communities

near Bushbuckridge, in the Mpumalanga Province of South Africa. This case study research demonstrates an emerging model of entrepreneurial skills and management development that holds the promise of creating a vibrant caliber of rural entrepreneurs. It is envisaged that various stakeholders could consider the case study's practices and impact as providing a new avenue of hope for resuscitating rural entrepreneurship. This is amidst acknowledgements in literature of the various difficulties and challenges of deriving significant socio-economic impact from rural entrepreneurship endeavours.

BACKGROUND

Bushbuckridge Local Municipality, Mpumalanga, is identified as a Presidential Poverty Node. This means it is an area "characterised by underdevelopment, contributing little to the GDP, absorbing the largest percentage of the country's population, incorporating the poorest of the rural and urban poor, structurally disconnected from both the First World and the global economy, and incapable of self-generated growth" (Department of Provincial and Local Government Programme of Action, 2005).

The total population of Mpumalanga in 2016 was 4,4 million with a high unemployment rate of between 52-65% and a youth unemployment rate hovering around 78% (Mpumalanga Provincial Treasury, 2014). From the same report cited, there was a forty percent (40%) of Africans in the province who are considered living in poverty with a Gini-coefficient of 0.62 compared to 0.64 in the rest of the country in 2014. This suggests low opportunities for sustainable livelihoods and a skewed wealth pattern that is biased towards the urban areas. This has a resultant effect of leaving much of the rural areas in abject poverty.

Bushbuckridge borders the Northeastern part of Mpumalanga province and forms part of the Kruger to Canyon Biosphere. The total population of Bushbuckridge is estimated to be 600 000 (Statistics SA, 2016). Various studies have reported Bushbuckridge to have a total population density of 200 to 300 persons per square kilometer (Pollard, Mendiguren et al, 1998 and Linkd, 2014). This population configuration suggests that is not purely rural. The high population density ideally offers a good market for business but is flawed by low-income levels. The villages under the study are located in Bushbuckridge border the Kruger National Park and Sabi Sand game reserves. Rylance and Spenceley (2013), report that these areas have vast nature reserves and private lodges, thereby providing a large potential for income generation and employment. However, the policies of forced removal previously executed by the apartheid government to move from the game reserves to villages like Dumphries, Utah, Dixie, Huntington, Lipong and Athol, among others, has had less than desirable outcomes. It has left a tense socio-political economic system in which there are rich private game reserves on one side and poor neighbouring village communities on the other. The social consequences, fueled by poverty in the villages, has led to crime, including rhino poaching, which is done directly by community members or partnering with organised syndicates.

The above background sets the socio-economic setting in which the challenge on how to convert rural, village based small business owners into resilient entrepreneurs had to be tackled. This, is an effort to build entrepreneurs capable of creating employment and wealth through innovative production and sale of high quality, better and more diverse products and services to local markets in their communities. The lodges of private game reserves and state-owned parks and neighboring large towns like Bushbuckridge, Thulamahashe, Acornhoek and Hoedspruit, would also for example. These activities would improve the sustainability of livelihood in the marginalized villages thereby offering a sustainable, alternative source of income that challenges high-risk, unsustainable income from criminal activities like rhino poaching.

LITERATURE REVIEW

Local economic development

Local Economic Development (LED) is enshrined in The Constitution of the Republic of South Africa of 1996 (Act 108 of 1996). In its Section 154, it states that, “the national and provincial governments must support and strengthen the capacity of local authorities....in promoting social development and democracy at local level”.

This was followed by the White Paper on Local Government in 1998, which mapped out the framework for implementing the Local Economic Development Act. It placed the responsibility of development to the provincial and local levels of government. The Act calls for the government structures to work with local communities and civic organisations to achieve sustainable social and economic development to improve the quality of life of local communities.

Various authors (Nel & Rogerson, 2005; Khumalo, 2014; Blakely and Leigh ,2010; Swinburn, 2007) point to LED being a locality-based response to challenges of slow economic growth, changes in the global and national environment and most importantly, the failure of the Nation State of South Africa to increase development at the local level. However, to eventuate local economic development, the critical agent - the rural entrepreneur -, is always not given sufficient consideration even though local authority frameworks are used to support small and medium businesses through training, mentorships and training. As a result, reports are that the success of LED efforts in South Africa has been low (Lawson, 2012). This is also confirmed by impact evaluation reports from the Department of Co-operative Governance and Traditional Affairs (COGTA), South African Local Government Association (SALGA) and provincial governments, which likewise point to the limited success, as documented by Rogerson (2009) and also noted in Kroukamp (2006).

The consequential impact of the low LED results is a failure to take people in rural areas out of poverty and to provide them with sustainable livelihoods, even though over R1 billion has been invested in LED interventions (Lawson, 2012). This urges us to ponder what could be missing in the LED equation. Arguably, one of the missing elements is a failure to recognise rural entrepreneurship as the engine of growth in LED initiatives.

This article addresses this missing link in describing a unique approach towards developing rural entrepreneurs and other support structures for them to contribute more significantly to LED efforts. This holds the potential to make LED efforts impactful socio-economically in local economies and thereby maximizing the utilisation of scarce government resources.

Role of entrepreneurship in local economic development

Entrepreneurship has been identified as a catalyst to economic development in that it is considered to stimulate wealth and employment creation in both developed and developing economies (Naude, 2010). The European Union has gone further and included entrepreneurship as a key component of EU's 2020 strategy for what it deems as smart, sustainable and inclusive growth (EU 2013, pg. 5). In a similar manner, the World Bank launched a 16-year strategy called “reaching the rural poor” to improve the standards of living of rural populations through improved productivity. According to Mugobo and Ukpere (2012), there is a noticeable trend in recent years in which there is a development of rural entrepreneurs. This paper underscores the role of rural entrepreneurship as the main vehicle to deliver economic development. Unfortunately, there is a paucity of literature on best practices of rural entrepreneurship in the South African context.

A significant shift in direction has been the change in the context in which entrepreneurship is being considered. EU is using agriculture and rural development policy frameworks to promote rural entrepreneurship (EU 2013; pg. 5). There are various studies that have contributed to literature on the emerging concept of rural entrepreneurship and its importance in contributing to economic development. These include studies like that of Mugobo and Ukpere (2012) in South Africa, Guta, Uhudz et al i (2017) in Zimbabwe, Yu, Zhou, Wang et al (2012) in China, Nwankwo and Okeke (2017) in Nigeria, Naude (2015) in Germany, Patel and Chavda (2013) and other studies in India. However, Yu, Zhou, Wang et al (2013) note that rural entrepreneurship in China is still new. It could be suggested that this is the case in all other countries as the emphasis has been on treating entrepreneurship in a general manner. Within the general approach, emphasis tends to be placed on the development of small business development mainly in urban and peri-urban areas.

Definition of rural entrepreneurship

Rural entrepreneurship is defined by Kushalakshi and Raghurama (2012, pg. 51) as “the stimulation of local entrepreneurial talent and the subsequent growth of indigenous enterprises”. They further point out that the context in which this exists is in rural areas where deliberate actions of identifying and exploiting opportunities, assembling and integrating resources, either in or out of agriculture, are pursued. This is necessary in these business ecosystems for the creation of employment, wealth and poverty reduction. In a similar manner, Mugobo and Ukpere (2012; 827) argue that because of most of the population living in the rural depressed areas, “governments have prioritized rural entrepreneurship as a vehicle for socio-economic development of their rural populations and their countries in general”. However, most of these entrepreneurs have failed to even start and to grow their enterprises suggesting challenges or lack of support modalities to assist them to contribute to rural economic development.

Another additional understanding of rural entrepreneurship is suggested by Wortman (1990) who states that rural entrepreneurship is “the creation of a new organization that introduce a new product, service or creates a new market, or utilizes a new technology in a rural environment”. The rural location for the sake of this paper is in Bushbuckridge, in Mpumalanga province. The most difficult aspect of rural entrepreneurship is developing rural entrepreneurs who will create innovative products and services that will have a market and to some extent, have the needed technology to come with a unique solution which reduces pain and creates gains for the small rural or large private sector markets. Hence, an innovative way of developing rural entrepreneurs would become the panacea to local economic development including for the much talked about township economies and hubs.

Benefits of rural entrepreneurship

Against the preceding discussion, which conceptualizes rural entrepreneurship, it can be posited that rural entrepreneurship has clear benefits. This is amidst , of course, the numerous challenges of small markets and poverty in these areas. However, the benefits that accrue from the presence of rural entrepreneurs in village economies has been expounded upon in countries such as India, USA, Zimbabwe, Nigeria and the EU s. In particular, Kushalakshi and Raghurama (2014:52) suggest several rural development benefits which results from rural entrepreneurship. They identify these as the creation of wealth, reduction in rural urban migration, and the creation of a balance in regional development which in turn brings the rural economy to contribute in the third economy. Other spinoffs identified include the promotion of artistic activities, arresting social ills , (for example, rhino poaching in Bushbuckridge), awakening the youth to undertake entrepreneurial activities, improving incomes thereby raising per capita income with the consequent poverty reduction and optimum utilization of the local resources. These benefits are also upheld in the work of Yu et al (2013, pg.184) who explicitly point out that self- employment of villagers “...in China promotes entrepreneurship

and is a sign of development, not a stop-over for disadvantaged workers and a sign of distress.”(see also the work of Saxena, 2012, Patel and Chavda,2013).

However, there are numerous challenges that stand in the way of rural entrepreneurship effectively contributing to local economic development. This is evidenced from the lack of growth of rural economies from local economic development efforts as reported in many countries, South Africa included.

Challenges in implementing rural entrepreneurship

Naude (2015) in his work in the agriculture sector in South Africa suggests that agricultural rural economies will remain underdeveloped simply because of the lack of the existence of determinants of labour productivity like skills and matching these with appropriate technologies as well as the lack of access to agriculture inputs and support services. (See also the work of Haggblade, 2013). Naude (2016; pgs 9 and 21) further points out that at times, low productivity in the rural areas is due to the general “misallocation of resources that fails to equip labour with the adequate appropriate technology.” Their study also shows that the lack of entrepreneurial skills is caused by lack of “education, experience, wealth and access to credit, ability and management practices are also significant contributors to the lack of productivity both in agriculture and non- agriculture enterprises”. The existence of these, as they further argue, will make it possible for a rural household to operate a non-farm enterprise. These skills do not exist, as generally entrepreneurship and management skills tend not to exist in the rural areas except in few instances. The model suggested in this article provides a model for developing the entrepreneurial and managerial skills that are needed for developing rural entrepreneurs in the agriculture and non-agriculture sector to contribute to LED.

In a South African study in the Western Cape province by Mugobo and Ukpere (2012:832), conclude that the constraints or challenges facing rural entrepreneurship is access to capital, small and fragmented markets, unavailability of business premises, lack of technical skills, remoteness and poor infrastructure. These are common challenges facing small businesses in South Africa and do not seem to be peculiar to rural entrepreneurs.

However, challenges to rural entrepreneurship are specifically better identified by Apata et al’s (2015:154) work regarding alleviating rural poverty in Nigeria. They state that “the low level of enterprise base in many rural areas is a key issue, and there is a general feeling of being caught in a vicious circle where an existing lack of enterprise contributes to a low degree of enterprise potential”. Competition from larger businesses was also pointed out as a critical challenge facing rural entrepreneurs. Similarly, the work of the EU in the member countries revealed that the main obstacles to rural development were “small size, low population densities and remoteness of rural communities, the social and economic composition of rural communities, and the nature of internal and external linkages” (EU 2011).

The EU study further identified additional critical factors as long-term decline in agricultural incomes, cultures not supporting entrepreneurship, bureaucracy in establishing business start-ups and growth, greater distance from markets.

Suggested solutions to challenges

From the above challenges in local economic development, Sundar and Srinivasan (2009:829) suggest a solution for improving the quality of rural people. They suggest that this boils down to “generating employment, increasing income, harnessing and utilizing the primary and secondary resources that the rural areas are endowed with”. This article suggests that rural entrepreneurs are needed as important economy stimulating role-players in Bushbuckridge to particularly exploit opportunities availed by the abundant eco-tourism

resources and natural endowments in the area currently only enjoyed by the private game lodges in the Kruger National Park.

RESEARCH PROBLEM, OBJECTIVES AND HYPOTHESES

The discussion thus far has explained the essence of rural entrepreneurs as a catalyst or a missing link to regional economic development. However, literature does not adequately explain how rural, village-based small business owners can be transformed to be resilient, rural entrepreneurs needed for local economic development. This gap in literature and practice is met by this article, which demonstrates a best practice model for developing rural entrepreneurs to support local economic development efforts. However, the private sector enterprise development practitioners have the intellectual property to different models but they are not sharing the models for academic debate and to enrich and advance knowledge and pedagogy on what needs to be done.

The research objectives in relation to the case study sought to:

- Demonstrate the role of rural entrepreneurship in LED;
- Present a model for developing rural entrepreneurship;
- Demonstrate the needed entrepreneurial support mechanisms to make rural entrepreneurship more impactful;
- Show the overall impact of the rural entrepreneurship development in Bushbuck Ridge Municipality;
- Provide an overall good practice model in developing sustainable LED through rural entrepreneurs as engines of growth.

RESEARCH METHODOLOGY

The case study approach was aimed at studying and describing or explaining a model on how to develop rural entrepreneurs. For this intention, a constructivist approach was used (Stake 1955, and Yi 2003). This involved close collaboration between the programme managers at Pfunanani Enterprise Development, lecturers and professors from the University of Johannesburg, impact evaluation consultants, the traditional leaders and the rural entrepreneurs in the seven selected villages in Bushbuckridge (Huntington, Dumphries, Utah, Lipong, Dixie, Athol, etc.) in order to identify constraints and possible challenges. A purposive sample was used because the villages bordered the private game lodges in the Kruger National Park and are villages mostly affected by Rhino poaching. Most importantly, the villages are living areas which were established to relocate people from the Kruger National Park whereby the land they previously occupied was converted to private lodges.

Multiple data sources were used including being sourced through interviews; documentation of programme offerings from University of Johannesburg; formative and summative programme evaluations reports; overall direct observations on programme management; programme design; handling of conflict; participant observations and studies done to determine impact of the programme. Added to this, quantitative data was collected to determine impact made by the programme. This data was recorded by the mentors using defined socio-economic parameters and reports were submitted to record programme impact.

RESEARCH RESULTS

The overall objectives and interventions of PEDP

The project sought to create vibrant village-based economies driven by rural entrepreneurs and divapreneurs (women entrepreneurs) to stimulate jobs, contribute to LED and enhance environmental sustainability in the eleven villages within Bushbuckridge Local Municipality on the border of the Sabi Sand Game Reserve (SSGR) and the Kruger National Park and other nature reserves. The main objectives of the project were to:

- Capacitate at least 60 community-owned businesses to join the conservation-tourism value chain as suppliers of goods and services to the surrounding lodges based in the Kruger National Park and Sabi Sand Game Reserve;
- Build trust and improve working relationships between the Sabi Sands Game Reserve and neighbouring communities; NGOs, lodges and funding partners.
- Create awareness amongst local communities regarding the reserve's socio-economic contribution to neighbouring communities.
- Stimulate a local economy through creation of sustainable employment and income for 60 rural entrepreneurs.
- Support communities to shift from aid-dependency to self-sufficiency.
- Develop community-based business products to capture local and regional markets through equivalent or better product and service quality offerings, by August 2016.

Delivery of the project objectives was achieved through a multi-stakeholder partnerships that included the public sector (Jobs Fund, state protected areas), the private sector (private game reserves and local businesses), NGOs and a well-known university institution (University of Johannesburg). The innovative approach adopted in the programme was in "taking the university to the villages" to develop rural entrepreneurship skills and re-engineering and decolonizing education by localizing the content to the area and the level of sophistication of community members in the participating villages.

Programme interventions

The following were the programme interventions which formed part of the programme:

Phase 1. Entrepreneurial and enterprise development.

- Twenty to thirty days of the Small Business Start-up Programme (SBSP), a training programme aimed at developing entrepreneurial and management development skills. The programme included nine modules covering entrepreneurship, idea generation and feasibility analysis, marketing management, human resources management, operations management, IT and end user computing, financial management, wealth mind-set as the secret of the rich, and an orientation to wild life economy.
- Students were subjected to formative assessments and a business pitching was done as a summative assessment.
- Twenty days of a technical skills development programme development for rural entrepreneurs. This was customized to meet the needs of the rural entrepreneurs. This

also involved placing rural entrepreneurs in related companies as interns to study the way and methods to be followed to deliver quality products or services.

- Monthly Mentorship Programme for enterprise development comprising monthly, three-hour one-on-one sessions with the mentor over a 12-month period.
- Five days of End-user Computer Training for rural entrepreneurs to use IT as a business enabler. All learners received a free tablet device to make learning more practical and realistic.
- Two days of Wildlife Economy Orientation Training and an overnight visit to a private game lodge and game reserve to orientate the rural entrepreneurs to opportunities in the private game reserves.
- A R13 000-capital grant was paid out to each business for purposes of business expansion. This money was paid directly to suppliers of materials and was closely managed by the mentors.

Phase 2. Growing the rural entrepreneur

To further stimulate and grow the competitive spirit of rural entrepreneurship, competitions were held amongst 45 business owners. A panel of adjudicators from the local non-governmental organizations (NGOs) and government agencies such as Small Enterprise Finance Agency (SEFA), mentors and PEDP personnel were involved. The total prize money awarded to 15 winning SMMEs was R290, 000.00.

Phase 3. Business linkages

This phase involved linking local farmers to the supply chain of established commercial farmers and linking the other rural entrepreneurs to businesses in the private game reserves and surrounding local businesses and schools. This phase involved organising “village tours” where lodge procurement and management staff were invited to and exposed to village businesses in neighboring communities. Through such tours, game reserve staff became aware of services and products that they could purchase from rural entrepreneurs. The tours resulted in interest in partnerships but these had to be carefully managed by PDED to ensure a win-win product and service exchange.

Phase 4. Grouping of Rural entrepreneurs into cooperatives

At times rural entrepreneurs were too small in size to fully exploit big market opportunities like the supply of agriculture products to fresh produce markets, local wholesalers and lodge markets thus limiting them to participate in the private sector value chains. The formation of youth-based cooperatives was encouraged to provide the needed capacity, focusing on eco-inclusive approaches to identifying business opportunities and to mobilising community members to make use of assets and infrastructure that is already in existence in rural communities. Youth cooperatives may be eligible to benefit from government-funded programmes targeted at cooperative activity especially in rural areas.

Fortunately, other stakeholders like the Small Enterprise Development Agency (SEDA), the National Development Agency (NDA), Wageningen University and Research (Centre for Development Innovation) and SEED (part of Switch Africa Green Programme), were interested in the entrepreneurial development programme and assisted in training new and existing rural entrepreneurs in cooperatives as a business vehicle. Fifteen, new eco-inclusive entrepreneurial cooperatives have been established.

Phase 5. Development of a Rural SMME Toolkit

At the end of the Pfunanani Enterprise Development Project, a rural SMME Development Toolkit was developed for use by rural entrepreneurs. The toolkit is a reference guide containing business information, business definitions, and templates that business owners can use daily and brings together all the lessons learnt in terms of basic information for the rural entrepreneurs to grow their businesses. Again, this information exists but is protected as intellectual property by private companies in the project.

Impact of the programme.

Number of rural entrepreneurs trained.

Overall, over a two-year period from two cohorts, a notable number of seventy-one rural entrepreneurs were supported from many different sectors, such as:

Accommodation and hospitality (6), glass fitting (1), internet cafes (3), electrical appliance repairs (2), bush clearing and landscaping (5), construction (6), dance and entertainment (2), farming (13), welding (5), motor mechanic (2), promotional merchandising (2), stationery (1), tailoring (5), tours, transport and crafts (7), training and skills development (1), businesses at ideation stage (10).

Being a rural area, farming activities were dominant followed by services aligned to tourism, construction and bush clearing. These businesses were very small home-based businesses with low business sophistication. In their original status, these businesses could not contribute in any significant manner to LED. The interventions above were needed to turn the village businesses into rural entrepreneurial business ventures.

The overall impact evaluation reports from professional consultants recruited by the PDED reported very interesting positive changes from the interventions. The programme succeeded in:

- Enhancing the capacity of rural entrepreneurs to market, manage and grow their businesses, thus improving livelihoods;
- Developing the self-esteem of rural entrepreneurs who have never had the opportunity to access university-level education;
- Many SMME owners are now able to access further institutional funding - critical in the sustainability of SMME viability - since their businesses are registered and they have a bank account and regular financial records; and
- Building trust and improving working relationships between the wildlife-tourism sector and neighboring communities. However, given the complexities of the region's status quo and its problematic history, the development of social capital is an evolving process, and not a once-off event.

From village small business person to rural entrepreneur and divapreneurs.

The report on overall impact from self-reports from the rural entrepreneurs in formative and summative course evaluations revealed that the village-based small business owners now had knowledge of entrepreneurship and what they needed to do to run a successful business. The spirit of entrepreneurship was very visible from the confidence shown by rural entrepreneurs during the business pitching and the competitions. The transformation of small business owners into rural entrepreneurs was also evidenced from the eagerness of the

private game reserves in pledging their commitment to conduct business with identified rural entrepreneurs to plug them into their supply chains during the village tours and the open day. This was from the confidence exhibited by the now rural entrepreneurs. As a result of the programme the private game reserves saw the reduction of risk in doing business with the rural entrepreneurs.

This confidence was also shown from the rural entrepreneurs quickly embarking on the use of IT to enhance their businesses. At the summative oral presentations, some were confident enough to show the adjudicators how they were using their tablet devices to develop social platforms for communication and other business applications. An example of rural entrepreneurs using technology to compete in the 4th Industrial Revolution!

Business linkages established.

The rural entrepreneurs in the programme were very small businesses or were still at ideation stage and operating in rural economies with low levels of demand thus making it difficult to be sustainable. Hence, linking them to value chains of the local private sector and the private game lodges was very important. However, these partnerships had to be managed to ensure equity thereby maintaining a dyadic business relationships.

Four rural based local farmers were offered financial and technical support to deliver on a trade contract to produce collectively 120 tons of butternut for a commercial farmer. The four farmers needed capital funding and working capital to enable them to honor the contract. The farmers were supported with a collective total amount of R236 000. The farmers, mainly cooperatives, with over 50% female representation in each cooperative, were to be allocated small grants each towards equipment purchases, like appropriate seed inputs, land preparation and technical support to enable them to deliver on the butternut contract.

The funding and technical support was made available on condition that each farmer signed a conservation agreement stating that only eco-friendly, water sensitive practices will be utilized in the growing of the butternut crops.

Other business linkages included 73 new supply business contracts between village-based businesses and about 32 private game lodges, with potential for repeat business. This demonstrated a thriving local economy.

Attraction of new direct investment into the local area

The news of the impact of the programme in Bushbuckridge quickly spread in the private sector. As a result, the private sector companies saw some of the rural entrepreneurs as partners. For example, a private sector foundation invested over a R1 million as grant funding towards expansion of an existing broiler business. The broiler facility was to supply over 80,000 eggs per week to three lodges in the private game reserve, earning the business revenues of about R70,000 each month. This was a very lucrative contract.

The same private sector foundation, advanced a 50% - 50% grant and loan funding to the tune of R1,5m towards a staff transfer transport company from the local community to the private game reserves. The funds were used to secure a second bus to increase the number of daily staff transfers in and out of the private game reserve catering for up to four private game lodges (contract value of R5 million over five years).

Another rural entrepreneur entered SAB Fetola competition as part of the business linkages support. The rural entrepreneur won prize money to the value of R250,000.00 for business support and to expand its market base. The business owner of Freddy and Sons Electrical

received excellent technical training and gained electrical certification through the PEDP which put the business in good position to win the SAB Fetola Competition.

Job creation

To support the notion that rural entrepreneurship can contribute to both job and wealth creation, the intervention recorded the creation of 182 permanent and 266 temporary jobs as shown in table 1, below:

TABLE 1:

Job creation

Indicator (as applicable)	Year 1		Year 2		Final Total		Beneficiary Actuals (disaggregated)			
	Target	Actual	Target	Actual	Target	Actual	%≤35	% F	% M	%PDI
Number of new permanent jobs created because of the funded initiatives	60	114	60	68	120	182	70%	56%	44%	99%
Number of new short-term jobs created during of the grant funding	120	123	120	143	240	266	60%	47%	53%	95%
No. of trained Beneficiaries	60	76	60	66	120	142	63%	59%	41%	100%

Source: PEDP Final Evaluation Report (2016)

The employment generated from the various businesses suggests that rural entrepreneurship can drive and significantly contribute to LED in rural areas if developed in an effective manner. However, there is a need to continue to grow the rural entrepreneurs. Training in entrepreneurial growth strategies is recommended to achieve this.

PRACTICAL MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

Managerial implications can be drawn from the above results to guide public policy and private sector institution interventions involved in the LED efforts in South Africa. The best practice model has been revealed for stakeholders involved in developing rural entrepreneurs to improve LED interventions. Hence, this intervention is now being made public and is open to debate from academics and practitioners.

Overall, the cost of working with villagers and transforming them into rural entrepreneurs is costly, very involving and needs multiple role-players. Hence, a Public-Private Partnership is the best approach in developing rural entrepreneurship. This would unleash the needed government support through funding in the right direction whilst proper project management and execution is left in the hands of the private sector working with reputable non-government organisations and centers of entrepreneurship in the tertiary institutions. Departure from this would compromise the impact of any intervention aimed at developing rural entrepreneurs and divapreneurs.

To build rural entrepreneurship demands that the syllabus and pedagogy be customized to the level of education of the villagers and to adapt it to the local business ecosystem. This is in line with the current preoccupation of decolonization of education. This needs patience from trainers to first build confidence of the villagers and then to slowly impart the entrepreneurial knowledge. This is a long journey but a necessary one developing rural entrepreneurs. Simply using New Venture Creation modules aligned to the Services SETAs has not been impactful in developing rural entrepreneurs, as the modules need to address the context peculiarities faced by village businesses in rural areas.

Many training interventions undertaken by NGOs, tertiary institutions or private sector providers have not created any impact simply because their key performance areas are based more on outreach (number) and less on impact. The best practice revealed from this study is that an integrated programme which develops entrepreneurs, enterprises and uses mentors and coaches is needed to create rural entrepreneurs. In particular, technical training is very important as rural entrepreneurs that might have a business idea often do not have the needed technical skills and will not know how to produce the product or deliver the service. For execution intelligence as suggested by Barringer (2017), this will require teaching of best ways of doing things or undoing the wrong business practices to build resilient and innovative rural entrepreneurs. Or better still to disrupt the rural business ecosystem!

Once the village entrepreneurs are trained by any service provider, they must not be left alone as this would be setting them for failure. During entrepreneurial training, it is important to bring in mentors and coaches who know the local commercial ecosystem very well. This is needed to assist the rural entrepreneurs to implement what they learnt in order support entrepreneurial growth. Once this stage is achieved, it is recommended that rural entrepreneurs be linked to value chains of private sector businesses for business sustainability and this has to be closely managed for all parties in the dyadic relationship to benefit.

Although the SMME business growth and creation of employment opportunities contributed to making communities more independent, more needs to be done to effect a systemic change in the area. This will have to involve Bushbuckridge Local Municipality and other private and civil society stakeholders. Since there are many development projects in the area, better coordination amongst these initiatives will also contribute to a deeper impact on the ability of communities to be more self-sufficient.

The overall managerial implication is that the right pedagogy is not the panacea. Such interventions need deliberate incentives like grant capital funding, tangible incentives like donation of a tablet or a cheap smart cellphone, championing opportunities for rural entrepreneurs to participate in business competitions offered in South Africa. At this stage, they will be prepared, so long as they went through entrepreneurial and enterprise development training. This has implications on policies developed at national, provincial and local level to implement impactful LED programmes.

CONCLUSIONS

It can be concluded from the above that developing rural entrepreneurship is a long and expensive process and requires many stakeholders and importantly the involvement of traditional structures. This involves developing the rural entrepreneurs and divapreneurs and the enterprise, building technical skills and establishing business linkages. This process needs full support of a strong institution to coordinate the work of multiple role- players needed in the Private-Public Partnership. The full involvement of government, private sector and tertiary institutions is indispensable for the needed skills, knowledge and funds to develop sustainable rural entrepreneurs.

The documented intervention as a model confirms the significant contribution of rural entrepreneurs in LED. This best approach to LED has to be shared with stakeholders of LED efforts at the provincial and municipality levels in all rural areas in South Africa but also in other African countries. It would also be applicable to the rest of the countries trying to use rural entrepreneurship to contribute to LED. This article provided the details on the nuts and bolts of doing this and it opens hidden knowledge from the private sector which can be harnessed for better entrepreneurial practices to be developed

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Corporate strategy implementation within small and medium consulting businesses

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ABSTRACT

The success of corporate strategy implementation has become the focus of many organisations in sustaining a competitive advantage. Strategic management helps organisations to set a vision, a mission and objectives that will enable them to survive and operate within a competitive environment. The main objective of this research was to determine whether owners/managers of small and medium consulting businesses implemented corporate strategies successfully. To achieve this objective, a qualitative approach was used with the aim of understanding, analysing and evaluating the success of corporate strategy implementation of small and medium consulting businesses. Data were collected through semi-structured interviews, which were conducted with thirteen small and medium consulting business owners/managers in the Randburg Central Business District. The empirical findings indicated that owners/managers of small and medium consulting businesses would have to attend more diligently to corporate strategy implementation, with specific reference to the components of implementation.

INTRODUCTION

The environment is highly competitive, and organisations become more future-oriented in order to sustain their competitive advantage (Tipuric, Podrug and Darabos, 2015: 583-584). Many organisations have realised that awareness of strategic management is essential (Berg, 2011:1; Hamel and Prahalad, 2005:1). Authors confirm that organisations that establish a clear strategy would outperform those organisations implementing numerous strategies that are not well defined (Abosedo, Obasan and Alese, 2016:331; Raby, 2015:1).

Yet, some authors have suggested that SMEs give little attention to strategy and strategy implementation, and that this may have a negative influence on performance (Gibcus and Kemp, 2003:7; Kihara, Bwisa and Kihoro, 2016:233). Thus, many SMEs have strategies that

have been kept on the shelf, available only to managers to read. Strategies in larger organisations are seen more as competencies that are available to all members of the organisation in order to reach the objectives and goals.

A few small businesses have strategies that they follow, but the majority of them do not have any (Majama and Magang, 2017: 75-76; Verreyne, Meyer and Liesch, 2014: 420-423). Those businesses simply follow the day-to-day business of making a profit based on competition within the markets in which they operate (Farsi and Toghraee, 2014: 11; Radzi, Nor and Ali, 2017:46-47). Small businesses are “simple or lifestyle” businesses, not worthy of any real academic focus (Rizzo, 2011:2). In other words, their primary objective is to maximise profit.

While some SMEs have been able to grow rapidly, create jobs and increase the gross domestic product (GDP) of the countries in which they operate, others have encountered major challenges in the changing business environment (Pandya, 2012:430). Within SMEs, the strategy remains frequently imbedded, top-down, informal and intuitive (Mintzberg, 1989, as noted by Gibcus and Kemp (2003:7); Balasundaram, 2009:14). This is owing to the significant part played by owners/managers, who are generally the ones who have the vision of the organisation, whereas frequently, within the organisation, employees are not aware of the vision. Proactiveness is required to face these challenges, which cannot be resolved by economic interventions alone. Building a clear strategy does not mean that implementation will be successful (Tapera, 2014:122). Successful implementation needs to be planned carefully so that the strategic goals can be reached (Njagi and Kombo, 2014:64). This results in successful strategies that will allow managers to create, manage and monitor success within organisations.

This research focused on corporate strategy implementation in relation to the performance of SMEs. As indicated above, SMEs operate in survival mode and for this reason; they are more reactive than proactive in their management. The reactive approach makes it difficult for the strategy to be implemented. An organisation with a clear corporate strategy is more likely to share its goals and objectives with employees, which will make the implementation process easier and increase the organisation’s performance and sustainability.

LITERATURE REVIEW

The literature review comprises a brief discussion of the strategic management process, corporate strategy, the implementation thereof, small and medium enterprises (SMEs), the central business district (CBD) of Randburg and in closure, consulting businesses.

Strategic management process

The process of strategic management consists of five interrelated and integrated phases, which are mainly grouped into strategic implementation and formulation (David, 2011:5). All these phases are unified, interrelated and important for an organisation to attain its vision and goals and comprise the following (Thompson, Peteraf, Gamble and Strickland, 2016:19):

- Developing and communicating the organisation’s strategic vision and its mission;
- Translating the mission into specific long-term objectives;
- Formulating strategies to accomplish the long-term goals and vision;
- Implementing and executing the strategy;
- Monitoring developments, evaluating performance and making corrective adjustments.

The first three phases are part of strategy formulation, which includes analysis, strategy formulation and goal setting. The last two phases constitute implementation, which indicates the structure creation of the internal environment and getting a response from the process. Moreover, every element of the strategic management process requires a judgement on whether to carry on with things as they appear or to generate changes within the organisation. Many authors have conducted studies on strategy and strategy implementation. However, most studies pay attention to large organisations only and these concepts and ideas can also be implemented for SMEs (Hrebiniak, 2013; Ralebitso, 2016:1). Kraus and Kauranen (2009:42) and Wheelen and Hunger (2012:6) reveal that strategic management leads to enhanced performance. The worth of strategic management for SMEs lies more in the coordination of the strategy process than a written strategic plan (Kutilovci and Shala, 2013:87-88). Various scholars have found that the formal procedure might have a negative impact on the sustainability and growth of SMEs (Robinson and Pearce, 1984:129-133). Wheelen and Hunger (2010:14) believe that the organisation's strategy is part of its main plan to reach its objectives and goals. In addition, it gives a competitive edge and helps organisations to overcome the competition.

Corporate Strategy

Corporate strategy generally depicts the direction of the organisation regarding its management and diverse productions and business lines to gain a competitive advantage (Hoskisson, Hitt, Ireland and Harrison, 2013:225). Lazenby (2014:176) indicates that corporate strategy guides the objectives of the organisation and relates them to the resources of the organisation that should be utilised. It is also known as the "master or the grand" strategy of the organisation which means that it provides a road map of the organisation's future.

Corporate strategy implementation

Hrebiniak (2013:5-6) states that strategy implementation is an essential element of the strategic management process and can be described as the process that transforms the formulated strategy into a sequence of actions which ensure the successful achievement of the mission, vision and goals of the organisation. Hrebiniak (2013:14-19) also states that strategy implementation constantly engages many individuals compared with its formulation as the communication flows across all levels of the organisation. However, this flow of communication might be a challenge, as the objectives should be linked to the daily activities within the organisation. Similarly, Nyamwanza and Mavhiki (2014:2-4) also explain that strategy implementation is a way in which an organisation can expand, use and integrate its structures, culture and control systems to pursue the strategies leading to a competitive edge and improving performance. Jalali (2012:284) recognises that strategy implementation has grown to be a significant challenge for management. This is caused by the integration and the dynamic sequence of activities, turning plans to achieve goals. Furthermore, Hrebiniak (2013:35) points out that the implementation of strategy may be a hard task at any level of management and may also be improved during the institution and execution of the strategy.

Various ways exist to promote strategy implementation. However, for the purpose of this research, the eight components for strategy implementation according to Thompson, Strickland and Gamble (2010:329-330) were used to explore corporate strategy implementation at small and medium consulting businesses in the Randburg CBD. These components are briefly the following:

- Build an organisation capable of good strategy execution by strengthening its core competencies, competitive capabilities, work effort and structure.
- Allocate resources to support strategy implementation.

- Establish policies and procedures to facilitate strategy execution.
- Adopt best practices and strive for continuous improvement.
- Install information and operating systems that enable the use of knowledge effectively with the support of the organisation's abilities to gain a competitive advantage.
- Tie rewards and incentives directly to the achievement of strategic and financial targets.
- Instil a corporate culture in support of strategy implementation.
- Exercise strong leadership to drive implementation forward and improve strategy execution.

Each of the above components suggests that organisations have to go through certain processes for successful strategy implementation and to overcome obstacles that may occur during the implementation.

Small and medium enterprises

The Organisation for Economic Cooperation and Development (OECD) (2004:10) and Wang (2016:169) state that there is no one suitable definition for an SME. Different countries have different definitions, but it is generally based on the number of employees, the amount of income and the number of assets. Ardic, Nataliya and Valentina (2011:8) agree that the number of employees and income are vital factors to define the SMEs of a country. SMEs in South Africa encounter several challenges and are different from those operating in stable environments. The latter do not have adequate resources to participate in strong planning and usually end up embracing "the copy and paste" method of doing business (Nyamwanza, 2014:61).

SMEs must have strategies that enable them to develop, grow and gain a competitive advantage in the current business environment (Raymond and Croteau, 2006:1013). Therefore, SMEs have to implement new strategies and plan control techniques to protect and reinforce their competitiveness. However, SMEs are more likely to survive in their current state with no desire to improve the quality and management practices. This survival attitude may be a threat, which creates challenges (Irwin, 2011; O'Regan and Ghobadian, 2006).

Central Business District of Randburg

The CBD is a central area where the majority of businesses are concentrated compared with other urbanised areas. Furthermore, most SMEs operate within a CBD to reach clients more adequately and easily (Moore, Petty, Palich and Longenecker, 2008). The Randburg CBD is situated about 12 km from the CBD of Johannesburg and is one of the most improved and significant districts in South Africa (Johannesburg Development Agency, 2016:1). This has made the Randburg CBD part of the administrative area in region three as it offers numerous opportunities, which revitalise and contribute to economic growth (Johannesburg Development Agency, 2016:1).

Business consultants

Business consultants are generally contacted for guidance and opinion on business issues owners/managers are not aware of and do not understand. Consultants help organisations to deal with matters such as the improvement of productivity, design of systems, administration and the development of the business (Ferreira, 2007:78). Owners of various small and medium consulting businesses understand and realise that the performance of SMEs can be

improved by consulting businesses in their areas of experience and knowledge, while larger businesses may also use and benefit from their service. Consultants shape economies by playing a critical role in creating and building values that benefit both the public and private industry (Zenger, 1994:710-720).

PROBLEM STATEMENT, RESEARCH QUESTION AND OBJECTIVE

Majama and Magang (2017:73-76) and Pournasir (2013:66-67) indicate that many studies have been conducted on strategy and strategy implementation. However, these studies focus mainly on concepts and frameworks for formulating the strategy and not on how SMEs can succeed in implementing corporate strategy. The main problem is the lack of intellectual capital, which causes various SMEs to fail within five years. There seems to be a gap in literature in terms of corporate strategy implementation among SMEs, including small and medium consulting businesses, as no real evidence could be found to indicate the impact, assessment and process of strategy and strategic implementation on the performance of SMEs. As a result, the research problem revolves around the uncertainty of corporate strategy implementation within SMEs.

The research question derived from the problem statement is as follows: To what extent do owners/managers of small and medium consulting businesses implement corporate strategy successfully?

The objective of this study was to determine whether owners/managers of small and medium consulting businesses implemented corporate strategies successfully.

RESEARCH METHODOLOGY

Goddard and Melville (2001:16) indicate that research methodology is focused on practical and coherent methods to discover solutions to problems.

Research design

This research followed a qualitative research approach with qualitative surveys as the research strategy. An interpretivism research philosophy was applied with exploratory and descriptive research since it preserved the originality of interviewees' interpretation regarding corporate strategy implementation.

Population and sampling

The population of this study included consulting businesses in the Randburg CBD. Purposive sampling was used to select specific businesses and interviewees with experience in and knowledge of corporate strategy implementation. Patton (2002:240) and Suri (2011:71) argue that purposive sampling significantly increases the credibility of the findings. In addition, convenience sampling was also used to a certain extent owing to the accessibility of these businesses. The sample of this study consisted of thirteen small and medium consulting businesses representing the areas of engineering, accounting and management businesses, which seem to reflect the population of this research. Thirteen businesses were selected as saturation usually occurs after twelve interviews (Guest, Bunce and Johnson, 2006:74). In addition, these businesses had been in operation for three years or longer.

Data collection

Cooper and Schindler (2011:183) state that the collection of data in qualitative research involves diverse instruments to be employed, such as different interviews (unstructured, semi-structured and structured), content analysis or documentation and observation. This research

used semi-structured interviews as the instrument to collect the data based on an interview guide that was developed from literature and the objectives of this study. Secondary data were collected in this research, firstly to ensure triangulation with primary data, and secondly to allow for integration of any additional knowledge on corporate strategy implementation. Therefore, the purpose of the secondary data was mainly to support the face-to-face interviews (Sekaran and Bougie, 2016:157).

Data analysis

Spens and Kovacs (2006) define content analysis as a 'process for objective, logical, consistent study of issued information which is more comprehensive for literature reviews'. Therefore, when the data is coded, the researcher categorised the data manually using Microsoft Excel to assist and support the development of themes.

TRUSTWORTHINESS OF THE STUDY

Lincoln and Guba (1985:314) state that for qualitative research to be useful, four criteria have to be met to ensure trustworthiness of the study, namely: **Credibility**: This research used data from a variety of small and medium consulting businesses. Credibility was achieved through persistent observation, recording the interviews, taking notes, transcribing the data collected and analysing the data. **Transferability** (applicability): The researcher provided descriptions of information of SME consulting businesses in terms of where the research was conducted, the number of interviews held and the method of collecting data. **Dependability** (consistency): Dependability refers to the ability to obtain the same outcome when the study is repeated. The researcher saved the recorded interviews and the transcripts as per ethical requirements. **Confirmability** (neutrality): Confirmability ensures that the findings reflect the viewpoints of the interviewees. For this purpose, transcripts of the interviews were sent to the interviewees for confirmation.

FINDINGS AND DISCUSSIONS

Section A: Biographical data

- Position in the business: Eight of the interviewees were owners and five were managers.
- Type of business: Seven of the small and medium consulting businesses operated as management consultants, four as engineering consultants and two as accounting consultants. Most of the participants interviewed were from management consulting businesses.
- Age of business: One of the businesses had been in existence for 21 years or more. The majority of four (4) had been in existence for 16 to 20 years, followed by three for 11 to 15 years, two for 6 to 10 years and three businesses for zero to five years. None of these businesses had been in existence for less than three years.
- Number of employees: Four of the businesses employed six to 10 employees and three businesses employed 11 to 15 employees. Two businesses employed 16 to 20 employees and 21 to 25 employees, respectively, while two businesses employed one to five employees and 26 to 30 employees, respectively. According to the National Small Business Act (1996) (Department of Trade and Industry, 1996), all the SMEs were small businesses.

Section B: Corporate strategy implementation

The findings in support of the objective are reported on according to the following topics:

- The viewpoints of the interviewees regarding their understanding of corporate strategy; and
- Components of strategy implementation.

Understanding of corporate strategy

Eleven of the interviewees indicated that corporate strategy was about a vision, mission, goals, objectives and giving clear direction. “...I am saying that corporate strategy is mission, vision and objectives and all of that...” and “...includes the business’ goals and objectives...” Four interviewees mentioned that corporate strategy was long-term oriented. Three interviewees mentioned that corporate strategy was the blueprint of the business, strategy and processes of the business; professionalism and ethos and values in the business; a short-term objective and affected the success of the business; and day-to-day survival instinct and sustainability of the business, respectively. Finally, one interviewee indicated that corporate strategy was about having flexible approaches; building a global competitive business; and regenerating resources, respectively. The interviewees seemed to understand some form of corporate strategy, even though they were informally compared with the literature. Owners/managers were involved in running the strategy of the business on a daily basis.

The purpose of this question was to determine whether the owners/managers of businesses understood and could describe corporate strategy. It became evident that they had different understandings and perceptions. Some of the owners/managers defined corporate strategy as vision, mission, goals, objectives and as giving clear direction and others saw corporate strategy as a short-term and long-term objective and blueprint. It is evident that owners/managers did not have a clear understanding of corporate strategy as they defined strategy instead of corporate strategy. Furthermore, the interviewees’ general understanding of corporate strategy seemed to differ from literature.

Components of strategy implementation

The following emerged from the interviews regarding the eight components of strategy implementation:

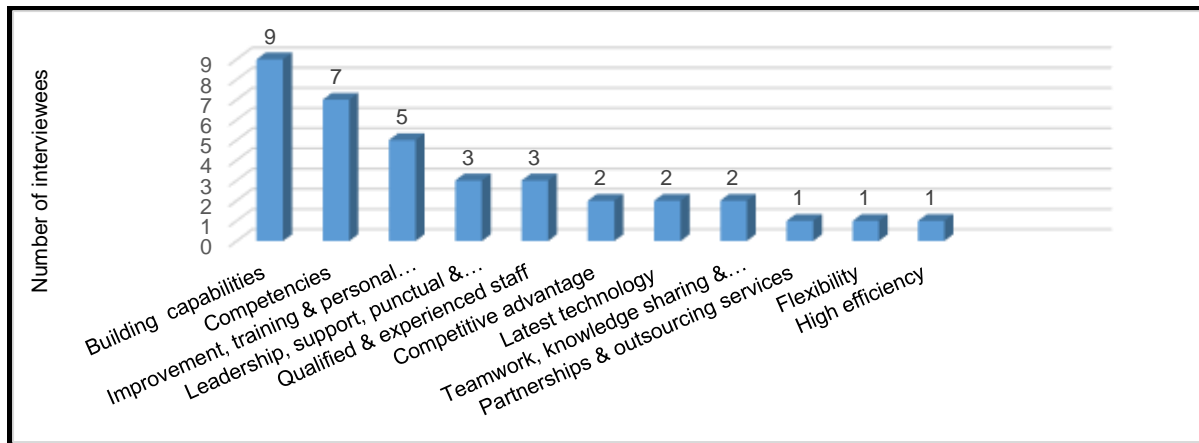
Building an organisation

From the findings, the majority (9) of the interviewees mentioned building capabilities as most important for strategy implementation. “...we build capabilities and competencies, we are able to actually meet our own targets.” and “...part of our strategy is to be able to build capabilities...” Seven interviewees indicated competencies as important, while five interviewees said improvement; training and personal objectives were also of importance. However, three interviewees mentioned leadership, support, being punctual and professional; and employing qualified and experienced staff, respectively. Two interviewees indicated competitive advantage; latest technology; and teamwork, knowledge sharing and communication, respectively. Finally, one interviewee listed partnerships and outsourcing services; flexibility; and high efficiency, respectively that assist in strategy implementation.

It is clear that the success of corporate strategy implementation is determined by significant capabilities, competencies and work efforts. Most businesses agreed that they had built their businesses with relevant core competencies and capabilities, enabling them to achieve the goals and objectives of the organisation. In addition, the businesses recruited qualified and experienced staff who were willing to work hard through teamwork, sharing of knowledge and communication. Carpenter and Sanders (2009: 367-383) and Thompson, Peteraf, Gamble and Strickland, (2014:290-291) agree on the importance of building strong, capable and

competent businesses. Owners/managers have to drive strategy implementation with skilled and experience employees.

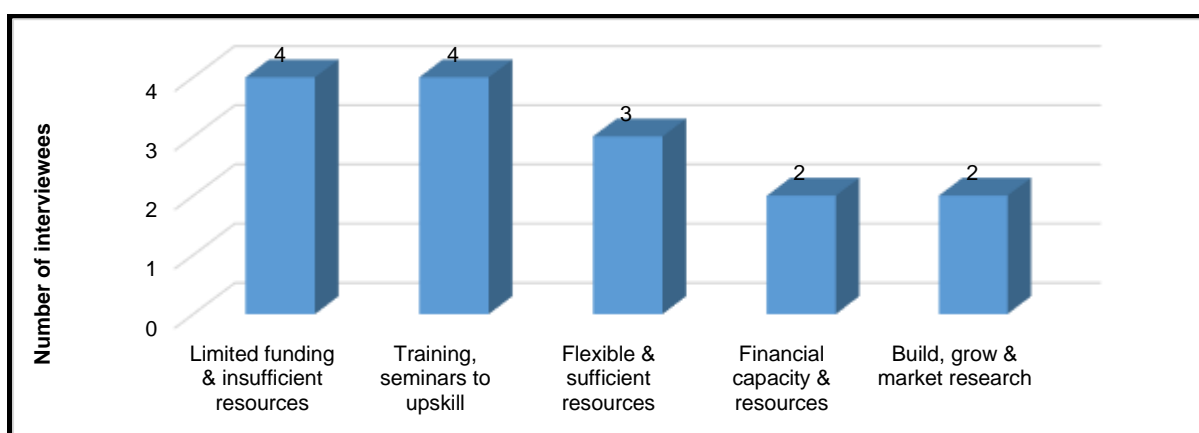
FIGURE 1:
Building and organisation



Allocation of resources

Four interviewees mentioned that funding and financial resources to support strategy implementation were lacking. "...financial, avenues and therefore the amount of resources of financial capacity input is not very sufficient..." and "...we don't currently allocate sufficient resources because of, the limited funding..." Four interviewees said that sending employees for training and to seminars to upgrade their skills had helped during strategy implementation. Three interviewees stated that flexible and sufficient resources to invest money in people were used more than anything during strategy implementation. Furthermore, two interviewees stated that financial capacity and resources; and building, growth and market research were used to help with strategy implementation.

FIGURE 2:
Allocation of resources



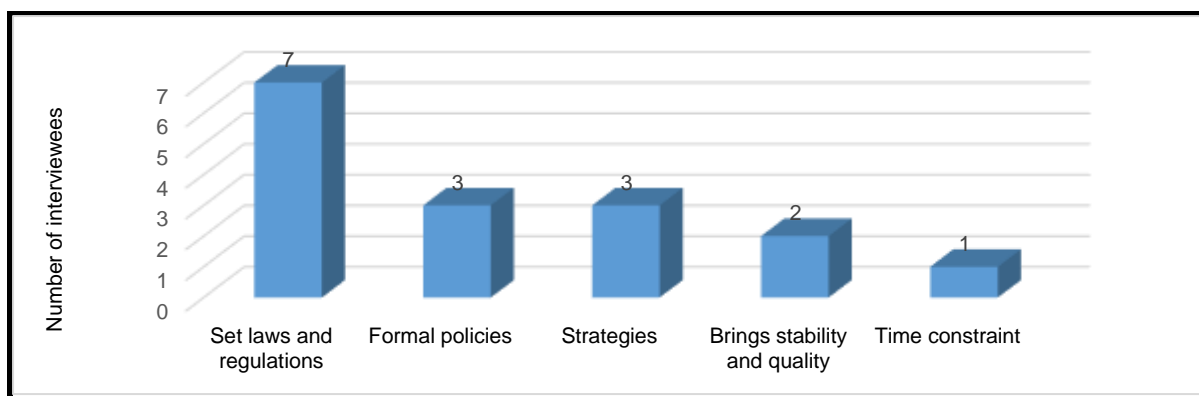
It is evident that the allocation of resources is one of the key issues during strategy implementation. The owners/managers acknowledged that resources were important for successful corporate strategy implementation. However, some interviewees indicated that they did not have sufficient financial resources. Those who did have sufficient financial resources available indicated that these contributed to the success of strategy implementation. Magaisa *et al.* (2014:004), Thompson *et al.* (2016:317-318) state that corporate strategies fail

owing to insufficient resources available to the business, while sufficient resources would support implementation. Therefore, owners/managers should take action to allocate sufficient resources in support of strategy implementation.

Policies and procedures

More than half of the interviewees (7) indicated that they had set laws and regulations. “...we abide by the laws and regulations of the, the industry...” and “...yes, the business has formal policies and procedures in place...” Three interviewees mentioned that they had formal policies and strategies in place to help with strategy implementation. Two pointed out that formal policies brought stability and quality and lastly one stated that there was a time constraint during strategy implementation.

FIGURE 3:
Policies and procedures



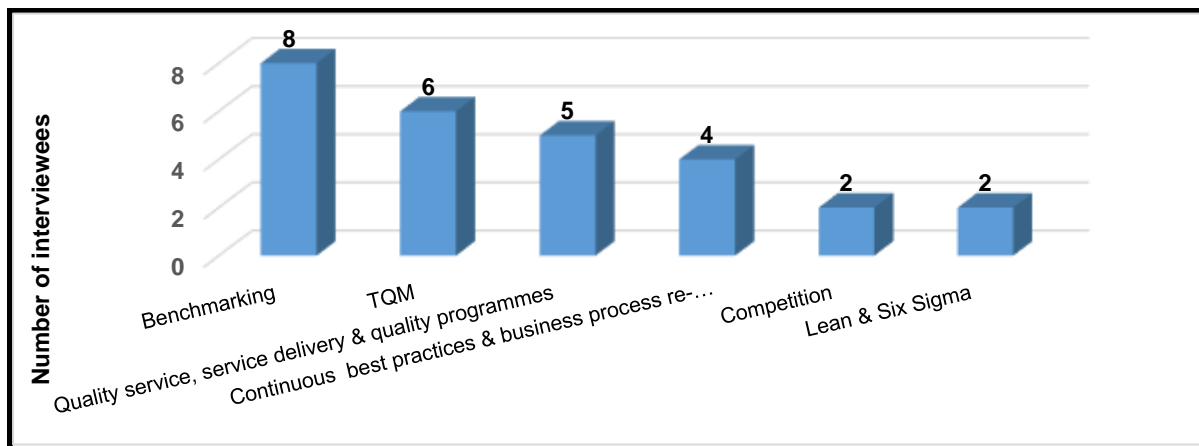
Most owners/managers had formal policies and procedures in place for strategy implementation. The majority of businesses had well-documented policies and procedures in place stipulating how employees should operate within the business. Some indicated that policies and procedures were adopted to create stability and bring quality in order to achieve their goals and objectives. According to Mukhalasie (2014:13), policies provide guidelines and exact methods, procedures and rules that sustain and boost the business in achieving its goals. Policies and procedures are therefore important to create a conducive environment for the implementation of strategy.

Best practices

Eight of the interviewees said that they used benchmarking to assist with strategy implementation. “...we really just benchmark against those corporates and say we want to get to this level...” and “...we always benchmark ourselves against the other players in the industry...” Six used TQM, five indicated that quality service, quality programmes and service delivery were important, while four specified continuous best practices and the business process in re-engineering process. Lastly, two stated that competitions; Lean and Six Sigma, respectively were also used to assist with strategy implementation.

The results showed six elements (or themes) that enable strategy implementation to succeed. The majority of the consulting businesses benchmarked, and others used TQM and Six Sigma for best practices. This provided the businesses with ideas and ways of implementing corporate strategy effectively and efficiently. This is in line with literature, which indicates that best practices improve the quality of performance, which will demonstrate success over time (Mukhalasie, 2014:12; Thompson *et al.*, 2014:321). Owners/managers should therefore be conscious of the best practices to enhance corporate strategy implementation.

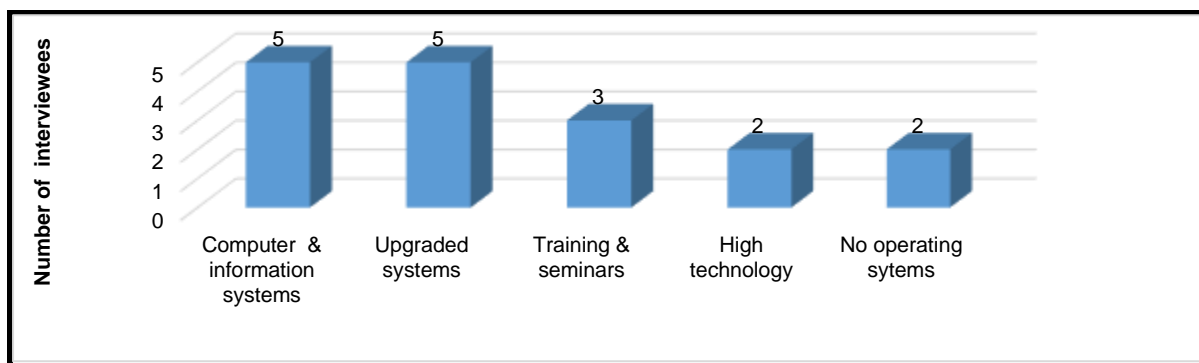
FIGURE 4:
Best practices



Information and operating systems

Five interviewees mentioned that upgrading the systems, computers and information systems, respectively helped with strategy implementation. “...we use our computer systems as our key information are...” and “...we have upgraded our information technology systems, we have upgraded our software...” Three were of the opinion that training and seminars also contributed. Two used a high technology configuration design in delivering services to customers and preserving data, while two other interviewees mentioned that they did not have operating systems to support strategy implementation.

FIGURE 5:
Information and operating systems



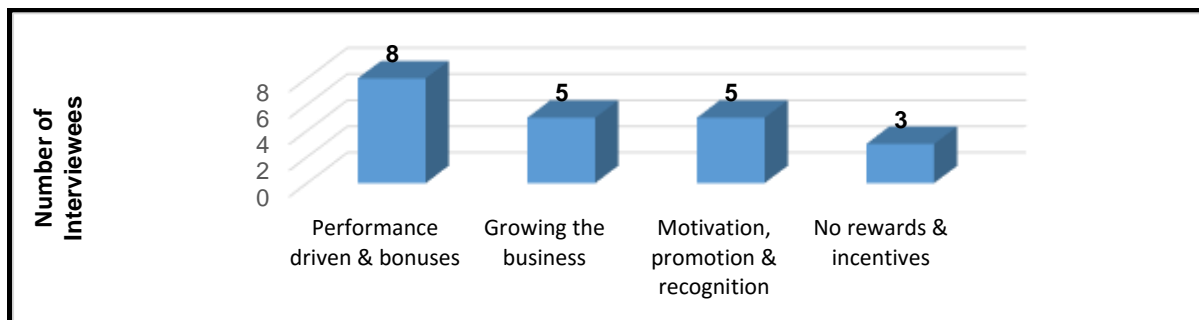
From the findings, four elements (or themes) were identified that helped businesses during the implementation of corporate strategy, namely computer and information systems, upgrading the systems, training and seminars and high technology configuration design in delivering services. Some of the businesses indicated that they did not have operating and information systems owing to the size and a lack of financial resources. It seems then that the importance of information and operating systems for corporate strategy implementation are realised within consulting businesses.

Rewards and incentives

More than half of the interviewees (eight) pointed out that their rewards and incentives (bonuses) were performance driven. “*We have performance bonuses in our organisation. The performance bonuses are given to the employees depending on the level of their performance...*” and “*...recognises performance towards the achievement of strategic goals and vision...*” Five interviewees indicated that rewards and incentives helped the business to grow. Five interviewees also mentioned that rewards and incentives were used to motivate, promote and recognise employees. Three did not offer rewards and incentives to employees to assist with strategy implementation.

FIGURE 6:

Rewards and incentives

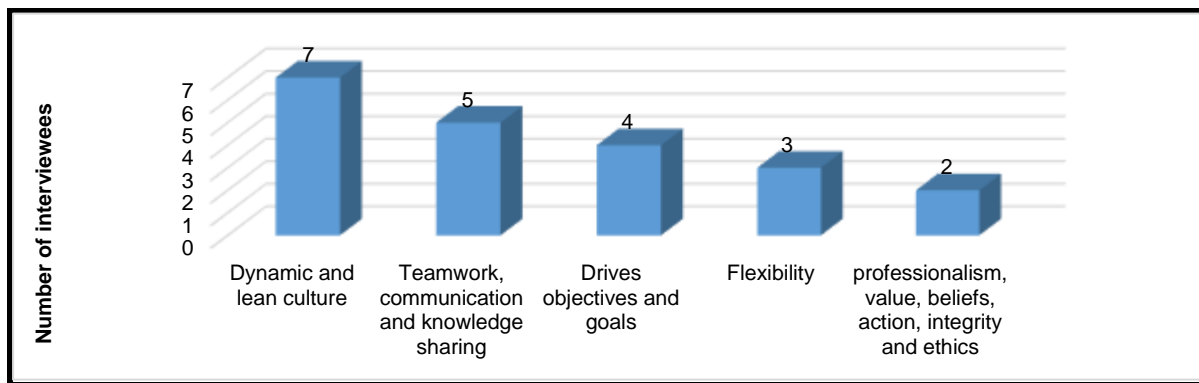


It was found that most owners/managers believed that rewards and incentives were crucial for the success of corporate strategy implementation. Most of the consulting businesses had reward and incentive systems, but these were based mostly on the performance of employees during strategy implementation. According to Mukhalasie (2014:12) and Thompson *et al.* (2016:334), rewards and incentives are important tools contributing to the success of strategy and should be aligned directly with the objectives. The application of rewards by owners/managers to ensure effective strategy implementation is important and additional rewards and incentives may also be considered.

Corporate culture

In support of strategy implementation, more than half of interviewees (7) indicated that a dynamic and lean culture was used to support strategy implementation. “*...yes, performance driven culture with open communication channels which assist employees to be accountable with their actions and decisions...*” and “*...there is a culture of teamwork, there is a culture of oneness...*” Five interviewees stated that teamwork, communication and knowledge sharing also contributed. Four mentioned that their corporate culture drove the objectives and goals by creating a successful culture among staff. Three were of the opinion that flexibility also contributed. Lastly, two interviewees said that professionalism, values, beliefs, action, integrity and ethics drove the process of strategy implementation.

FIGURE 7:
Corporate culture

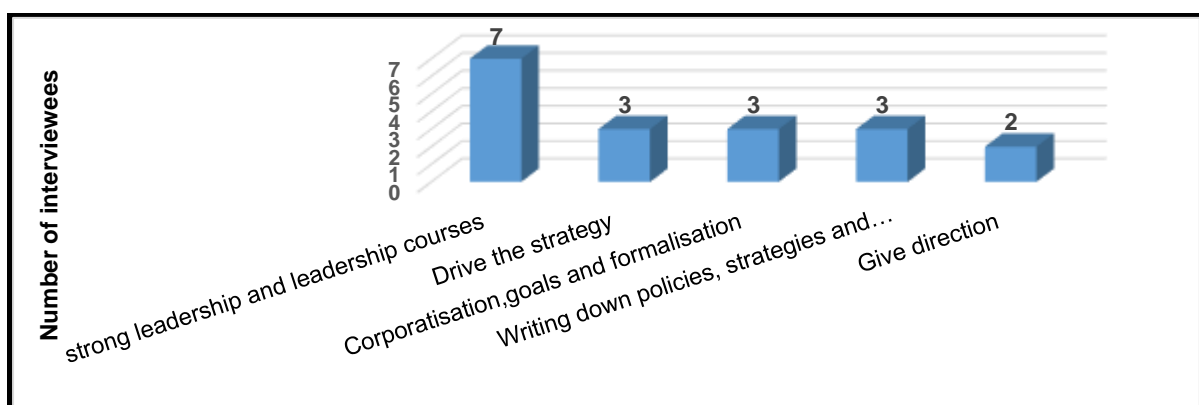


It is obvious that corporate culture is crucial for the success of any strategy within the organisation. This study indicated that corporate culture influences the implementation of strategy within small and medium consulting businesses. A dynamic and lean culture, teamwork, communication and knowledge sharing, a drive towards objectives and goals, flexibility, professionalism, values, beliefs, action, integrity and ethics were mentioned as supporting strategy implementation. This is in line with the literature, which states that corporate culture promotes values and behaviours that sustain some of the organisation's goals and is also a tool that affects the performance of employees during the implementation (Wheelen and Hunger, 2012:302).

Leadership

Four of the interviewees used strong leadership and attended leadership courses to help with implementation. "... I believe that requires strong leadership and I believe that it is one of the trades that we have as a business." and "...to provide leadership and that's to empower myself by taking leadership courses..." Three interviewees said that they were transformational leaders since they ensured that the goals of the organisation were achieved, and also inspired employees to remain motivated in ensuring the successful implementation of corporate strategy. Three mentioned that their leadership role enabled them to write policies, formulate strategies and goals, be role models for employees; be involved in the corporatisation and the formalisation of the organisation and acted as a driver of the strategy, respectively. Lastly, two were of the opinion that leadership helped them to give direction during the implementation of the strategy.

FIGURE 8:
Leadership



Leadership is one of the most significant facets for the growth and expansion of any organisation. The findings indicated that the owners/managers exhibited strong leadership, which drove their corporate strategy during implementation. Owners/managers improved their leadership skills by attending seminars and workshops, which are highly commendable.

LIMITATIONS OF THE STUDY

This study was limited to small and medium consulting businesses around Randburg CBD. However, the objective of this research was to determine how small and medium consulting businesses were implementing corporate strategies successfully to add to the body of knowledge.

MANAGERIAL IMPLICATIONS

It is clear that successful corporate strategy implementation is essential and has managerial implications. Owners/managers must be able to differentiate between corporate strategy and strategy in order to make decisions and take action during implementation. This will encourage and ground the success of the corporate strategy. They also need to have budgets that should be distributed around the entire department within the business. By doing so, the success of corporate strategy implementation will increase, along with long-term survival and growth. Owners/managers need to be more conscious of the corporate strategy implementation process and should also allocate sufficient time to do so and apply the eight components of strategy implementation as framework, to assist them in implementing corporate strategy effectively.

RECOMMENDATIONS

This research sought to provide some reference for owners/managers of small and medium consulting businesses in the Randburg CBD to make corporate strategy implementation more successful and ultimately to ensure sustainability and growth. Owners/managers of small and medium consulting businesses should improve corporate strategy implementation in the following ways:

- Ensure that the strategy within the business is communicated effectively to the staff members so as to embrace the implementation process.
- Implement strategy with skilled and experience employees.
- Ensure that there are sufficient resources to implement corporate strategy.
- Instil policies and procedures that will favour the growth and performance of their small and medium consulting businesses.
- Apply 'best practices', such as benchmarking, TQM, quality service delivery and programmes, and business process re-engineering to overcome the challenges of strategy implementation.
- Recognise the importance of information and operating systems for effective strategy implementation and provide continued support and understanding.
- Reward employees' performance in relation to the success of strategy implementation.
- View corporate culture as important to enhance staff members' performance during strategy implementation.

- Act as leaders and put strategy into action by addressing the eight components of strategy implementation.

CONCLUSION

It seems that the owners/managers of the small and medium enterprises had different understandings and perceptions around the construct “corporate strategy”. Although their understanding on corporate strategy may have differed, they were conscious of what strategy implementation required and the aspects that they identified closely matched the eight components for strategy implementation proposed by Thompson *et al.* (2010:329-330). They were also aware of the requirements for corporate strategy implementation. It seems that building capabilities and competencies; policies and procedures; best practices; rewards and incentives and organisational culture are most important for the success of strategy implementation.

Although it seems that most owners/managers have some knowledge of corporate strategy implementation, they however lack an understanding of how to make it really work for their businesses.

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Modelling the relationships between the environment entrepreneurial orientation and employment growth of established small medium and micro enterprises in South Africa

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Keywords: Business Environment, Entrepreneurial Orientation, Employment Growth, SMMEs.

ABSTRACT

South Africa's business environment is characterised by limited resources, high uncertainty and stiff competition which have resulted in chronic unemployment estimated at 26.7 % (Trading Economics, 2018; Statistics South Africa, 2018). The economy is generating too few jobs. Notwithstanding, emphasis is being placed on entrepreneurship and SMMEs as drivers of growth and employment creation. Moreover, entrepreneurial orientation (EO) as a consolidated construct has a relationship with the performance of businesses (Wiklund & Shepherd, 2005; Rauch, Wiklund, Lumpkin & Frese, 2009; Wales, Gupta & Mousa, 2013). Business performance neither translates into business growth nor is it the same as employment growth (Cassilas & Moreno, 2010; Gurbuz & Aykol, 2009; Martins, 2016; Neneh & van Zyl, 2017). It appears that the association between EO and employment growth has drawn less attention in research despite its importance to economic policy formulation. Studies on the antecedents of EO – such as its relationship with task environment variables and its consequences on employment growth – are limited in South Africa.

This study directs attention toward established SMMEs that have transited through the survival phase into the growth phase of business operation and examines the nexus between the environment, the sub-dimensions of EO and employment growth. It hypothesises a relationship between two environmental variables: dynamism and hostility and five dimensions of EO: innovativeness, proactiveness, risk taking, competitive aggressiveness and autonomy (Lumpkin & Dess, 1996). It tests the relationships between these dimensions and employment growth; directly and as moderated by environmental dynamism and hostility. It analyses data obtained in 2017 through a survey of 1031 SMMEs across South Africa which entailed the use of inferential statistical techniques such as correlation, factor and regression analysis and partial least square-structural equation modelling (PLS-SEM).

The findings reveal that SMMEs in SA display a moderate to high EO. Only four dimensions of EO are visible statistically from the sample considered in this study. Statistically significant relationships were found between environmental hostility and dynamism and the dimensions of EO. When considering the entire SMME cohort, employment growth showed neither a correlation nor a statistically significant relationship with any of the dimensions of EO except

for medium-sized enterprises in which pro-active innovation and competitive aggressiveness indicate a negative relationship with growth.

In conclusion, this study contributes to the body of knowledge as it investigates the environment as an antecedent of entrepreneurial behaviour at the firm level. It lays emphasis on the multi-variate relationships between environmental hostility, environmental dynamism, and each of the dimensions of EO. From an empirical perspective, this study employs an objective approach to measuring employment growth as indicated by the annual growth rate of employees using the law of proportionate effect (Gibrat, 1931). It demystifies the complex relationships between the business environment and the dimensions of EO and concomitantly sheds light on employment growth. It amplifies the role of the environment in small business development and identifies the dimensions of EO that associate with employment growth. Lastly, it advocates the need for context-specific entrepreneurial strategies to develop components of the SMME cohort and effective promotion of job creation.

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Evaluating the impact of entrepreneurial orientation on the growth prospects of SMEs in Mankweng, Limpopo province

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ABSTRACT

This contribution aimed at examining the link between EO and the growth prospects of SMEs in rural areas. The study was quantitative in nature where 65 SMEs responded to the survey. The self-administered questionnaire was adopted and used to collect data. The study used the simple random sampling technique to sample the respondents. The analysis methods used in the study were descriptive statistics, T-tests and regression analysis. Reliability was tested using the Cronbach's alpha. Descriptive statistics showed that SMEs have unsatisfactorily low levels of EO so as growth rate. The T test results established gender differences on the EO of SMEs with men willing to take more risks than women. Furthermore, the regression results established that EO is positively linked to the growth prospects of SMEs. It was recommended for the government to put gender into consideration when designing programmes to empower entrepreneurs.

INTRODUCTION

Small businesses play a pertinent role in enhancing economic efficiency and performance of nations globally (Muhammad, Char, Yasao & Hassan, 2010). On that account, worldwide a significant number of countries are considering SMEs as the only option available to create sustainable jobs which the public sector is unable to provide. Among others, South Africa has been involved in a plethora of initiatives aimed at boosting SMEs (Ramukumba, 2014). In America, the potential of SMEs to create jobs dates to the 1980s where Birch (1981) in his seminal work discovered that SMEs have a potential to create more sustainable jobs compared to large firms. Similarly, in Africa, SMEs activities are beyond any doubt transforming economies (Mahembe, 2011). SMEs are the future large businesses. This sector is noted for its ability to disrupt market equilibriums and create new ones where through the multiplier effect, spending is accelerated leading to economic growth. According to Abor and Quartey (2010), in Ghana SMEs account for about 70 percent of gross domestic product (GDP) while Taiwo, Falohun, and Agwu (2016) attribute 70 percent towards employment and above 50 percent to SME activities in Nigeria. Approximately SMEs constitute 91% of businesses in South Africa. Chinomona and Pooe (2013) note that the SME sector contributes above 50% towards GDP in South Africa. Small Enterprise Development Agency (2012)

argues that the SME sector in South Africa has potential to surpass these statistical figures if they can get adequate support. According to D'imperio (2012), SMEs can be a sustainable option for development especially in developing countries through their important role in industrialisation. SMEs tend to be evenly scattered in every sector of the economy which helps to attain sustainable growth collectively.

Irrespective of the support given to the SME sector, SMEs in Africa as a continent struggle to attain the expected growth and South Africa is not an exception (Ebitu, Basil & Ufot, 2016). On that account, Peprah, Mensah and Akosah (2016) note that a significant number of SMEs crumble before they even start trading. The few SMEs which make it to the growth stage do not grow at all (Doern, 2009; Davidsson, Steffens & Fitzsimmons, 2010; McKelvie & Wiklund, 2010). This create doubts on policy makers to leverage on them as agents of change and potential job creators. According to SBP (2013:8), "growing the number of SMEs in the economy, and growing the size of existing SMEs, are both vital objectives for South Africa's future prosperity". Therefore, identifying crucial determinants that can spur growth in SMEs becomes a vital requirement.

The authors of this study suggest that an EO strategy can give SMEs a competitive edge which consequently spurs growth in their businesses. Jebna and Baharudin (2015) as well as Muchiri and McMurray (2015) remark that EO improves the growth and survival of SMEs. Miller (2011) adds that EO improves the sales growth as well as return on investments of a firm. Firms that employ EO are likely to enjoy extended product life cycles as well as an increased market share through finding better and innovative ways to market their product lines. It is therefore crucial to understand the factors which can improve the EO of SMEs as its benefits cannot be underestimated. One of the factors that can affect the entrepreneurial orientation of SMEs is gender. However, existing literature points to a difference in EO proclivity between males and females within SMEs (Shinnar, Giacomini & Frank, 2012; Ayub, Razzaq, Aslam & Iftikhar, 2013). According to Quaye, Acheampong and Asiedu (2015) men and women run their businesses differently. Studies such as (Tsyganova & Shirokova, 2010) report that males are more entrepreneurial than females. Existing literature is inconclusive about the effect of gender on entrepreneurial orientation so as towards the growth prospects of SMEs. It is the scope of this study to demystify the role of EO on the growth prospects of rural SMEs.

LITERATURE REVIEW

There is no single definition for EO in the existing literature (Covin & Wales, 2011; Lechner & Gudmundsson, 2014). Covin and Wales (2011) explain that entrepreneurial orientation is the driving force behind entrepreneurial activities. Miller (1983) defines EO in terms of a firm being innovativeness, proactive and with an appetite towards risk taking. However, Lumpkin and Dess (1996) believe that the EO concept should be extended to include competitive aggressiveness and autonomy on the three measures proposed by Miller (1983). Further, Maldonado-Guzmán, López-Torres and Castro (2016) report that there is debate in the existing literature on whether EO should be treated as unidimensional or multidimensional approach. This study adopted the EO measures suggested by Miller (1983). This approach has been used widely in the literature (Moreno & Casillas, 2008; Fatoki, 2012; Pett & Wolff, 2012; Roxas & Chadee, 2012; Kumarpeli & Semasinghe, 2015) exhibiting high levels of reliability and validity. The EO unidimensional constructs are discussed below;

Proactiveness

Proactiveness is the ability of a firm to put measures which allow them to stay ahead of competitors (Kusumawardhani, McCarthy & Perera, 2009; Matchaba-Hove & Goliath, 2016). According to Omisakin, Nakhid, Littrell and Verbitsky (2016), this entails that a firm begin to identify opportunities beforehand and develop products to meet future needs. Studies such as

Okeyo, Gathungu and K'Obonyo (2016) note that firms which are proactive have a high opportunity alertness. This entails that a firm will be able to see an opportunity where others struggle to see any.

Innovativeness

Schumpeter (1934) argues that innovation gives firms a cutting edge to compete in heavily contested markets. Rauch, Wiklund, Lumpkin and Frese (2009) as well as Omisakin et al. (2016) argue that innovativeness is the firm's proclivity to come up with new ideas and techniques which results in the production of new to the market products. Certo, Moss and Short (2009) remark that innovation can combine both existing and new skills to come up with new products and systems which are difficult to duplicate.

Risk taking

The concept of risk taking is based on the concept that tapping into highly risky ventures is associated with high returns (Roux & Couppey, 2007; Certo, Moss & Short, 2009). Okeyo et al. (2016) argue that firms which undertake risk enjoy the rewards such as increased sales as well as being market leaders. However, Murimbika (2012) warns that, risk taking should not be confused with gambling in the context of entrepreneurial orientation. Hence, firms should take calculated risk which is based on the probability of failure and success before they can commit resource.

The EO theory above sets the motion to understand how best can SMEs act entrepreneurial in their everyday business operations.

EO AND GROWTH PROSPECTS OF SMES

According to Dobbs and Hamilton (2007), growth can be defined as an increase in the size of the venture. On the other hand, Davidsson et al. (2010) argue that growth entails diversification into new markets and through the integration process. As defined by Brush, Ceru and Blackburn (2009:482), growth is "geographical expansion, increase in the number of branches, inclusion of new markets and clients, increase in the number of products and services, fusions and acquisitions". This can be attained in different ways which makes Mckelvie and Wiklund, (2010) believe that it is quite difficult to summarise what constitutes growth. It has been observed in the literature that growth can be measured based on the increase in the number of employees, increase in sales, increase in profitability of the venture and market share (Janssen, 2009; Achtenhagen, Naldi & Melin, 2010). The relationship between EO and firm growth is one of the most crucial focus areas in small business research. SMEs need to grow in order to survive in the market (Machado, 2016). On their follow up to EO studies, Casillas, Moreno & Barbero (2010) argue that it is important for small businesses to attain growth in order to boost income and create jobs. Similarly, studies such as Koster (2011) notes that growth results in employment creation while Timmons (2008) opine that growth results in innovation. The authors of this paper believe that EO is a crucial determinant of firm growth. The three dimensions of EO mentioned above positions a firm as a market leader in the entire industry. In addition, EO allows firms to come up with new products and services which in a way result in rapid sales growth. Moreno, Zarrias and Barbero (2014) note that the 21st century dynamic and volatile business environment exposes small businesses to high chances of failure. Hence, it is advisable for SMEs to adopt EO as it works best in volatile business environments. Extant literature reports that SMEs which adopts EO exhibit characteristics of growth. Kumarpeli and Semasinghe (2015) identify EO as one of the crucial determinants of firm growth and profitability. Neneh et al. (2016) report that proactiveness improves the competitiveness of a firm. Moreno and Casillas (2008) report a positive relationship between EO and SMEs growth. Similarly, Moreno et al. (2014) urge small

businesses to undertake risk by introducing new products into new markets to attain the desired growth.

GENDER AND ENTREPRENEURIAL ORIENTATION OF SMEs

Gender differences in conducting business is a niche area which has recently gained momentum (Shinnar et al, 2012; Quaye et al., 2015). There is debate on whether EO levels significantly differ between male and females. Hence, clarifying this problem is a crucial step towards improving the survival and growth of SMEs. The entrepreneurship career and the SMEs' sector is still male dominant (Garwe & Fatoki, 2012; Brijlal, Naicker & Peters, 2013). Another strand of literature attributes this situation to the fact that women are tied up by motherly duties compared to men (Wealthwise, 2014). Unlike men, they are forced to switch roles from work life to motherhood duties such as child bearing and rearing. Similarly, Minniti and Nardone (2007) as well as Wagner (2007) believe that this gap is because women are risk averse as opposed to their male counterparts who are willing to undertake risk initiatives such as new businesses. As such males will automatically record a high number of new venture creation than females. A study by De Vita, Mari and Poggesi (2014) reveal that men are more innovative than women. This is supported by the Liberal feminist theory which states that gender differences in business truly exists and it's inevitable. On the other hand, studies such as Furdas and Kohn (2010) found no gender difference between men and women concerning their EO. Studies such as Tsyganova and Shirokova (2010) report that males are more entrepreneurial than females. The authors of this paper believe that men still dominate when it comes to entrepreneurship, reason being that they are entrepreneurial than women. This paper argues that this can be attributed to the socialisation process where men were exposed to games which force them to be creative as compared to women. It is therefore the scope of this study to tests the above theories empirically and generate conclusions and generalisations.

OBJECTIVES

The study aimed to achieve the following objectives; (1) to examine the EO of SMEs, (2) to investigate if there are any gender differences on the EO of SMEs, (3) to investigate if there are gender differences on the growth of SMEs (4) to determine the relationship between EO and growth prospects of SMEs.

RESEARCH METHODOLOGY

The study area for this study was Mankweng rural community. The research design adopted by this study was quantitative in nature. The simple random sampling technique was chosen to sample the participants. This technique was used to increase the objectivity of the data collection method. A survey method was selected where self-administered questionnaires were hand delivered to the participants. This instrument has been used previously by studies such as Fatoki (2012) and Quaye et al. (2015) yielding high levels of reliability and validity. Closed ended questions were used in form of a Likert scale. The Likert scale ranged from Strongly disagree to Strongly agree. The questionnaire content included; (1) biographical questions (2) EO questions (3) questions relating to growth. The questionnaire to measure EO was adapted from Miller (1983) and consisted of 9 items which measure innovativeness, risk taking and proactiveness. On the other hand, the questionnaire to measure firm growth was compiled by the author after consulting similar studies such as Machado (2016) in existing literature. Firm growth was measured in terms of increase in the number of employees, increase in sales, increase in profitability of the venture, geographical expansion and market share. A sample of 65 SME owner/managers participated in the survey. Data analysis included descriptive statistics, T tests and regression analysis. Reliability was measured using the Cronbach's alpha. The questionnaire questions were linked to the key variables in the topic and objectives of the study to ensure validity.

RESULTS AND FINDINGS

Response rate

TABLE 1:

The response rate

Respondents	No. of questionnaires sent	No. Returned	Response rate
SME owners/managers	150	65	43%

The above table presents the response distribution of the participants. As indicated 150 questionnaires were sent out to the participants. The researcher managed to get 65 questionnaires back giving a response rate of 43%. The response rate is acceptable given a low response rate of questionnaires among SMEs.

Reliability analysis

Reliability of all scales was measured using the Cronbach's alpha. The Cronbach's alpha for EO scale was 0.76 and 0.77 for measures of growth. The Cronbach's alpha coefficient for both scales was above the recommended 0.70 as indicated by Bolarinwa (2015) showing that the data collection tool was reliable.

Biographical Information

TABLE 2:

Demographic and business characteristics

Variables	Category	Percent %
Gender	Male	63
	Female	37
Age	Below 20	2.0
	21-30	22
	31-40	49
	41-50	16
	Above 50	11
Level of education	Below matric	5.0
	Matric	38
	Diploma/certificate	33
	Degree	19
	Postgraduate qualification	5.0
Legal status	Sole proprietor	34
	Partnership	20
	Close corporation	21
	Private company	25
Industry sector	Retail	46
	Service	26
	Manufacturing	22
	Whole sale	6.0
Number of employees	0	4.0
	1-5	41
	6-10	29
	11-20	17
	21-50	7.0
	Above 50	2.0
Number of years operating	Less than a year	6.0

	1-5 years	41
	6-10 years	30
	11-15 years	13
	Above 16 years	10

Table 2 presents the demographic and business characteristics of surveyed SMEs.

Descriptive statistics

Descriptive statistics for EO of SMEs

TABLE 3:

Descriptive statistics for EO of SMEs

Measures	Mean	Standard deviation
Innovativeness	3.41	0.66
Recently, we have introduced many new lines of products and services.	3.20	0.66
Generally, our business invests much in market research to upscale our technology.	3.31	0.72
Generally, we are always ahead of competitors in terms of new products/services.	3.23	0.59
Proactiveness	3.21	0.60
In recent times, changes in our products or service lines have been quite dramatic.	3.21	0.63
In dealing with competition, my firm often try to initiate actions to competitors, for which competitors respond.	3.20	0.57
Risk taking	2.52	0.60
Due to the dynamism in the business environment, it is crucial to go all out to attain our targets.	2.87	0.59
We are bold when it comes to opportunity identification and exploitation.	2.37	0.58
We always prefer risky projects which we believe can bring more profits.	2.33	0.62
Total entrepreneurial orientation	3.05	0.62

Table 3 presents the results on EO of SMEs. The results show that SMEs surveyed have low levels EO. This is worrying given the failure rate of SMEs in South Africa. Campos and Valenzuela (2013) note that SMEs fight for the same markets and same customers with well established businesses. Hence, SMEs need high levels of EO in order to survive in highly dynamic and unpredictable markets (Fatoki, 2012; Soininen, Martikainen, Puumalainen & Kylaheiko, 2012; Muchiri & McMurray, 2015). The low scores on EO means that SMEs still need to invest much in measures to boost EO in their organisations.

Descriptive statistics for growth of SMEs

Table 4:

Descriptive statistics for growth of SMEs

Items	Mean	Standard deviation
Increase in the number of employees	2.21	0.86
Sales growth	3.85	0.77
Increase market share	1.71	0.85
Increase in profitability	1.68	1.06
Geographical expansion	1.33	0.94
Scale mean	2.16	

Table 4 shows the descriptive statistics pertaining to the growth of SMEs. Five measures of growth were used as indicated. In terms of increase in the number of employees, the mean was 2.21, SD 0.86. This shows that the surveyed SMEs indicated that they have not significantly increased the number of employees in their businesses. Considering sales growth, the mean was 3.85, SD 0.77. This shows that the participants were able to increase their sales volume for the past 3 years. The results also showed that the participants' market share on average did not increase at all in the previous 3 years and their profitability figures were not desirable as indicated by a low mean of 1.68, SD 1,06. In terms of geographical expansion, on average the mean of 1.33, SD 0.94 shows that the surveyed participants did not expand into other locations in the past. The scale mean of 2.16 shows that the growth rate of surveyed SMEs is unsatisfactorily low. The is consistent with a similar study by FinMark Trust (2015).

Inferential Statistics

T tests for gender differences

TABLE 5:

Gender differences on the entrepreneurial orientation of SMEs

Variable	Female	Male	t- statistic	Sig level
Innovativeness	3.35	3.66	1.65	0.01
Risk taking	2.35	2.73	1.53	0.02
Proactiveness	1.50	1.13	1.34	0.78

Sig 0.05

The table above presents statistics on gender differences on the entrepreneurial orientation of SMEs. As indicated, gender differences exist on the EO of SMEs. Males have higher levels of EO than females. This is consistent to similar findings (Civelek, Rahman & Kozubikova, 2016) which found out that males are more risk taking and innovative than females. Furthermore, Ayub et al. (2013) opine that women prefer to undertake low risk avenues. Surprisingly, no gender difference was established on proactiveness. This shows that males or females can be equally proactive. The social feminist theory concurs by arguing that there is no gender difference on the effectiveness of males and females in organisations.

TABLE 6:

Gender differences on the growth of SMEs

Factor	Female	Male	t- statistic	Sig level
Number of employees	2.19	2.231	1.33	0.03
Sales growth	3.45	3.835	1.65	0.01
Market share	1.13	1.683	1.04	0.00
Profitability	1.67	1.67	1.43	0.76
Geographical expansion	1.27	1.35	1.22	0.00

Sig 0.05

As indicated above, there are gender differences on the growth of SMEs. Male owned businesses tend to growth faster in terms of sales growth, geographical expansion and market share. Minniti and Nardone (2007) report that males are opportunity oriented than females. This explains why male run businesses grow faster than female run businesses. Males easily expand their businesses into international and global markets because they have a huge appetite for risk. Similarly, studies such as Garwe and Fatoki (2012) as well as Wealthwise (2015) report that men still own more businesses than women do. Brijlal et al. (2013) note that the low growth of female owned businesses is because of factors such role conflict where women must balance between business and family as well as lack of finance to expand their businesses. The authors of this study further attribute this gap to the discrimination casts on

women. Women in South Africa remain marginalised emanating from the apartheid regime. Hence, this has a negative impact on the growth prospects of their businesses since they experience hardships in mobilising resources.

Regression analysis

Regression analysis for EO and growth of SMEs

TABLE 7:

Regression analysis

Independent variables	Beta	T	Sig
Proactiveness	0.176	42.718	.000
Innovativeness	0.106	24.792	.000
Risk taking	0.156	28.546	.001

Source: Data Analysis. Dependent variable: growth. Sig.>0.05

Relationship between EO and growth

As indicated above, the findings show a significant relationship between EO and growth of SMEs. EO is an important determinant of SMEs' growth. Kumarpeli and Semasinghe (2015) identify EO as one of the crucial determinants of firm growth. Similarly, studies such as Miller (2011), Jebna and Baharudin (2015), as well as Muchiri and McMurray (2015) remark that EO improves the growth and survival of SMEs. EO is Fairoz, Hirobumi and Tanaka (2010) advice that the current dynamic, global and competition infested business environment requires SMEs to employ EO in order to survive and grow. Neneh et al. (2016) report that EO improves the competitiveness of a firm. Moreno and Casillas (2008) also established a positive link between EO and growth.

MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

Understanding the role of EO towards an organisation's renewal and creativity is of uttermost importance to the management of SMEs. In addition, this study will help SME managers to consider incorporating EO into their strategy as it plays a crucial role towards the growth and competitiveness of a business. The findings of the study revealed that SMEs have low levels of EO and they are not growing as expected. In addition, it was discovered that female run businesses are not growing as compared to male run owned enterprises. The researchers believe that this emanates from the fact that females do not actively look for opportunities as compared to males. Furthermore, this was attributed to the fact that females are marginalised and therefore face difficulties in mobilizing resources and accessing capital to improve their EO and hence, attain business growth. This calls for a serious strategy and policy stance from both SME female owners and the government. The government should design support programmes specifically aimed towards women to empower them. These include workshops aimed at imparting entrepreneurial skills among women. Furthermore, the government should initiate funding schemes to boost ventures owned by women. On the other hand, women entrepreneurs are encouraged to enroll for entrepreneurship courses to enhance their skills. In addition, women should consider collaborating with their male counterparts in business. This can create a serious synergy which can positively improve their EO.

LIMITATIONS AND FUTURE RESEARCH

The study's limitations included the small sample size which might reduce the generalizability of the findings to other samples. Hence, future studies should utilize a huge sample size by testing the existing variables with samples from the rest of the provinces in South Africa to improve the generalizability of the study. Future studies can also explore the effect of firm

characteristics on the EO of SMEs and link it to the growth of SMEs. In addition, future studies can also expand the measures of growth to include other variables not tested in this study.

CONCLUSIONS

This study aimed at examining gender differences on the entrepreneurial orientation and growth prospects of SMEs in rural areas. SMEs play a significant role in the economic transformation of nations. However, SMEs in South Africa are not growing as expected. Majority of them die in their early stages of operation. This creates mixed feelings on the ability of this sector to be a key solution to a myriad of socio-economic challenges faced by South Africans. On that account, workable solutions are required to improve SMEs' survival and growth. This paper suggested EO as a possible antidote to the struggling SMEs. It was discovered that EO is an important determinant of EO. EO gives SMEs a cutting edge to survive and grow in a dynamic and volatile 21st business environment. It was also important to interrogate if gender differences exist on the EO and growth of SMEs. The existing literature indicates that males still dominate in entrepreneurial ventures and new business creation than females. Hence, it was important to test this assertion empirically. Gender differences were established on the EO of SMEs. Males tend to be more innovative and risk taking than females. Considering EO and growth relationship, it was discovered that gender differences exist. Male run business tends to grow at a faster rate in terms of sales growth, geographical expansion and market share more than female run ventures. This is attributed to the fact that males easily expand into foreign and global markets compared to hesitant females who are risk averse. Regression analysis showed that there is a positive link between EO and growth of SMEs.

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Challenges hampering SMME development in Mahikeng

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ABSTRACT

Statistics of SMMEs indicate that many do not develop in proportion to their potential and SMMEs ought to recognize challenges upfront that might hamper their development. This study investigated the challenges SMMEs in Mahikeng encounter in an endeavor to enable SMMEs and support providers to be knowledgeable to preempt potential situations with appropriate action in the form of strategies and tactics. A cross-sectional mono-method quantitative survey with a questionnaire was undertaken and included 421 SMMEs located in Mahikeng. The main finding of this study is that various classes of SMMEs face similar challenges (mainly training and access to finances) and this finding, in all likelihood, will enable SMMEs and their support providers to devise ways to deal with these challenges. Above all, the findings provide SMMEs with knowledge and it is recommended that SMMEs and support providers plan wisely and to avoid hampering challenges in their development.

INTRODUCTION

The nature of the global small business environment resembles a jungle where only the fittest survive whilst the intensity level of competitiveness is incessantly increasing. It is, thus, unsurprising that numerous Small, Medium and Micro Enterprises (SMMEs) on a worldwide scale do find it challenging to not only perform adequately but also to endure sustainably in today's cut-throat business environment, as testified by statistics. The challenges experienced by SMMEs are vast and may differ from situation to situation. However, many similarities are prevalent and should be identified. In order to overcome challenges, SMMEs and their support providers should learn from the experiences of SMMEs from all over the world and this knowledge will assist SMMEs to be better prepared when facing similar challenges.

This study views the challenges of SMMEs in Mahikeng as seen from the perspective of the business owners who participated in this study, in the research question context of what the challenges are SMMEs need to face in comparison to that on a worldwide scale, in order to provide an informed perspective on the challenges that need to be addressed. However, strategic business management for SMMEs in itself is a vast field of study and it is not possible to cover the topic extensively in one paper or presentation. The focus of this paper is on the challenges SMMEs and their support providers are faced with and the specific objectives are:

- To obtain an understanding of the composition of the research population (SMMEs in Mahikeng) in terms of specific demographic descriptors.
- To explore development support and the challenges SMMEs in Mahikeng face according to these entities.
- To research and understand the developmental challenges SMMEs in Mahikeng have to deal with.

This paper presents the results of a study based on the challenges SMMEs in Mahikeng are faced with and commenced with introducing the research topic and objectives. This paper then continues with a presentation of a literature review of SMME developmental challenges before commencing with an explanation of the research method followed. This is followed by a presentation of the research results and the paper terminates with a discussion of the managerial implications and recommendations emanating from the findings.

CHALLENGES EXPERIENCED BY SMMEs WORLDWIDE

Small, Medium and Micro Enterprises (SMMEs) are confronted with many challenges in their everyday existence, as observed by Dlodlo and Dhurup (2013) and Hallak, Brown and Lindsay (2013). Nevertheless, a review of different studies indicates that these challenges are not necessarily the same everywhere (Xu, Huang and Xu, 2014, Fouad, 2013; Peters and Naicker, 2013).

The decision to prioritise SMME development in Malawi was made in appreciation of the vital contribution SMMEs make towards the economy of Malawi. As stated by Mulaga (2013), the growth, survival and contribution of SMMEs in Malawi is hindered by problems that include limited access to finance, poor transportation, unreliable power supply, exorbitant tax rates, an inadequately educated workforce, crime, complicated licensing procedures, corruption and access to land. Access to other resources was found to be largely determined by the availability of financial resources. Financial constraints affect smaller businesses more than larger business, leading to stunted growth or high mortality rates. Many of the problems SMMEs in Malawi face can significantly be diminished if SMMEs are sufficiently financed.

In Zimbabwe, factors found to affect SMMEs adversely are: limited access to finance, the high cost of finance, lack of marketing skills, limited market knowledge, inadequate management, shortage of entrepreneurial skills, lack of access to infrastructure, lack of access to land, lack of information, and a hostile regulatory environment (Maseko, Manyani, Chiriseri, Tsekea, Mungu and Chazuza, 2011).

The Association of Chambers of Commerce of the Southern-African Developing Communities (SADC) launched in 2007 an SME Business Toolkit project, available to SMMEs in the SADC region. The aim of this project is to address the lack of access to information and to create guidelines to assist SMMEs in growing their businesses sustainably (Guriras, 2013). Further down the time-line and the focus of a number of studies on SMMEs in Africa, such as that of Mulaga (2013), Oni and Daniya (2012) and Olawale and Garwe (2010), is still only on financing. The impression is created that small businesses and their support providers in Africa concentrate on funding more than on any other form of challenge and/or support required, and this may be reflective of the general socio-economic status of most African countries.

Transition economy governments seek ways to move from controlled economies to market economies. Some countries (for example Estonia and the Ukraine) seem to be more successful than others (such as Poland and Belarus) in establishing sound institutional and policy frameworks (Klonowski, 2010; Smallbone, Welter, Voytovich and Egorov, 2010; Welter and Smallbone, 2010). Klonowski identified challenges small businesses are faced with and

these include registration processes, poorly structured programmes, low usage of support and poor financing. Smallbone *et al.* (2010) identified institutional deficiencies, regulatory burdens and poor financing as the significant hurdles hampering the success of SMMEs.

Several studies from all over the globe show that governments around the world all acknowledge the important role of the SMME sector and provide extensive support to small businesses in dealing with a range of issues, such as the need for technological support (Wonglimpiyarat, 2011). Krishna (2013) investigated the factors that motivate people to start business enterprises and what drive them to maintain an entrepreneurial spirit, even when facing numerous challenges. This study found that government assistance was one of the main factors serving as motivation to undertake entrepreneurial activity.

The government of the Russian Federation announced that the development and support of SMMEs is one of the most important goals of that country's economic development up to 2020. A long term regional programme for the development and support of SMMEs in Russia's Orel region, from 2009 to 2011, yielded positive growth in the number of SMMEs, turnover, wages and employment. However, it was observed that while there was improvement within the region, the overall rating of SMMEs in the Orel region on the same criteria decreased in comparison with those of the entire country. This decrease was associated with the low efficiency of budget spending in the Orel region, indicating that the intervention measures undertaken by the Orel regional government to develop and support SMMEs were inadequate. Problems identified by the study are: the need to improve regional legislation on SMME development and support, credits granted to SMMEs in the region were mostly short-term loans, immature credit portfolios and low levels of financial literacy of SMMEs, and lastly the absence of business incubators (Spasskaya, 2013). As Smallbone and Welter (2010) advised; governments have to ensure that there is effective institutionalisation of SMME policy which involves different forms of partnership between different levels of government and relevant private sector entities.

It serves no purpose for governments to have good intervention mechanisms if the intended recipients are not aware of it. In studies about "the effectiveness of government-sponsored programmes in supporting the SME sector in Poland" (Klonowski, 2010) and government support for women entrepreneurs in Russia and the Ukraine (Lakovleva, Solesvik and Trifilova, 2013), these researchers found a low level of awareness for support programmes among small businesses. This, the authors said, led to low utilization of support programmes and ultimately affected the effectiveness of such programmes.

On the flip side, Paul, Hamzah, Smah, Ismail and D'Silva (2013) identified over-dependence on government as one of the issues that hindered small business development in Malaysia. Small business owners failed to recognize opportunities in the market because they relied on government to be involved in every initiative. Indeed, a study by Adebisi and Gbegi (2013) in Nigeria shows how over-dependence on government can lead even researchers to view government support as the panacea to 'all' challenges facing small businesses.

Social entrepreneurship is a form of entrepreneurship aimed at alleviating the social problems of poverty, discrimination or exclusion (Estrin, Mickiewicz and Stephan, 2013). It refers to the establishment of non-profit making institutions such as non-government organisations (NGOs). While these organisations may not be commercially driven, they are regarded as being able to contribute to the socio-economic well-being of countries by providing essential services such as job creation and training. Social entrepreneurship is therefore viewed as an important contributor to economic growth. Furthermore, Estrin *et al.* (2013) found that the country-level prevalence rate of social entrepreneurs has a significant positive effect on the likelihood of individuals becoming commercial entrepreneurs. Governments have to nurture social entrepreneurs and social entrepreneurship for the possibility that they might be laying a foundation for commercial enterprises. These authors also argue that governments need to

control the level of welfare support they provide to their citizens because individuals may forego opportunities for commercial entrepreneurship if welfare support provides sufficient alternative income.

Place attachment is described as the emotional bond between person and place (Hallak *et al.*, 2013). This is an environmental psychology concept which posits amongst others that, place attachment can encourage individuals to actively protect and engage in pro-environmental behaviour (Wolf, Krueger and Flora, 2014). Hallak *et al.* (2013) found that 'place attachment' of Small and Medium Tourism Enterprises (SMTEs) in South Australia had a direct positive effect on the level of support business owners provide to people of their towns. Owners that have an attachment to the towns in which they operate offer different forms of support to their communities and they also receive patronage in return. They also found that SMTEs who engage with the community outperform those that do not.

Social entrepreneurship and place attachment in itself are not challenges, but a lack of both has been identified as factors that can hamper SMME development. These are unusual concepts that are likely to go unnoticed, leading to an incorrect diagnosis of the reasons for poor SMME development.

SMME SUPPORT ENTITIES IN MAHIKENG

This study was conducted amongst SMMEs in Mahikeng, the provincial capital of the North West province in South Africa. Mahikeng is a peri-urban area which, according to the Mahikeng Local Municipality website, has approximately 271 500 citizens, a majority of whom live in the surrounding rural villages. This section seeks to provide an insight of the situation within which this study took place, but, unfortunately, efforts to obtain official information in terms of the total number of SMMEs in Mahikeng, a breakdown per economic sector and ownership, and contribution to the GDP and employment creation, were unsuccessful. However, the three main public entities supporting SMMEs in Mahikeng provided the following input.

Mahikeng Local Municipality

According to Mr Tebogo Sega, an SMME Officer at the Mahikeng Local Municipality (MLM), SMMEs are currently estimated to form less than 2% of businesses in Mahikeng, which is significantly less than their targeted 8%. Mr Sega added that about 98% of SMMEs that approach their offices for assistance require funding, whereas their institution places emphasis on non-financial assistance, particularly training. He also said that the major challenges that he identified to be facing SMMEs include:

- **Funding**

Funding needed to undertake certain projects, to establish infrastructure and to buy stock. Unfortunately, the municipality has inadequate funds to assist many SMMEs and those who request funding are referred to the Department of Trade and Industry.

- **Mentoring**

Enabling entrepreneurs to operate their businesses professionally, as some to them approach the municipality without any experience to manage such businesses, Mr Sega lamented that local SMME owners seem not to understand the difference between entrepreneurship and tendering. He added that many SMME owners establish their businesses for the sole purpose of bidding for government tenders, yet they do very little to acquire knowledge on tendering processes resulting in SMMEs from other areas winning many tender bids. He also pointed out that there is a reluctance of many informal traders to formalise their businesses through

registration with the Companies and Intellectual Property Commission and the South African Revenue Services (SARS).

- Lack of communication

The lack of communication about support programmes that are available to SMMEs leads to a lack of awareness and low utilisation of available support. Mr Sega said SMMEs often have no idea of what government has in plan for them. A lack of awareness and low utilisation may also be due to ignorance and a lack of interest on the part of aspirant SMMEs. He also pointed out that there is a Local Economic Development Forum which was formed to coordinate all stakeholders but which currently is not functional.

- Access to infrastructure and land

Caused by a lack of coordination and cooperation between entities that own land, namely, the provincial government, the Mahikeng Local Municipality, traditional leadership and private owners.

Small Enterprise Development Agency (SEDA)

The SEDA regional office is situated in Mahikeng and provides service to the Ngaka Modiri Molema District Municipality which comprises of five local municipalities (Mahikeng, Ditsobotla, Ramotshere Moilwa, Ratlou and Tswaing). The following information was provided by the branch manager, Mrs Morongwa Moseki.

The services provided by SEDA (Mahikeng) to SMMEs include: business advisory services, business planning, mentoring and coaching, entrepreneurship training, support for co-operatives, business linkages, technology support, and also product development. Of interest for this specific study are the types of support requested by SMMEs in Mahikeng: business planning, funding, training, mentoring, marketing, product development, and also assistance with trade exhibitions. The greatest challenges, according to SEDA, for SMMEs in Mahikeng are: access to finance, infrastructure, and access to markets.

Mrs Moseki also added that most SMMEs in Mahikeng are aware of the services they provide and regularly make use of it. Seda distributes information brochures and conducts regular outreach programmes, weekly briefing sessions and visitations to establish awareness of their services and to facilitate utilisation of their support services. Mrs Moseki commented that the intervention programmes from government and its agencies are sufficient and effective in assisting many SMMEs in Mahikeng to be successful. But, however, SMMEs in Mahikeng do not receive sufficient support from the private sector because of the underdevelopment of this private sector in Mahikeng.

According to Mrs Moseki, 'individualism' was the leading cause of failure among SMMEs because it prevents such SMMEs from sharing vital information, bargaining collectively and learning from each other. Her advice to SMMEs in Mahikeng is to subscribe to forums, use business plans as a guide, develop succession plans, improve their businesses through learning, and to refrain from copying others.

Department of Finance, Empowerment and Economic Development (FEED)

Another public structure tasked with providing support to SMMEs is FEED, offering both financial and non-financial support initiatives. The training officer, Mr Odnight Mogotsi, provided the following observations.

The different type of financial support made available by FEED include grants of up to R100 000 for the purchase of machinery on the condition that SMMEs are registered, operational, have a site from which they operate, in possession of a valid clearance certificate, and are in need of machinery that will enhance the operation of the SMME.

Mr Mogotsi indicated that the different types of non-financial support provided to SMMEs are inclusive of: assistance with business registrations, free registration with CIPC, assistance with tax returns, compilation of tax returns, ensuring compliance, a Central Supplier Database, assistance with e-tendering, promotion of local procurement, training, capacitation of businesses, cooperation with other public agencies, synchronisation of training provided by different entities, training based on the needs of individual businesses, access to markets, facilitation of access to flea markets, assistance with trade exhibition, establishment of market linkages, export assistance, and also product development (assistance with R&D, technological assistance, exposure to different markets).

Mr Mogotsi is of the view that most SMMEs in Mafikeng are aware of and utilise the support services provided by FEED. He said that they have awareness programmes such as Setsokotsane, as well as the Villages Towns and Small Dorpies initiative, which are extensively advertised on television, radio, the internet and various print media. He also said that SMMEs regularly consult them for advice and they offer various forms of training programs as well.

However, similar to any other support agency, the greatest challenges for SMMEs, according to FEED, in Mahikeng are: funding, training, and access to markets. Mr Mogotsi said the leading causes of failure of SMMEs are a lack of skills; and a lack of determination, perseverance and commitment, copying other people's ideas; and the misappropriation of property.

Various other local financial institutions, such as commercial banks, referred enquiries to their respective head offices and efforts to obtain information were unsuccessful.

The information presented above is included to shed light on the background and setting within which this study was conducted. The three institutions are public institutions tasked with the responsibility to assist, support and empower SMMEs; with a view to create local employment, alleviate poverty and grow the economy. They all have a similar mandate which is, to all intents and purposes, politically-influenced. All the developmental variables raised by the different entities indicated above could, however, not be included in the research instrument because the information shared was in the form of one-on-one discussions and does not represent the official opinion of the institutions concerned.

POPULATION AND SAMPLING

In order to undertake a research study, it is necessary to ascertain the research population (N) to be analysed for facilitating specific conclusions and to properly answer research questions (Blaikie, 2010). The research population for this study is SMMEs in the formal business sector in Mahikeng.

It should be borne in mind that what is considered as a research population is often too large or cannot be accurately determined to be individually studied. Even if the entire research population is known, it may not be feasible to study it in its totality, in the same way as it is not advisable to select a sample that is far too large. Studying an entire research population or a very large sample, if not necessary, could lead to a wastage of valuable resources, while a too small sample may have a negative effect on the reliability of a study (Check Market, 2017). In such instances, a reasonable sample (n) needs to be drawn from which conclusions can be made about a research population (Lamb, Hair, McDaniel, Boshoff, Terblanche, Elliot and

Klopper, 2015) who furthermore recommend the subsequent aspects to be considered when drawing a sample for research purposes.

Population size

The size of the research population for this study is the total number of SMMEs in Mahikeng, of which an official number is unknown due to a lack of all-inclusive records. A sampling frame was improvised and compiled from names listed in the Mahikeng business section of the North West telephone directory, as well as lists obtained from the Mahikeng Local Municipality, the Small Enterprise Development Agency (SEDA), and the Department of Finance, Economic and Enterprise Development (FEED) seeing that none of these entities could provide a list/database that could be considered a comprehensive and representative record of SMMEs in the Mahikeng-area. The improvised sampling frame yielded the names of 511 SMMEs from which a sample was drawn. In addition, sample size is also determined by the confidence levels and margins of error to be tolerated.

Confidence level

Confidence level is an indication of the certainty that a specific percentage of a research population will respond and it would then be possible to determine how often these responses would fall within an established margin of error. In order to achieve a confidence level of 95% with a margin of error of 5%, a general rule of thumb is that a sample of at least 278 respondents from a population of 1 000 is required.

Margin of error

The margin of error is the positive or negative deviation allowable in the sample results. This deviation represents the difference in the possible response of the research population and that of the sample. In other words, it indicates the extent to which the opinion of the sample differs with that of the population. A margin of error is determined and represents the certainty with which the research findings of a study can be interpreted. The lower the margin of error desired, the bigger the sample required.

Sampling

A sample is a subset of the research population participating in a study (De Meyer, 2014) and this subset should not be drawn haphazardly but should be a microcosm “that closely reproduces or represents features of interest” (Neuman, 2014:247) exhibited by a research population. Furthermore, there is always the possibility that not all respondents who have been identified and selected would be available or even respond positively to participating. To increase the response rate for the purpose of this study, the data collection instrument was personally administered by the researcher.

Thorough planning is necessary to ensure that all the following aspects are considered for a cost effective, yet efficient study. Due to the inherent time- and finances-limitations of most research studies, sampling is used and sampling determines the area or location to be covered, the number of people who will be approached, the number of fieldworkers, costs, time and capacity requirements (Wiid and Diggins, 2015).

A sample should ideally be drawn from a verifiable and credible sampling frame such as; a list of addresses, housing units, a voters’ roll, or a telephone directory, as recommended by Fowler (2014). The sample size determined for the purpose of this study was 429 SMMEs and it was calculated using the formula obtained from Survey Monkey (2017). Out of the 429 sample members approached, 421 interviews were successfully completed with only 8 of the

respondents not being available. It should be mentioned that in some cases more than 1 approach was required.

Sample size =

$$\frac{\frac{z^2 \times p(1 - p)}{e^2}}{1 + \left(\frac{z^2 \times p(1 - p)}{e^2 N}\right)}$$

Population size = N ; margin of error = e ; z-score = z

The z-score is the number of standard deviations a given proportion is away from the mean. The right z-score to use was as per the guideline provided by Survey Monkey (2017).

RESEARCH RESULTS

This study yielded results obtained from eight economic sectors as identified by the pilot study. The responses received reflect the number of SMMEs in each one of the economic sector. Most of the respondents who participated in this study were SMMEs in the retail sector of the Mahikeng-area, and most of the responses emanated from that sector, as illustrated in Figure 1.

FIGURE 1:

Business sector of SMMEs

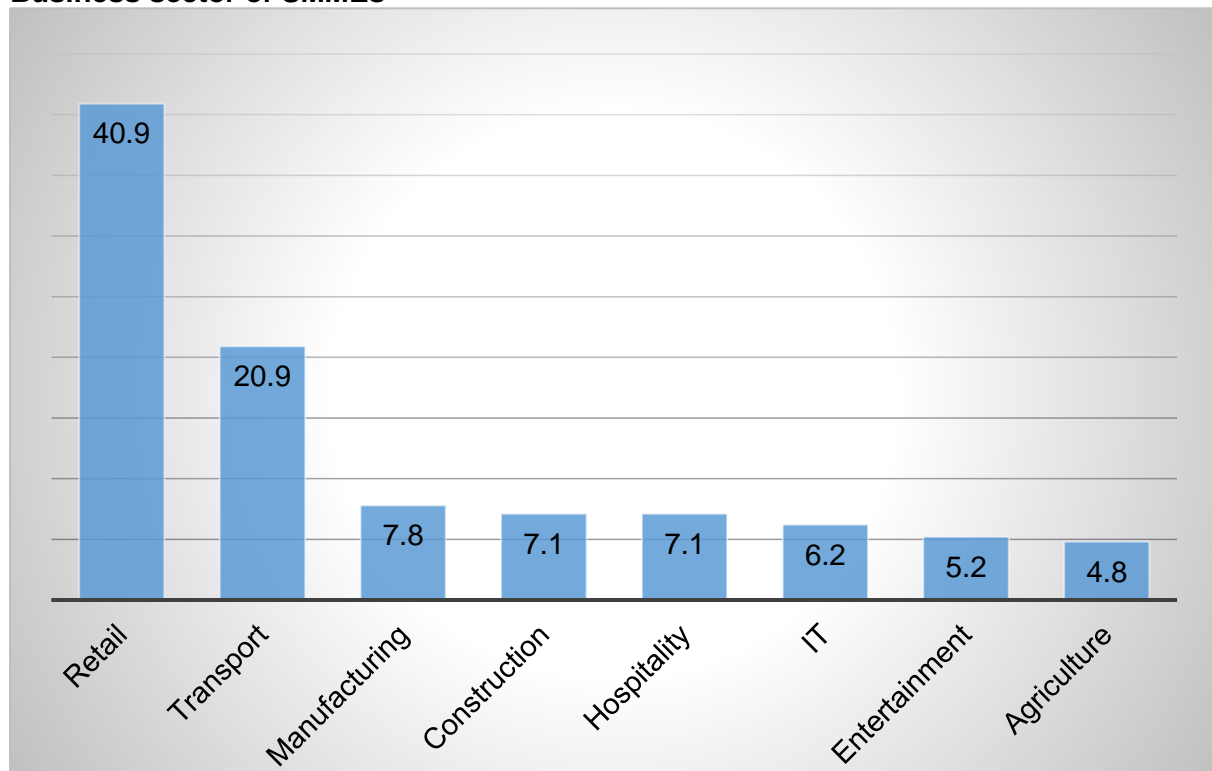
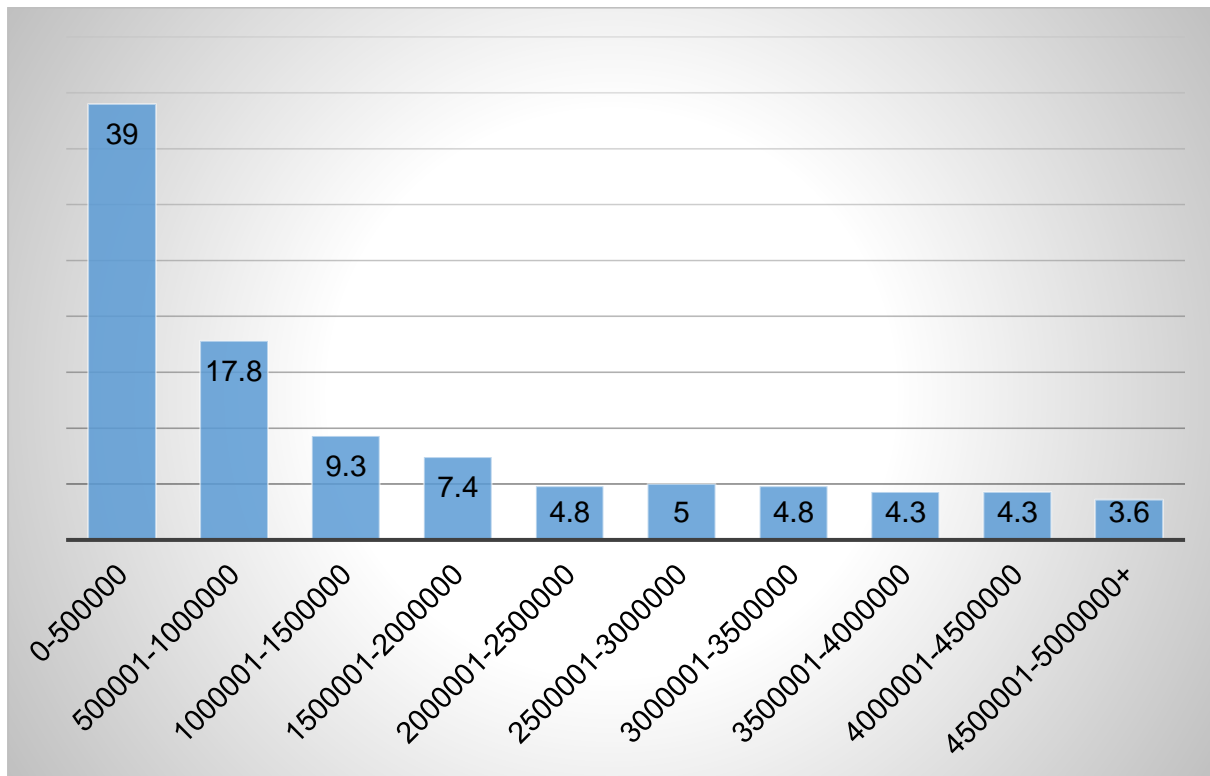


Figure 2 indicates that a large percentage of the SMMEs have an annual turnover of up to R500 000. In fact, almost 60% of the SMMEs have a turnover of R1 000 000 or less, indicating that the participants are SMMEs indeed.

FIGURE 2:
Annual turnover (R)



The study included 15 variables that were identified from the literature review to determine what SMMEs in Mahikeng perceive as developmental challenges. The results obtained after the data was statistically analyzed are presented in Table 1.

TABLE 1:
SMME developmental challenges

Challenges	Agree		Somewhat agree		Somewhat disagree		Disagree	
	f	%	f	%	f	%	f	%
Complex business registration processes	406	96,4	0	0	4	1,0	11	2,6
Lack of financial training	416	98,8	5	1,2	0	0	0	0
Lack of managerial skills	412	97,9	4	1,0	2	0,5	3	0,7
Poor infrastructure	408	96,9	5	1,2	2	0,5	6	1,4
Lack of business opportunities	409	97,1	2	0,5	6	1,4	4	1,0
Lack of technology support	408	96,9	4	1,0	2	0,5	7	1,7
Lack of training	418	99,3	2	0,5	0	0	1	0,2
Inadequate business support information	413	98,1	3	0,7	3	0,7	2	0,5
Entrepreneurial motivation	406	96,4	8	1,9	5	1,2	2	0,5
Lack of social entrepreneurship	96	22,8	12	2,9	20	4,8	25	5,9
Lack of place attachment	157	37,3	24	5,7	28	6,7	212	50,4
Overdependence on government	359	85,3	17	4,0	20	4,8	25	5,9
Lack of awareness for support programs	382	90,7	22	5,2	4	1,0	13	3,1

Low utilization of support programs	378	89,8	22	5,2	8	1,9	13	3,1
Lack of access to finance	405	96,2	7	1,7	0	0	9	2,1

A reliability analysis was performed on the results indicated in Table 1 and generated an Alpha value of 0.711, as per Table 2. This Alpha value is regarded as reliable.

TABLE 2:

Reliability analysis: SMME developmental challenges

Statistics	
Cronbach's Alpha	Number of items
.711	15

The results of the KMO and Bartlett's Test on the SMME developmental challenges are presented in Table 3 and indicate a good validity index.

TABLE 3:

Validity analysis: Challenges for SMME development

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.714
Bartlett's Test of Sphericity	Approx. Chi-Square	5985.732
	Df	105
	Sig.	.000

The results obtained for the KMO are >0.7 and this indicates that the sample is adequate for a factor analysis to be performed. Table 4, Table 5 and Table 6 indicate the initial factor solution, the rotated factor solution, and the Eigenvalues for the SMME developmental challenges.

TABLE 4:

Initial Factor Solution: SMME developmental challenges

Variable	Factor 1	Factor 2	Factor 3	Factor 4
Complex business registration processes	0.892	0.288	0.017	0.056
Lack of financial training	0.452	0.229	0.265	0.158
Lack of managerial skills	0.731	0.318	0.26	0.015
Poor infrastructure	0.85	0.324	0.197	0.007
Lack of business opportunities	0.899	0.315	0.038	0.038
Lack of technology support	0.83	0.311	0.199	0.094
Lack of training	0.409	0.018	0.589	0.235
Inadequate business support information	0.564	0.052	0.652	0.007
Entrepreneurial motivation	0.338	0.119	0.707	0.114
Lack of social entrepreneurship	0.048	0.273	0.161	0.805
Lack of place attachment	0.008	0.309	0.131	0.802
Overdependence on government	0.336	0.614	0.022	0.139
Lack of awareness for support programmes	0.738	0.61	0.04	0.15

TABLE 5:**Rotated Factor Solution: SMME developmental challenges**

Variable	Factor 1	Factor 2	Factor 3	Factor 4
Complex business registration processes	0.842	0.16	0.378	0.071
Lack of financial training	0.582	0.029	0.034	0.11
Lack of managerial skills	0.821	0.13	0.051	0.091
Poor infrastructure	0.898	0.162	0.16	0.089
Lack of business opportunities	0.879	0.156	0.327	0.086
Lack of technology support	0.888	0.142	0.165	0.001
Lack of training	0.145	0.007	0.735	0.097
Inadequate business support information	0.183	0.183	0.816	0.116
Entrepreneurial motivation	0.035	0.096	0.794	0.004
Lack of social entrepreneurship	0.018	0.023	0.015	0.865
Lack of place attachment	0.016	0.067	0.028	0.866
Overdependence on government	0.044	0.704	0.109	0.032
Lack of awareness for support programmes	0.28	0.894	0.253	0.005
Low utilization of support programmes	0.344	0.866	0.244	0.012
Lack of access to finance	0.002	0.899	0.128	0.085

Rotations were performed with the intention to establish correlations between different variables with a view that this would result in a group of factors that can be easily interpreted. As a result, four factors as indicated in Table 7 below were extracted, from which the factor analysis was then executed.

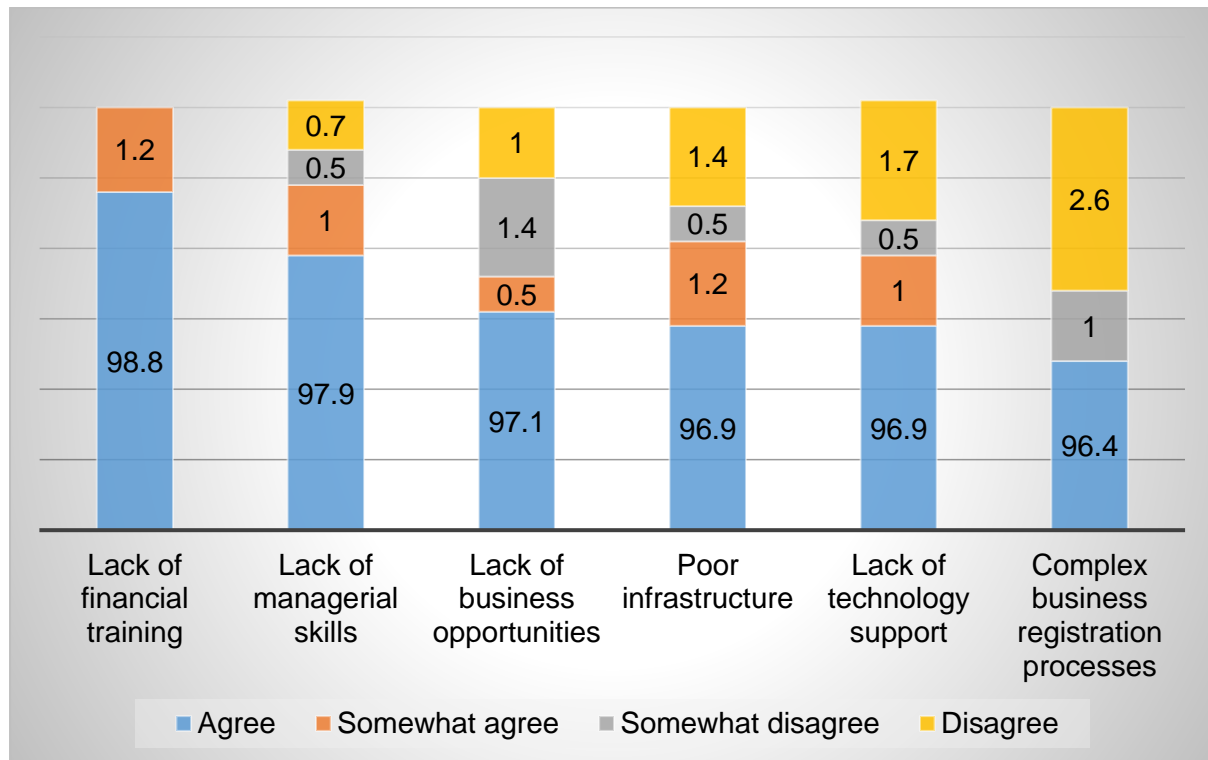
TABLE 6:**Eigenvalues of SMME developmental challenges**

Component	Initial Eigenvalues		
	Total	% of Variance	Cumulative %
Factor 1	5.743	38.287	38.287
Factor 2	2.368	15.788	54.075
Factor 3	1.626	10.842	64.917
Factor 4	1.487	9.915	74.832

Figure 3, Figure 4, Figure 5 and Figure 6 are graphical representations of the percentages obtained from the data collection process for variables that form factors whose Eigenvalues are provided in Table 6.

FIGURE 3:

Factor 1: SMME developmental challenges



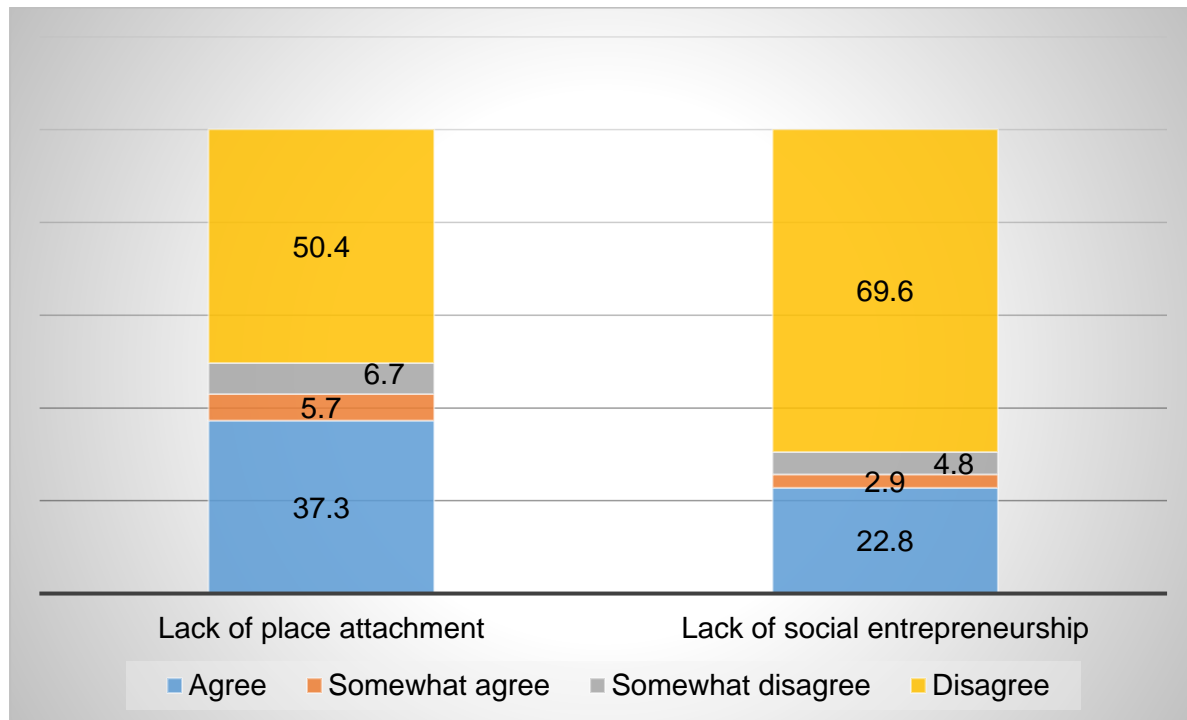
The results in Figure 3 summarize the challenges faced by SMMEs in Mahikeng and in turn pose a challenge for support institutions to assist in reducing, or preferably eliminating, these barriers. For instance, business registration processes are often a legal requirement by government and if such a requirement is perceived as an obstacle by SMMEs, then professions of support from government will ring hollow. It is also mainly the responsibility of government to facilitate the provision of infrastructure that enhances other challenges such as 'lack of technology support'. Almost all of the challenges identified above can be alleviated by appropriate support initiatives from both the public and public sectors.

A lack of managerial skills is viewed as a personal developmental challenge, whereby, business people are expected to empower themselves through skill-development. However, assistance from support institutions can greatly enhance a person's ability to empower oneself through the provision of formal training and workshops.

A lack of business opportunities can be associated with the inability to compete with established organisations, or a lack of resources to exploit such opportunities.

FIGURE 4:

Factor 2: SMME developmental challenges



Respondents mainly did not agree that a lack of social entrepreneurship and a lack of place attachment affect the developmental ability of an SMME. It is, however, observed that many of the respondents did not fully understand what these two concepts entailed. Based on such a lack of understanding, the results obtained from the two variables may not be a true reflection of what SMMEs perceive as challenges in this regard.

As reflected in Figure 5, almost all of the respondents identified a lack of training as a challenge for SMME development, which opens an avenue of support needed from both the public and private sectors. SMMEs also indicated that there was not sufficient information available about and from support institutions concerning available programs to assist SMMEs in their developmental challenges.

In what can be seen as a personal indictment or perception about SMMEs' counterparts, is that 96.4% of SMMEs agreed that some SMMEs do fail to develop as a result of a lack of motivation by owners and/or management. An overwhelming 96.2% of the SMMEs indicated that a lack of access to finance is a challenge, which is consistent with the findings from the studies cited above. A further 90.7% of the respondents agreed that there is a lack of awareness among SMMEs about support programs, as indicated in Figure 6. For example, respondents mentioned that while they are aware that SEDA supports SMMEs, they are not aware of other programs offered by SEDA other than assistance with business registrations and business plans. Some respondents indicated that they are aware only of the SMME training provided by FEED but not aware of programs such as export assistance, also on offer. There is also the possibility that aside from SMMEs' own ignorance or indifference, there is a link between inadequate business support information and a lack of awareness for available support programs.

FIGURE 5:

Factor 3: SMME developmental challenges

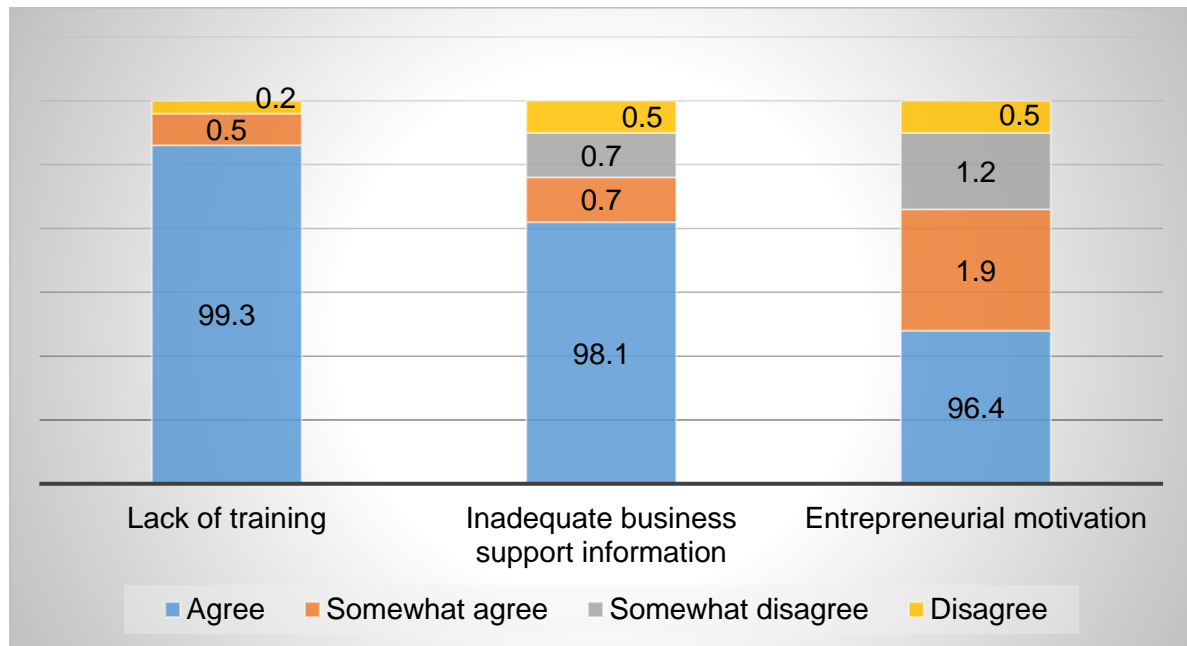
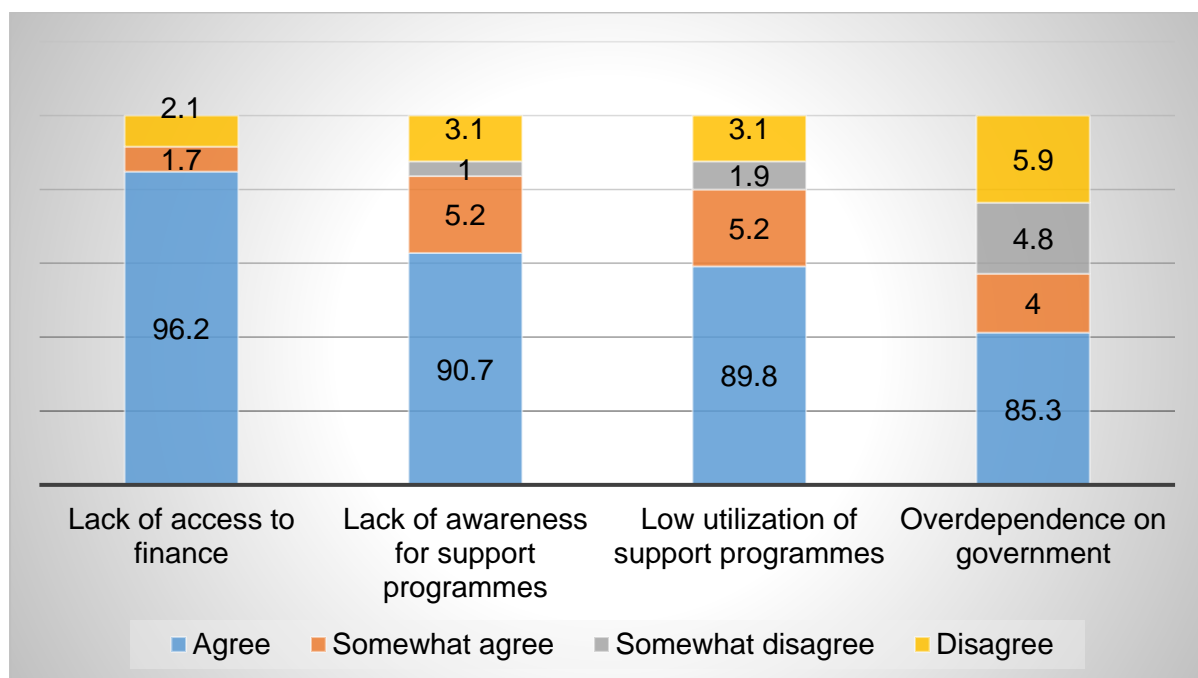


FIGURE 6:

Factor 4: SMME developmental challenges



MANAGERIAL IMPLICATIONS

The aim of this study was to identify the challenges SMMEs believe are potential barriers hampering their development. The SMMEs participating in this study identified similar challenges hampering their development, which is influenced by the fact that SMMEs in Mahikeng operate within the same economic environment. Such similarities complicate the situation, because the possibility is that a majority of SMMEs, and by implication this entire economic sector, will adversely be affected. Unlike when there is a contrast in challenges, whereby, some SMMEs will be affected and others not. The latter provides a more conducive alternative because it enhances the capacity to offset losses on the one part through gains from the other. A review of support programmes is necessary with a view to introduce diversity in order to cater for the varying needs, to eliminate duplications and to do away with ineffective programmes.

SMMEs in Mahikeng are further hamstrung by the fact that the three support providers indicated, namely MLM, SEDA and FEED, are all public institutions with a similar mandate, similar objectives, similar capabilities and an apparent connection in that they collaborate in many support activities offered to SMMEs. The availability of strong private support institutions, which Mahikeng lacks, is envisaged to become a viable alternative for SMME support.

The only variables (challenges) that received low ratings were a lack of social entrepreneurship and lack of place attachment. It is apparent that many of the SMMEs who participated as respondents are not familiar with these two concepts; thus, it cannot be accepted as valid challenges.

The research findings of this study address the research question and the objectives of this study, and are specifically essential because of the value these findings add to the planning of the private and public support institutions regarding the developmental challenges SMMEs have to face. This study revealed that SMMEs are in need of specific identified support to be able to deal with specific identified challenges and this should be reflected and incorporated into the formulation of support programs, as well as prioritising specific support programs.

CONCLUSION

This study sought to confront the challenges SMMEs in Mahikeng face by first reviewing challenges experienced by other SMMEs. Such an approach provided an opportunity to gain insight into a wide variety of challenges, as well as situations within which the challenges arise and its derived influence. A list of challenges was drawn from the literature review and tested in the Mahikeng SMME environment in order to base measurements against real situations. Valid conclusions were reached which hopefully contribute towards assisting SMMEs and their support provides to overcome, and if possible eliminate, the challenges. Although these findings cannot be generalised, it provides a meaningful insight into the developmental challenges of SMMEs which might be applicable to other provinces and areas in South Africa and replication of this study would yield results for comparative purposes which could then be used for formulating support initiatives for SMMEs on a national basis.

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Entrepreneurial funding in South Africa: bridging the gap

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Keywords: Entrepreneur, Funding, Obstacles

ABSTRACT

During the 2018 National Treasury's Budget Review (2018: 64) the issue of funding for entrepreneurs was addressed on how to unlock funds for their businesses through a new initiative. The planned operating date for this fund is due 2019/2020. The provisional allocation of R2.1 billion for South African entrepreneurs indicates the importance of entrepreneurship as part of the gross domestic product (GDP) of the country. New entrepreneurs are not aware of this fund being made available to them. Various other institutions exist that provide funding for entrepreneurs. These institutions all have different requirements that might disqualify or discourage new entrepreneurs to apply for funding. Therefore, the problem continues to persist that entrepreneurs do not know how and where to apply for funding with their limited resources that do not meet the requirements of funding institutions.

According to the South African report of 2015/2016 the Global Entrepreneurship Monitor (2016: 7) the three most important factors constraining entrepreneurial activity were access to finance, government policy, and education and training. Nieman and Nieuwenhuizen (2018: 219) also stated that the most difficult obstacle faced by entrepreneurs is obtaining funding for their new business ventures. It is vital for entrepreneurs to first determine the financial needs of their venture. With funding being the most important barrier, it is crucial that entrepreneurs are linked with the appropriate funders.

Entrepreneurs are faced with various obstacles when starting their own venture. The main obstacle being that they do not receive or have had access to adequate education or training to start their own business. The main problem is found in the process of applying for funding. Therefore, a need exists for entrepreneurs to know what sources or institutions of finance are available for them to use as well as what the list of requirements are to obtain funding.

A qualitative research design will focus on a content analysis of published data. Information will be gathered from the application processes of various South African government funding institutions.

Preliminary findings suggest that entrepreneurs do not have the necessary knowledge and skills to identify the relevant sources of South African government funding institutions available to their own set of needs. Although various websites and sources exist providing information

on funding for entrepreneurs, there is still a need to develop means to fit the specific requirements of the funding institution with the entrepreneur.

The findings of this study will be used to develop a prototype framework to assist entrepreneurs in the funding process. Information gathered on the application processes of various funding institutions will form the basis of the development of this framework. The aim of this framework is to: process required application information during the funding process of the entrepreneur; generate validated application processes of funding institutions, and provide recommendations of key information still absent for application completion. This framework intends to contribute to the process to help ensure that the South African entrepreneur is directed to the suitable South African government funding institution.

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Investigating the entrepreneurial intentions of the university of technology students in South Africa by applying the theory of planned behaviour

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ABSTRACT

The South African work-force has suffered high scale of retrenchment over the previous years causing many to be jobless. In the beginning of the third quarter of 2017 the unemployment rate was standing at 27.7% from 26.6% in 2016 registering an increase of 1.1%. This should cause entrepreneurial activities to increase to counter balance unemployment. Unfortunately, in South Africa, the entrepreneurial activities do not show any promising increase as compared to the rest of the entire African region. The concept of entrepreneurship has therefore been integrated into the education system with an aim to increase the entrepreneurial intentions of students. The 2017 GEM report on South Africa indicates a decline of the entrepreneurial intentions of the population aged 18-64 years from 19.6% in 2010 to 10.1% in 2016. This poses a serious threat to the country's economic growth. This study, therefore, aims at investigating the entrepreneurial intentions of the students of a University of Technology in the Southern region of the province of Gauteng in South Africa.

In search of a business opportunity, entrepreneurs would study and observe trends in the market. They would enter in new markets and offer new products, but all of this is rarely a process of unintentional behaviour. Based on this premise, researchers have shifted their focus from studying the characteristics of existing entrepreneurs to studying factors leading to a decision to start a business. The Theory of Planned Behaviour (TPB) has been applied in many fields to determine intentions of individuals to perform a behaviour. According to TPB, human behaviour is guided by three kinds of considerations, namely: the beliefs about the likely consequences or other attributes of the behaviour, beliefs about the normative expectations of other people, and beliefs about the presence of factors that may further or hinder performance of that behaviour.

The research design used in this study is the quantitative-descriptive research design. A structured questionnaire is utilised and a simple random sampling is employed. Once data is collected, it will be subjected to statistical analysis by means of factor analysis, correlations, t-test, AMOS model fit and hypothesis testing using structural equation modelling (SEM). Students enrolled for entrepreneurship module at a University of Technology based in Gauteng Province will be selected randomly, and the sample size will be set at n= 300 respondents.

The anticipated findings of this study are that students will show a high level of entrepreneurial intentions given the fact that very few hope to get jobs either in the private or public sector because of the perceived corruption during job appointments. In conclusion, students' entrepreneurial intentions are high but the actual carrying out of these intentions become hindered by other external factors not included in the antecedents of the TPB. The study recommends that the entrepreneurship education should include ways and tactics to deal with other external factors which could hinder the intentions of students to start their own businesses. This will probably increase the Total Early-Stage Entrepreneurship Activity (TEA) in South Africa.

Interpretations of business success: perspectives of South African small business owners

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ABSTRACT

Numerous researchers agree that there is no consensus on the meaning of 'business success'. However, defining success is of importance because if business owners do not know how to define or interpret business success, or what they are working towards, they will not know what decisions to make in order to be successful. The aim of this study was to obtain greater insights into the concept of 'business success' in the context of South African small businesses. Convenience sampling was used to identify small business participants and word association tests were administered to collect the data. Summative content analysis was used to analyse the data retrieved from the word association tests. A successful small business was mostly perceived by the small business owner participants in this study as one that is characterised by discipline, drive and determination, is customer-focused, receives financial returns and provides quality service.

INTRODUCTION, PROBLEM STATEMENT AND PURPOSE OF STUDY

Small and medium sized enterprises (SMEs) play a significant role in almost every economy in the world (Fatoki and Odeyemi, 2010: 128; Jones, 2016), representing approximately 99 percent of all businesses worldwide (Hlonitshwayo, 2012; Mazzarol, 2014) and 91 percent of all businesses in South Africa (Vallabh and Mhlanga, 2014: 532). Despite the importance of SMEs, Bowen, Morara and Mureithi (2009: 16) contend that these businesses still experience high failure rates and report poor levels of performance. More specifically, SMEs in South Africa face one of the highest failure rates in the world (Burger, 2016; Olawale and Garwe, 2010: 730). Burger (2016) as well as Olawale and Garwe (2010: 730) further state that up to 75 percent of South African SMEs fail. According to Vallabh and Mhlanga (2014: 532), 30 percent of South African SMEs do not even surpass the first year of operation. Numerous reasons for SME failure have been identified in literature, varying from a shortage of management skills to a lack of access to financing (Fatoki and Odeyemi, 2010: 128; Muriithi,

2017: 43-44). Muriithi (2017: 43-44) further identifies a lack of reliable business information (from both the government and service providers), government support and managerial competencies and capabilities, as well as corruption and negative customer perceptions as common reasons behind SME failure. Burger (2016) is of the opinion that SMEs fail due to a lack of basic skills, operating in an inadequate market, having a poor or non-existent business plan and a lack of financial literacy.

Interpretations of failure, or success for that matter, do however, have different meanings for different people, and different meanings under different circumstances (Farrington and Venter, 2014: 2), especially if that meaning is placed in the context of a business (Reijonen and Komppula, 2007: 690). Numerous researchers agree that there is no consensus on the meaning of 'business success' (Acs, Glaeser, Litan and Fleming, 2008: 11; Mahmood and Hanafi, 2013: 84). However, defining success is of utmost importance. If business owners do not know how to define or interpret success, or what they are working towards, they will not know what decisions to make in order to be successful (Haneberg, 2007: 37). Goals act as important measures of success (Daft, Murphy and Wilmott, 2010: 57), because success is generally interpreted in terms of whether certain goals have been achieved or not (Elate, 2007). Daft *et al.* (2010: 57) argues that the achievement of goals implies that one has been successful, whereas failing to achieve one's goals implies that one has been unsuccessful. The relationship between goals achieved and perceptions of success is thus clear.

Although several attempts have been made to define success in the context of businesses (Reijonen and Komppula, 2007: 690), to date no single acceptable definition exists (Ganyaupfu, 2013: 2). Past research has primarily focused on the level of employment, profit, sales revenue and return on assets as indicators of business success (Zellweger and Nason, 2009: 203). However, Short, Payne, Brigham, Lumpkin and Broberg (2009: 12) and Zellweger and Nason (2009: 203) are of the opinion that profit maximisation has been incorrectly identified as the most important or in some cases even the sole goal of all businesses. Cater and Justis (2009: 111) and Short *et al.* (2009: 12) agree, stating that non-financial goals often take priority over goals like growth and profitability and are therefore important measure of success in businesses. According to Zellweger and Nason (2009: 208), non-financial goals (such as family harmony, employing family members, family well-being, long-term continuity and successful succession) have even been known for enhancing the achievement of financial goals. Although the success of businesses is conventionally measured using financial performance (Chrisman, Chua and Litz, 2004: 338; Walker and Brown, 2004: 577), businesses should attempt to use both financial and non-financial goals as measures of success (Hiernerth and Kessler, 2006: 115).

The purpose of this study was to obtain greater insights into the concept 'business success' in the context of South African small businesses. To achieve this purpose, the primary objective was to determine the interpretations of 'business success' among small business owners by using word association tests. Word associations allow individuals to project their most internal beliefs regarding particular topics (Hofstede, Van Hoof, Walenberg and De Jong, 2007: 301). The following research question was specifically addressed in this study: What does 'business success' mean to small business owners in South Africa?

Once it is established how small business owners interpret success, an overall description of the concept can be formulated. It is this overall description that small business owners can then use to guide goal-setting processes and future strategic planning in their businesses. Better strategic focus and planning could reduce the likelihood of small business failure and ultimately improve South Africa's economic situation. An overall description of 'business success' can also provide researchers with guidelines on defining and operationalising success as a dependent variable in small business studies.

LITERATURE OVERVIEW

Perceptions of success in general

Despite 'success' being something that everyone strives for (Seger, 2011), it is an abstract concept which quite often has different meanings for different people. As such it is a difficult and complex to determine what 'success' actually means (Lendel, 2014). Numerous definitions of success exist (Campbell, 2009: 3; Ganyaupfu, 2013: 2; Reijonen and Komppula, 2007: 690), making it difficult to find a single acceptable definition thereof (Ganyaupfu, 2013: 2).

According to Seger (2011), 'success' is defined as the amount of money a person earns or the amount of material assets he or she owns. However, others regard success as experiencing personal satisfaction rather than having an important title or receiving a high salary at the end of each month (Campbell, 2009: 1). Douglass and Douglass (1993: 178) combine the definitions of both Campbell (2009: 1) and Seger (2011), stating that "a person achieves success when experiencing feelings of personal satisfaction, owning material belongings and gratifying one's mission in life". Monfried (2014) describes success as "something as simple as waking up in the morning, getting out of bed and filling one's mind with optimistic thoughts about the rest of the day". Monfried (2014) further adds that the true meaning of success is "feeling optimistic in life and reducing the number of down days".

The Oxford (2014) and Webster (2014) dictionaries describe success as achieving a desired aim, a positive outcome after undertaking a task, or simply a person who succeeds in life. Elate (2007) and Sharma (2008: 3) affirms this by defining success as "the completion of a worthy intention". Chittithaworn, Islam, Keawchana and Yusuf (2011: 181), as well as Keil (2009: 27-28), are of the opinion that success can be explained as achieving certain goals and objectives. Similarly, Elate (2007) contends that a person can be regarded as successful each time he or she achieves a predetermined goal, objective or target.

Perceptions of business success

'Business success' is often used as the dependent variable in academic studies (Farrington and Venter, 2014: 3), implying that a definition thereof is necessary. However, as previously mentioned, 'success' is a complex concept making it difficult to find a single definition thereof. The simplest definition of 'business success' is continued business operations (Reijonen and Komppula, 2007: 691). However, 'business success' can be defined as "the extent to which the firm exhibits a number of indicators of business growth and success" (Karami, 2007: 125). According to Keil (2009: 28-29) and Stephenson and Mintzer (2008: 5), 'business success' can be defined as making a generous profit and having a loyal customer base. Whereas Tan (2013: 141) contends that in addition to being profitable, 'business success' implies having strong business relations, experiencing personal achievement and giving back to the community.

Colli (2012: 245) and Cuseo, Thompson, McLaughlin and Moono (2010) define 'business success' as "attaining the goals set for the business". However, Douglass and Douglass (1993: 178) contend that success should be about achieving both personal and business goals. 'Business success' can be summarised as achieving goals of a financial as well as non-financial nature (Walker and Brown, 2004: 580). Casillas, Moreno and Barbero (2010: 28-30) and Rauch, Wiklund, Lumpkin and Frese (2009: 765) concurs that 'business success' should be measured against both financial and non-financial criteria. However, these criteria are not always related to one another, making it complex to define 'business success'.

Furthermore, 'business success' is the achievement of a task within a specific time frame or within specific constraints. 'Business success' does not necessarily mean the achievement of

an entire task; it might merely mean the achievement of a particular section of the task that was assigned to a specific employee (Business Dictionary, 2014). The same principle is applied to the achievement of goals. Success can either mean achieving a specific goal or merely achieving the objectives that allows one to reach the end goal (Business Dictionary, 2014). Employees might work on different objectives to achieve the same goal. Therefore, the achievement of the objective can be regarded as success for the employee and the achievement of the goal might be regarded as success for the business (Business Dictionary, 2014). From the discussion above, it is suggested that 'business success' is mainly described in terms of making a profit or achieving the goals of a business. However, in addition to the aforementioned several other indicators are identified in the literature as measures of 'business success'. These are summarised in Table 1.

TABLE 1:
Indicators of business success

Indicators	References
Achieving the financial break-even point	Fawaz (2012); Gregoriou, Kooli and Kraeusl (2007); Rodriguez (2014).
Increase in assets	Elate (2007); Lerner, Jacobs and Wertlieb (2003); Mababaya (2002); Stankovic, Jankovic-Milic and Radukic (2013).
Increased profits	Alter (2014); Coleman, Greenfield, Stewardson and Montgomery (2008); Elate (2007); Fawaz (2012); Gorgievski, Ascalon and Stephan (2011); Gregoriou <i>et al.</i> (2007); Karami (2007); Rodriguez (2014); Somers, Cain and Jeffery (2011); Stankovic <i>et al.</i> (2013).
Increased cash flows and/or sales	Coleman <i>et al.</i> (2008); Elate (2007); Gorgievski <i>et al.</i> (2011); Somers <i>et al.</i> (2011).
Increased customer base	Alter (2014); Brown and Clinton (2010); Karami (2007); Vilkinas, Cartan and Saebel (2011).
Growth in full-time employees	Coleman <i>et al.</i> (2008); Elate (2007); Gorgievski <i>et al.</i> (2011); Gregoriou <i>et al.</i> (2007); Karami (2007); Stankovic <i>et al.</i> (2013); Vilkinas <i>et al.</i> (2011).
Increased market share	Elate (2007); Gorgievski <i>et al.</i> (2011); Karami (2007); Pang (2009); Somers <i>et al.</i> (2011).
Quality of products and services	Coleman <i>et al.</i> (2008); Elate (2007); Karami (2007); Schmoch, Rammer and Legler (2006).

Source: Authors' own construction

Although the notion of a 'business success' is a broad one, with different authors displaying different views, the purpose of the literature overview above was not to identify the various predictors and determinants of a business' success, but to illustrate that success has different meanings for different people, and different meanings under different circumstances.

RESEARCH METHODOLOGY

In this study the data were collected qualitatively and analysed quantitatively, hence a mixed research paradigm and methodology were adopted. This method allows a researcher to expand the study's scope as well as provide more meaningful insights (Johnson and Onwuegbuzie, 2004: 14), as it involves the benefits of both quantitative and qualitative research (Bergman, 2008: 12). Furthermore, the study was deductive, descriptive and cross-sectional in nature. The sample in this study consisted of 101 small business owners operating their businesses within the boundaries of the Eastern Cape Province. For the purpose of this study a small business was defined as a business that does not employ more than 50 full-time employees (National Small Business Amendment Act 23 of 2003 in Bosch, Tait and Venter, 2011: 579) and has been in operation for at least one year. Convenience sampling was adopted as it involves selecting individuals who are conveniently available to the researcher

by virtue of their accessibility (Zikmund, *et al.*, 2013: 329; Bryman, 2012: 201; Jackson, 2011b: 102). Fieldworkers were used to approach potential small business owners requesting their participation. Participants were required to complete a continuous word association test which was administered by field workers. Word association tests are projective in nature and involve a form of indirect questioning which results in a better reflection of how a concept is perceived. Projective techniques are considered appropriate tools to unlock hidden or suppressed meanings (Cooper and Schindler, 2006) because the words/phrases recalled reveal the thoughts and feelings of individuals (Tausczik and Pennebaker, 2010). During the test, participants were requested to write down as many single words or short phrases as possible that came to mind when presented with a stimulus term. They were given a 10-minute time period to complete the test and the stimulus word/phrase was a 'successful business'.

The coding framework and the search for codes and themes were guided by the literature and by analysing the data collected from participants. The words/phrases generated were broadly coded as *financial* and *non-financial* indicators of success and were then further subcategorised by searching for themes within the broad categories. In each subcategory, similar words/phrases were grouped together and those that did not fit into a specific subcategory were categorised as *miscellaneous*. The words/phrases recalled were captured and analysed using Microsoft Excel. Three researchers were involved in the categorisation process and consensus was reached through logical argumentation. The various categories and their operationalisation can be found in Table 2.

TABLE 2:
Operationalisation of the coding framework

Category	Financial	Financial indicators of success
Subcategory	Financial	Words/phrases of a financial nature; relating to financial goals.
Category	Non-financial	Non-financial indicators of success
Subcategory	Operational	Words/phrases relating to undertaking specific actions or certain knowledge requirements necessary for operational business success.
Subcategory	Organisational culture	Words/phrases relating to values associated with business success.
Subcategory	Family	Words/phrases relating to specific requirements of family members when working together.
Subcategory	Personal	Words/phrases relating to specific individual indicators of success.
Subcategory	Miscellaneous	Words/phrases that stand on their own and cannot be grouped under a particular category.

Source: Authors' own construction

Summative content analysis was used to analyse the data retrieved from the word association tests. Words and phrases were assigned numeric codes (Hsieh and Shannon, 2005) and the nature of the words/phrases recalled, the first words/phrases recalled (recollection order), and the frequencies of recurring words/phrases were established.

To ensure the reliability of the data collected Sin (2010: 307) and Yang and Miller (2008: 145) suggest the use of coder or interpreter reliability when using projective techniques. Three researchers who were competent (at masters or doctorate level) in the field of family business, analysed and interpreted the words/phrases retrieved from the participants. Where interpretations differed significantly, the word categorisation was questioned and through logical argumentation consensus was reached. Collis and Hussey (2009: 85) and Donoghue (2000: 50) recommend that, to ensure the validity of the data, the interpreters need to be skilled so as to categorise and interpret the responses appropriately. As mentioned above,

three competent researchers were involved in the analysis and interpretation of the data, and the categorisation process was guided by the literature.

EMPIRICAL RESULTS

Profile of participants

In total, 101 small business owners participated in this study. The majority of the participants were male (68.32%), with most being of the White ethnic group (51.49%). The remainder of the sample was Black (17.82%), Coloured (15.84%), Asian (9.90%) and Indian (4.95%). Just more than half (53.47%) of the participants indicated not having a tertiary qualification. Most of the participants were over the age of 40 years (62.38%) and the rest were 40 years of age or younger (37.62%).

The nature of the words/phrases associated with business success

In total 811 words/phrases were recalled by the 101 small business owner participants, an average of 8.03 words/phrases per participant (See Table 3).

TABLE 3:

Word association categories and subcategories (n = 811)

Financial	Non-financial				
Financial	Operational	Organisational culture	Family	Personal	Miscellaneous
100%	52.27%	40.80%	5.73%	0.27%	0.93%
N = 61	N = 392	N = 306	N = 43	N = 2	N = 7
D = 2	D = 30	D = 23	D = 7	D = 1	D = 5
7.52% N = 61 D = 2	92.48% N = 750 D = 66				

(N = Total number of words/phrases; D = Number of different words/phrases)

Source: Authors' analysis of results

From Table 3 it can be seen that the vast majority (92.48%) of the words/phrases recalled were *non-financial* in nature, of which the majority were in the *operational* (52.27%) subcategory, followed by the *organisational culture* (40.80%), *family* (5.73%), *miscellaneous* (0.93%) and *personal* (0.27%) subcategories. It can also be seen that the number of different words/phrases (*D*) found in each category and subcategory varied. Only two different words/phrases recalled related to *financial* indicators. In total 66 different words/phrases were recalled which fell under the broad *non-financial* category. Within the *non-financial* subcategories, the participants mostly associated the meaning of success with *operational* (*D* = 30) and *organisational culture* (*D* = 23) indicators. The various words/phrases recalled in the different categories and subcategories are summarised in Table 4.

TABLE 4:

Categorisation of the words/phrases recalled

Category	Subcategory	Words/phrases
Financial 7.52%	Financial 100%	Financial returns (72.13%); financial security (27.87%).
Non-financial 92.48%	Operational 52.27%	Customer-focused (13.78%); quality service (11.22%); effective management (8.67%); planning and goal setting (8.16%); human resource management (5.87%); managing stakeholder relationships (4.85%); strong customer base (4.59%); growth (4.08%); cash flow management (4.08%); business knowledge and experience (3.83%); competitive pricing (3.06%); sustainability (2.81%); marketing (2.81%); succession (2.55%); innovation and creativity (2.30%); knowledge of market (2.04%); take risks and seize opportunities (2.04%); community involvement (1.53%); location (1.28%); good reputation (1.28%); pleasant working environment (1.28%); governance (1.28%); owner involvement (1.28%); uniqueness (1.02%); mentoring (1.02%); maintaining infrastructure (1.02%); record-keeping (0.77%); wealth management (0.77%); maximum production (0.51%); stock availability (0.26%).
	Organisational culture 40.80%	Discipline, drive and determination (20.92%); hard work (12.09%); trust and honesty (11.11%); flexibility (6.21%); teamwork (5.88%); open communication (5.23%); passion for the business (4.90%); fairness (4.58%); ethical behaviour (3.92%); patience and understanding (3.59%); accountability and reliability (3.59%); respect (2.61%); loyalty (2.29%); friendliness (2.29%); focused (1.96%); a willingness to make sacrifices (1.63%); sense of ownership (1.63%); togetherness (1.31%); pride (1.31%); being valued (1.31%); common purpose (0.65%); positive attitude (0.65%); consistency (0.33%).
	Family 5.73%	Family-work boundary (30.23%); supportive family and friends (25.58%); family ties (16.28%); trustworthiness of family (13.95%); strong family morals and values (6.98%); putting family first (4.65%); knowing the family's strengths and weaknesses (2.33%).
	Personal 0.27%	Self-actualisation (100%).
	Miscellaneous 0.93%	Independence (28.57%); making a difference in your country's economy (28.57%); faith (14.29%); privacy (14.29%); time is money (14.29%).

Source: Authors' analysis of results

Recollection order of words/phrases associated with business success

Table 5 will show the words/phrases which were recalled most in first, second and third position.

TABLE 5:**Recollection order of words/phrases recalled**

	Word/ Phrase (<i>f</i>)	Sub- category	Word/ phrase (<i>f</i>)	Sub- category	Word/ Phrase (<i>f</i>)	Sub- category
First- recalled	Financial returns (16)	Financial	Discipline, drive & deter. (11)	Organisa- tional culture	Hard work (10)	Organisa- tional culture
Second- recalled	Financial returns (14)	Financial	Discipline, drive & deter. (13)	Organisa- tional culture	Customer- focused (9)	Operational
Third- recalled	Customer- focused (12)	Operational	Financial returns (7)	Financial	Quality service (7)	Operational

(*f* = frequency of words/phrases)

Source: Authors' analysis of results

From Table 5 it can be seen that 'financial returns' was the most first-recalled word/phrase (*financial*; 16 times), 'discipline, drive and determination' (*organisational culture*; 11 times) was the second most first-recalled word/phrase, and 'hard work' (*organisational culture*; 10 times) was the third most first-recalled word/phrase by the participants in this study. In total 36.63 percent of the participants mentioned one of these three words/phrases first. 'Financial returns' (*financial*; 14 times), 'discipline, drive and determination' (*organisational culture*; 13 times), and 'customer-focused' (*operational*, 9 times) were the first, second and third most second-recalled words/phrases. As such, 35.64 percent of the participants mentioned these words/phrases second. The most often third-recalled words/phrases were 'customer-focused' (*operational*; 12 times), 'financial returns' (*financial*; 7 times), and 'quality service' (*operational*; 7 times). In total 25.74 percent of the participants mentioned one of these three words/phrases third.

The most frequently recalled words/phrases associated with business success

A summary of the 20 most frequently recalled words/phrases by the participants in this study are presented in Table 6.

TABLE 6:**Words/phrases most frequently recalled**

No.	Word/Phrase	Category	Subcategory	<i>f</i>
1	Discipline, drive and determination	Non-financial	Organisational culture	64
2	Customer-focused	Non-financial	Operational	54
3	Financial returns	Financial	Financial	44
4	Quality service	Non-financial	Operational	44
5	Hard work	Non-financial	Organisational culture	37
6	Trust and honesty	Non-financial	Organisational culture	34
7	Effective management	Non-financial	Operational	34
8	Planning and goal setting	Non-financial	Operational	32
9	Human resource management	Non-financial	Operational	23
10	Flexibility	Non-financial	Organisational culture	19

No.	Word/Phrase	Category	Subcategory	f
11	Managing stakeholder relationships	Non-financial	Operational	19
12	Teamwork	Non-financial	Organisational culture	18
13	Strong customer base	Non-financial	Operational	18
14	Financial security	Financial	Financial	17
15	Open communication	Non-financial	Organisational culture	16
16	Growth	Non-financial	Operational	16
17	Cash flow management	Non-financial	Operational	16
18	Passion for business	Non-financial	Organisational culture	15
19	Business knowledge and experience	Non-financial	Operational	15
20	Fairness	Non-financial	Organisational culture	14

(f = frequency of words/phrases)

Source: Authors' analysis of results

From Table 6 it can be seen that the most frequently recalled words/phrases came from only three of the subcategories, namely: *organisational culture*, *operational*, and *financial*. The three most frequently recalled words/phrases in the *organisational culture* subcategory (taking up first, fifth and sixth place, respectively) were 'discipline, drive and determination' (64 times), 'hard work' (37 times), and 'trust and honesty' (34 times). Taking second, fourth and seventh place, respectively, were the three most frequently recalled words/phrases from the *operational* subcategory, namely 'customer-focused' (54 times), 'quality service' (44 times) and 'effective management' (34 times). Both words/phrases in the *financial* subcategory were reported as most frequently occurring, namely, 'financial returns' (44 times) was the third-most-frequently recalled word/phrase and 'financial security' (17 times) was the 14th-most-frequently recalled word/phrase.

DISCUSSION ON FINDINGS

The findings of this study show that when asked "what comes to mind when you think of a successful business?", the small business owners participating in this study mostly recalled words/phrases of a *non-financial* nature. This finding appears to contradict the literature (Chrisman *et al.*, 2004: 338; Walker and Brown, 2004: 577) which suggests that business owners mainly associate business success with financial performance. It could be argued that that *non-financial* indicators of success ultimately lead to increased profits. For example, the quality of a business's products and services normally determines whether customers will return or not (Schmoch *et al.*, 2006: 124). Thus, by focusing on and achieving quality products and services, the customer base increases, leading to higher sales volumes, increased profits and ultimately financial performance.

However, given that the pursuit of wealth can only be phrased in so many ways, the findings of this study do not imply that financial outcomes are less important. This notion is supported in that 'financial returns' was the most first-recalled, the most second-recalled, and the second most third-recalled word/phrase. In addition, the words/phrases 'financial returns' and 'financial security' were the third and fourteenth most frequently recalled words/phrases respectively.

In the broad *non-financial* category, the majority of small business owners mostly associated success with *operational* or *organisational culture* indicators of success. As such, these participants associated business success with "undertaking specific actions or with certain knowledge requirements" as well as with "certain values being present in the business". The

participants associated business success with 30 different *operational* words/phrases, the most frequently recalled being 'customer-focused', 'quality service', 'effective management' and 'planning and goal setting'. Of all the words generated, 'customer-focused' was the second-most frequently recalled word/phrase. In total 23 different *organisational culture* words/phrases were recalled. The words/phrases 'discipline, drive and determination', 'hard work' and 'trust and honesty' were recalled the most times in this subcategory. Of all the words generated, 'discipline, drive and determination' was the most frequently recalled word/phrase.

Overall a successful small business was mostly perceived by the small business owner participants in this study as one that is characterised by discipline, drive and determination, is customer-focused, receives financial returns and provides quality service. This perception corresponds with the literature which suggests that an increased customer base (Alter, 2014; Brown and Clinton, 2010: 6; Karami, 2007: 125; Vilkinas *et al.*, 2011: 8), financial performance (Chrisman *et al.*, 2004: 338; Walker and Brown, 2004: 577) and high quality products and services (Coleman *et al.*, 2008: 98; Elate, 2007; Karami, 2007: 125; Schmoch *et al.*, 2006: 124) are commonly used as indicators of business success.

IMPLICATIONS AND CONTRIBUTIONS

An overall perception of business success as formulated in this study can be used by small business owners to guide and improve goal-setting processes as well as strategic planning in their businesses, possibly reducing business failure. Small business practitioners could also use this overall perception of 'business success' as a guideline when consulting to these businesses.

Given that the most frequently recalled words/phrases by the small business owner participants in this study was 'discipline, drive and determination' it appears that they mostly associate success with these values existing in their businesses. This emphasis on organisational values (e.g. discipline, drive and determination, trust and honesty, as well as hard work) makes it important for business owners to ensure that all stakeholders are aware of and understand the importance of these values to the business. Creating awareness and an increased understanding among stakeholders can be achieved by formulating value statements and displaying them prominently in the business and on all business documents. In addition, workshops could be provided where stakeholders are educated on these values and their importance to the business. Of equal importance is that stakeholders buy into the values of the business.

'Customer focused' and 'quality service' were the second and third most frequently recalled words. The importance of these to business success cannot be overemphasised as satisfied customers ultimately lead to increased profits and business success. It is reassuring to note that the small business owners participating in this study recognise the role of 'satisfied customers' in the success of their businesses.

For researchers in the field of small business, the findings of this study provide some guidelines on defining and operationalising business success as the dependent variable in small business studies. This study confirms the multi-dimensional nature of business success and it is suggested that researchers recognise both financial and non-financial dimensions as individual constructs in future studies. The challenge going forward is to operationalise these constructs and to confirm them empirically. Given the lack of consensus on how business success is defined in the field of small business (Distelberg and Sorenson, 2009: 68; Zellweger and Nason, 2009: 21), as well as calls in the field for further research in this area (Debicki, Matherne, Kellermanns and Chrisman, 2009), this study has added to the body of small business knowledge by providing insights into the meaning of business success for small businesses.

LIMITATIONS AND FUTURE RESEARCH

Several limitations should be noted. Convenience sampling was used therefore creating results that could be biased, as this method generally leads to participants who may be atypical of the population (Polit and Beck, 2013: 178). Furthermore, the study was restricted to small business owners, employing 50 full-time employees or less, and operating businesses in the Eastern Cape only. As a result, the findings cannot be generalised to the entire South African small business population. Future research should attempt to increase the sample by including small businesses from other provinces. Another interesting avenue for research would be to compare the perceptions of business success between small and large businesses, as well as to draw comparisons to the perceptions of business success held by small businesses in other countries.

The demographic information solicited from participants was limited to ownership, gender, age, ethnicity, tertiary qualification and how long the business had been in the owner's possession. In addition, the sample in this study was skewed in that participants consisted of mostly males from the White ethnic group. The findings of this study should be interpreted in light of this. Future studies should attempt to draw a more heterogeneous sample group.

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Developing entrepreneurship through microfranchising: evidence from South African practices

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ABSTRACT

An estimated amount of about four billion people out of the world's population live on less than two United State of American dollars and they live at the Bottom of the Pyramid (Methvin and Philipp, 2017). As a result, many of them are forced to venture into entrepreneurship for a living. However, these entrepreneurial ventures fail, and they have also failed to stimulate entrepreneurship growth due to lack of necessary entrepreneurial skills, limited funds, limited information and poor management skills. Nevertheless, 'microfranchising' is one of the new innovative business concepts that has gained traction in the past few years, which could provide a solution to the challenges faced by micro entrepreneurs and stimulate the growth of entrepreneurship. Microfranchising has emerged as a potential strategy meant to rapidly scale-up entrepreneurship behaviour within the BoP. However, the concept is still nascent in South Africa and little is known about microfranchising in South Africa. To address this gap the study assess microfranchising practices in South Africa, with the aim of proposing a microfranchising framework that will enhance entrepreneurship development. To achieve this, the study seeks to, determine microfranchising practices in South Africa. Secondly, the study attempts to profile the characteristics of microfranchisees. Thirdly, to examine the efficacy of microfranchising in stimulating entrepreneurship. Lastly, the study will propose a microfranchising framework that will enhance entrepreneurship development in South Africa. The study will use the phenomenological research paradigm to achieve the study objectives. An explorative research design will be followed through a qualitative research method. Secondary data collection will be employed to collect data on the former practices of microfranchising in South Africa. Primary data will be collected using in-depth face to face interviews, using an interview guide. Purposive sampling technique will be used to select the participants for the study. Collected data will be analysed using the ATLAS.ti.

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Exploring the influence of aspects of planning on small business growth in South Africa: a pilot study

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ABSTRACT

Business growth is multi-faceted and very complex. It can be seen as a collective word for numerous different phenomena which need distinct methods of investigation as well as separate theoretical explanations (Davidsson, *et al.*, 2006:29). The truth is that very little is known about small business growth (Nichter & Goldmark, 2009).

Management is a dynamic function and is vital to the survival and growth of a business. Various management functions include establishing objectives, planning, organizing resources, controlling and co-ordinating objectives, and motivating employees (Miller, Roome & Staude, 1978:2). Planning has been recognised as an especially important management function for some time as it assists in obtaining desired results in an efficient and effective manner (Miller *et al.*, 1978:68). When planning, one becomes future orientated by placing one's self in a situation wherein action must be taken. It involves analysing, studying, and thinking through the situation as one sees it, and then deciding on a course of action (Sullivan, 1977:162). Literature also asserts that planning facilitates decision making and assists in obtaining the desired results in an efficient and effective manner (Young, 1977:39; Miller *et al.*, 1978:68).

Business planning is essential for evaluating business progress, evaluating success in existing firms, directing the general strategy of a business, and formulating steps for reorganizations of a business (Encyclopaedia of Management, 2006:58). As the above studies have indicated, planning is an important management function which facilitates the growth of small firms. Even though these studies have provided valuable insights into planning as a management function and the factors that influence the growth of small firms, there seems to be a gap in the literature concerning the effect that various planning activities has on the growth performance of small businesses.

There is currently a scarcity of research exploring the relationship between aspects of business planning activities and the subsequent growth performance of small businesses. This study aims to determine the influence of various planning activities (setting objectives,

budgeting, planning for external factors and time management) on the growth performance of small businesses.

A survey was conducted using an interviewer-administered questionnaire which gathered data on 189 small businesses across South Africa of which 87 was useful for analysis. Based on Spearman Correlation and Regression analyses conclusions were drawn about whether the various planning activities positively influenced the growth of a small business.

Budgeting is the only planning activity that has a significant positive influence on small business growth. Small business managers should focus on critical point planning rather than long term formal planning methods.

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Differentiated engagement for opportunity identification in the market: A consumer-centric perspective

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ABSTRACT

The aim of the study was to generate a substantive grounded theory of the process of how immigrant entrepreneurs identify opportunities that meet the unmet needs of consumers in the market of their host business environment. The Straussian version of grounded theory (Strauss and Corbin, 1990) was used to generate a substantive grounded theory. A sample of incidents was gathered from 41 in-depth interviews with immigrant entrepreneurs of Chinese origin who owned and operated small retail businesses in the Eastern Cape province of South Africa. The phenomenon of differentiated engagement for opportunity identification emerged in the study. This phenomenon highlighted the significance of relationships and interactions with different stakeholders in the process of identifying opportunities that meet the unmet needs of consumer's in the market of the host business environment.

INTRODUCTION

The grounded theory method (Strauss and Corbin, 1990) was used to generate a substantive theory that explained the process adopted by immigrant entrepreneurs in identifying opportunities in the market. The immigrant entrepreneurs operated small retail businesses in a host community where they identified various opportunities. The study generated a theory incorporating a composite and descriptive account of the process of identifying opportunities. Relationship building interactions and dynamic patterns of interaction with different stakeholders emerged in the substantive grounded theory. The varying differentiated interactions and relationships established by the immigrant entrepreneurs with different stakeholders created a relational context which enabled the identification of opportunities in the host environment.

The object of developing theories following the grounded theory method is to develop theories that do not stand in isolation, but instead illuminate complementary or competing explanations

of extant theories (Strauss and Corbin, 1990). The grounded theory method enables the discovery of patterns of behaviour in a particular group of people in a certain context (Marshall and Rossman, 2011). Strauss and Corbin (1990) propose that researchers from different fields can adopt the procedures of grounded theory method to successfully investigate phenomena in their field. The grounded theory method can provide researchers with procedures for analysing data that will lead to the generation of theory useful and relevant to their discipline. Several scholars (Douglas, 2003; El-Tawy and Abdel-Kader, 2012; O'Reilly, Paper and Marx, 2012; and Urquhart, Lehmann & Myers, 2010) encourage the use and adoption of grounded theory in research in the field of management and entrepreneurship as micro-level concerns such as complexity and context require research methods that provide interpretative understanding and accounts for what is occurring and why. Hence, grounded theory method has the capacity to elicit deep rather than general connotations and meanings (Douglas, 2003).

The aim of this paper is to present an emergent theory of opportunity identification generated through a grounded theory study. The emergent theory is explored in the context of social capital theory. In this paper, the literature on opportunity identification is first explored. Thereafter, the findings of the study are presented. Finally, a discussion of social capital in relation to the findings of the study is presented.

LITERATURE REVIEW

The literature review comprises of a discussion of opportunity identification and the different schools of thought on opportunities.

Opportunity identification

According to Shane and Venkataraman (2000:218), the field of entrepreneurship involves “the study of sources of opportunities ... and the set of individuals who discover, evaluate, and exploit them”. Within the field of entrepreneurship, the concept of opportunities is central to understanding the process of entrepreneurship (Anis and Mohamed, 2012; Shane, 2003). However, opportunity is defined in many ways in various fields such as marketing, economics, management and entrepreneurship, and there is little consensus regarding its definition (Shane and Venkataraman, 2000). Drawing from a marketing perspective, Lamb et al. (2012:42) define an opportunity as “an area of buyer need in the market that a firm can utilise profitably”. From an economics perspective, Kirzner (1973) suggests that an opportunity entails a need in the market that is defined vaguely, or alternatively a lack or misuse of certain resources or capabilities. Alternatively, from a social entrepreneurship perspective, some scholars define opportunities more specifically as possibilities for social gains realised through entrepreneurial activity. For example, Guo and Bielefeld (2014) define social entrepreneurial opportunities as prospects that have sufficient potential for social impact to justify the investment of time, energy, and money required to pursue them. In the same light, Monllor (2010) defines a “social entrepreneurial opportunity” as a market opportunity that, when exploited, will allow the entrepreneur(s) to create enhanced social value. In this regard, social opportunities differ from commercial opportunities in that they focus on creating social value instead of economic value. These opportunities are deeply embedded in the local context and involve a wide array of stakeholders (Guo and Bielefeld, 2014).

On the other hand, drawing from entrepreneurship literature, Hisrich and Peters (2002) define an opportunity as involving a process whereby the entrepreneur assesses whether a certain product, service or process will yield the necessary earnings based on the resource inputs that are required to manufacture and market it. Hisrich and Peters (2002) add that the causal nature of opportunities includes the factors that lead to an opportunity. These include general and specific problems faced by consumers, technological changes, market shifts, government regulations and competition between competitors. Similarly, Companys and McMullen (2007)

propose that an entrepreneurial opportunity is more accurately described as an opportunity to engage in entrepreneurial action that results in the introduction of new goods or services.

On the other hand, Shane (2003) defines an entrepreneurial opportunity as a situation in which a person can create a new means–ends framework for recombining resources that (s)he believes will yield a profit. Shane and Venkataraman (2000:220) propose that “to have entrepreneurship, you must first have opportunities. This is irrespective of whether the opportunities exist in the environment or emerge as a creative act, entrepreneurs are needed to identify and exploit the opportunities.” These authors define opportunities as:

“situations in which new goods, services, raw materials, markets and organising methods can be introduced through the formation of new means, ends or ends–means relationships ... In addition, unlike optimising decisions, in which the ends that the decision maker is trying to achieve and the means that the decision maker will employ are given, entrepreneurial decisions are creative decisions. That is the entrepreneur constructs the means, the ends or both” (Shane and Venkataraman, 2000:220).

In the present grounded theory study the definition of opportunities as proposed by Shane and Venkataraman (2000) was adopted because this definition allowed for operational flexibility and theoretical rigour which was required for the study. Moreover, this conceptualisation highlighted the function of the entrepreneur in constructing the means, the ends or both, in “introducing new goods, services, raw materials, markets and organising methods”.

Having explored the varying definitions of opportunity, the next section will explore the schools of thought of opportunities within the context of entrepreneurship.

SCHOOLS OF THOUGHT ON OPPORTUNITIES

Companys and McMullen (2007:301) suggest that “in the context of entrepreneurship, opportunities can be conceptualised using three schools of thought, namely, economics, cultural cognitive and socio-political schools of thought”. These schools of thought on opportunity shed light on the manner in which opportunities are understood. The economics school of thought suggests that opportunities exist as a result of the distribution of information in society, while the cultural cognitive school of thought suggests that opportunities exist as a result of environmental ambiguity and the cultural resources that enable the interpretation and identification of opportunities. Finally, the socio-political school of thought emphasises the role of political and network structures in defining opportunities (Companys and McMullen, 2007). An in-depth discussion of these schools of thought will be presented below.

The economics school of thought

Several scholars (such as Hayek, Kirzner, Schumpeter, Vaghely and Julien, von Mises) conceptualise opportunities from an economics perspective. In entrepreneurship, the economics school of thought attributes the existence of opportunities to the imperfect distribution of information and knowledge in society (Renko, Shader and Simon, 2012). This school of thought argues that markets are imperfect and this creates gaps in demand and supply that gives rise to entrepreneurial opportunities. For example, Kirzner (1973) suggests that opportunities exist awaiting alert, knowledgeable and attuned individuals to recognise them.

According to the economics school of thought, entrepreneurial opportunities provide a competitive advantage to the first firm that is able to discover and exploit them (Companys and McMullen, 2007). However, in time, increased competitive activity in the market will erode

the value of the opportunity and stabilise the market towards a new competitive equilibrium (Kirzner, 1997). Similarly, Shane and Venkataraman (2000) posit that the competitive advantage gained from entrepreneurial opportunities is transient because as information on opportunities becomes more available in the market, other actors will develop the resources and capabilities required to exploit these entrepreneurial opportunities.

Cultural cognitive school of thought

In contrast to the economics school of thought, the cultural cognitive school of thought posits that entrepreneurial opportunities are subjective rather than objective phenomena. Entrepreneurial opportunities are subjective because they are contingent on the degree of ambiguity in the environment and on the ability of social actors to develop the cognitive models needed to interpret them as opportunities (McMullen, Plummer and Acs, 2007). The tenets of the cultural cognitive viewpoint posit that entrepreneurial opportunities only exist once they are defined and enacted by individuals and firms (Comanys and McMullen, 2007).

However, there are some proponents of the cultural cognitive school of thought which are similar to the economic school of thought. For example, the cultural cognitive school of thought proposes that differences in the distribution of information are the primary source of entrepreneurial opportunities. Then again, some proponents of this approach diverge from the economics school of thought in that the distribution of information is perceived as culturally embedded in societal systems of meaning and understanding in the cultural cognitive perspective (Comanys and McMullen, 2007).

Socio-political school of thought

The socio-political viewpoint diverges from other viewpoints because of its emphasis on networks (Aldrich and Fiol, 1994; Thornton, 1999). Additionally, the socio-political viewpoint differs from the economics viewpoint in its emphasis on the political processes that are used to seize entrepreneurial opportunities (Fligstein, 2002). From this viewpoint, entrepreneurial opportunities are perceived as existing objectively in relation to network structures in which social actors mobilise network resources. Patterns of social relations embedded in networks define the types of structural opportunities available to individuals (Comanys and McMullen, 2007; Fligstein, 2002).

On the other hand, Ruef (2002) suggests that governance mechanisms are essential in the discovery and exploitation of entrepreneurial opportunities because they regulate the diverse relations of the actors in a network. Moreover, opportunities are perceived as stemming from structural and political attributes of social networks in relation to the governance structures of the networks. Changes to the prevailing governance mechanisms change the structure and value of entrepreneurial opportunities. Therefore, governance mechanisms within networks determine the degree to which actors in networks are constrained or enabled in their entrepreneurial action (Simpson and Macy, 2001). In this respect, entrepreneurs need to manage the constraints they experience within networks and act with political acumen to acquire resources that enable them to identify and pursue opportunities. Entrepreneurs need sufficient political acumen to process varying sources of information and form coalitions and alliances to identify and mobilise resources to pursue opportunities (Fligstein, 2002).

PROBLEM STATEMENT, RESEARCH QUESTION AND OBJECTIVE

In literature there are various entrepreneurial opportunity models proposed by scholars such as, Bhave (1994), Sigrist (1999) and De Koning (1999). However, these models do not specifically, explore opportunity identification from an immigrant entrepreneurship perspective. Moreover, these models are mainly derived from quantitative research methods. In this

respect, there is no qualitative based theory that depicts the process in which immigrant entrepreneurs identify opportunities in the market.

The research question derived from the problem statement is as follows: How do immigrant entrepreneurs identify opportunities in the market?

The objective of this study was to develop a substantive grounded theory which shows the process in which immigrant entrepreneurs follow when they are identifying opportunities.

RESEARCH METHODOLOGY

The Straussian version of grounded theory (Strauss and Corbin, 1990) was adopted in the study. A sample of critical incidents were gathered from 41 in-depth interviews with immigrant entrepreneurs who were Chinese in origin. These immigrant entrepreneurs operated small retail businesses in different town in the Eastern Cape province of South Africa, namely, East London, Grahamstown, Port Elizabeth, King William's Town, Fort Beaufort and Uitenhage. These interviews explored the interviewees experiences in identifying opportunities in the market. Initially purposive sampling followed by snowball sampling and theoretical sampling (Glaser and Strauss, 1967) were used to select suitable interviewees. The process of theoretical sampling entails the sampling of "events, incidents, and so forth, that are indicative of categories, their properties, and dimensions that can be developed and conceptually be related to one another" (Strauss and Corbin, 1990:177). Essentially, the process of theoretical sampling is cumulative, systematic and flexible in nature, progressively increasing both the depth of focus and variation in incidents in order to generate a dense theory (Strauss and Corbin, 1990).

In the study, the researcher developed concepts from the initial data that was collected, and compared these concepts to produce the initial categories of the study. While the theory was taking shape as the initial categories emerged from the data, purposive sampling of the research participants was superseded by theoretical sampling. Theoretical sampling was focused on defining and collecting incident data (such as places where to collect incidents, from who, and what situation) relevant to the evolving theory to direct the researcher to what data to collect next and from where. Theoretical sampling was also relevant to the researcher as the evolving theory emerged to sharpen the researcher's conceptual understanding. Theoretical sampling ceased once the data categories had been saturated, and when additional data did not add any further valuable insight (Strauss and Corbin, 1990).

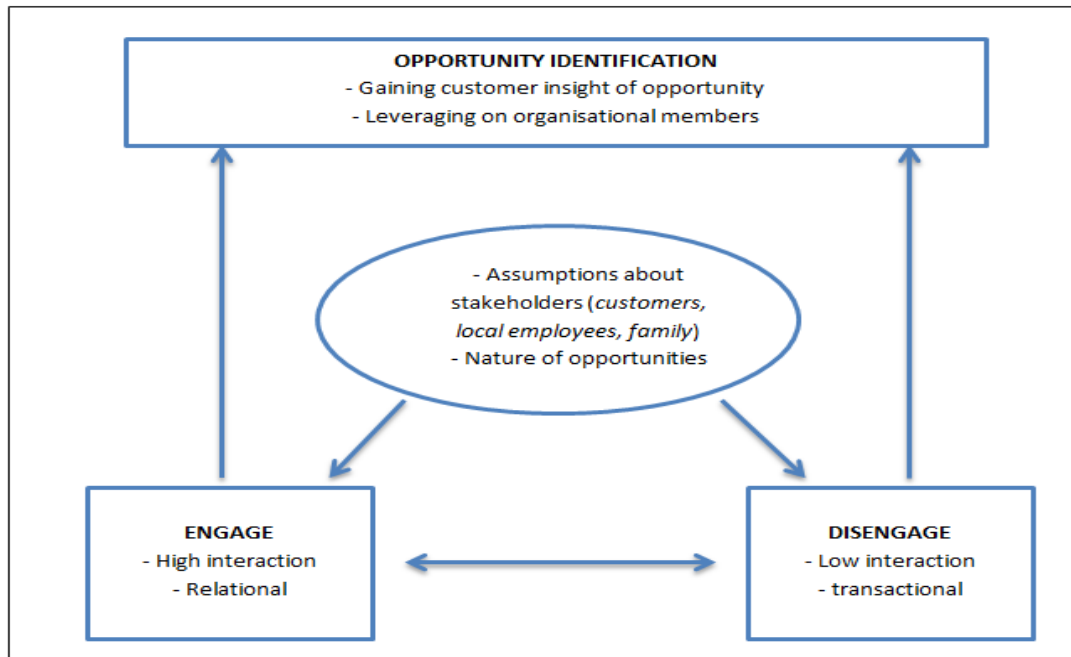
The data analysis procedures of grounded theory recommended by Strauss and Corbin (1990) were adopted to analyse this study's field data. Creswell (1998) suggests that the approach of grounded theory proposed by Strauss and Corbin (1990) is a multi-step process which consists of open coding, axial coding and selective coding. This entails that the analysis occurs iteratively with further data collection followed by the resultant analysis which guides the ongoing collection. Through the coding process and constant comparison (Strauss and Corbin, 1990), the emergent grounded theory emerged.

Research Findings

The phenomenon of *differentiating engagement of opportunity identification* emerged as the central phenomenon of the substantive grounded theory generated in the study. This substantive theory described the processes, social interactional practices and activities engaged by the immigrant entrepreneurs as they interacted with various stakeholders such as family members, local employees and customers to identify various opportunities in the market of the host business environment. Figure 1, displays the emergent grounded theory and the phenomenon of *differentiating engagement of opportunity identification*.

FIGURE 1:

Differentiating engagement of opportunity identification



The dimensions of the phenomenon, *differentiating engagement of opportunity identification* entailed, *engaging* in or *disengaging* from interactions with stakeholders to identify opportunities in the market. *Engaging* in interactions involved a *high level of contact* and interaction with stakeholders. Whereas, *disengaging* from interactions involved a *low level of contact* and interaction with stakeholders. The immigrant entrepreneurs displayed iterative actions of differentiating engagement (*engaging/disengaging*) with different stakeholders to identify various opportunities in the market of the host community.

The central feature of *differentiating engagement of opportunity identification* entailed the interplay of value-laden social interactions and relationships established by the immigrant entrepreneurs with different stakeholders (family, local employees, customers) which enabled the identification of various opportunities to meet unmet customer needs in the host community. For example, one of the immigrant entrepreneurs highlighted how he *engaged* in interactions with customers to identify opportunities in the host community:

“Customers always want certain products. I look at them when they are buying products and when they are paying I ask them why they like those products. If I see customers not coming back, I ask other customers what they want and what they think will sell”.

In seeking to identify opportunities and operate their small businesses, the immigrant entrepreneurs continuously appraised the nature of their stakeholders. For example, different customers were perceived as either unfavourable (unapproachable) or favourable (approachable) by the immigrant entrepreneurs, as one immigrant entrepreneur reiterated: *“Usually older female customers tend to be more interactive and are more likely to share their ideas”*. In situations when a customer was perceived as favourable, the immigrant entrepreneurs would *engage* in interactions with the customer to identify opportunities. In situations when customers were perceived as unfavourable (hostile), the immigrant entrepreneurs would *disengage* from interacting with the customer.

Similarly, in some situations the immigrant entrepreneurs would *engage* in or *disengage* from interactions with family members or local employees to identify opportunities. In the start-up phases of the small business the immigrant entrepreneurs would *engage* more with family members to identify various sales opportunities (such as, products). Additionally, family members enabled the identification of start-up opportunities in the host environment. Later, when the small business was more established in the host community, the immigrant entrepreneurs would *disengage* from interactions with family members with respect to identifying opportunities that related to local products (insights) that represented local indigenous tastes. In this respect, the immigrant entrepreneurs would *engage* in interactions with their local employees to gain an understanding of local tastes to identify opportunities.

“We are not used to the culture and lifestyle in South Africa, so we do not always know the products that people want. So we have to talk to the local employees and listen to them to know what kinds of products will sell in the community”.

The substantive grounded theory generated in the study highlighted the centrality of interactions and relationships in identifying opportunities.

DISCUSSION

The aim of this study was to describe and explain the process of identifying opportunities followed by immigrant entrepreneurs who owned and operated small retail businesses in a host business environment. A key finding of this study was the function of relationships and interactions in enabling the identification of opportunities in the market of the host business environment.

The substantive theory generated in the present study emerged from an inductive process of analysis. Grounded theories are not produced to stand in isolation from the extant body of theoretical knowledge (Strauss and Corbin, 1990). Instead, grounded theories need to relate to the existing body of knowledge, revealing what is generated and extending current understanding of the substantive area under study (Strauss and Corbin, 1990). Following from the advice from Strauss and Corbin (1990) there was an attempt to locate the grounded theory generated in the study to extant literature.

The various approaches towards understanding opportunity identification from the literature, did not fully provide a comprehensive explanation of the findings. After further exploration of the literature it was found that the social capital theory offered the most compelling explanatory ability to further illuminate the findings of the study. An exploration of the findings in the light of the social capital theory will be the focus of the following section.

Social capital theory

Putman (2000) describes social capital as the connections among individuals – social networks and the norms of reciprocity and trustworthiness. Social capital is broadly described as the sum of actual or potential resources derived from the networks of relationships of an individual, community or any social unit (Burt, 1997; Coleman, 1990; Field, 2003). On the other hand, Fukuyama (2001) suggests that social capital entails informal norms that promote co-operation between two or more individuals. The norms in which social capital is rooted, include reciprocity, honesty, trust and the reliable performance of duties. Adler and Kwon (2002) note that social capital needs to be conserved and maintained, which is a process which requires renewal of social ties and reciprocation of favours, obligations and trust. In this respect, social capital is not private but is instead a collective good which is not lessened by the use of one person at the expense of other individuals (Adler and Kwon, 2002). Essentially, social capital

is a collective good which is rooted in the relationships between actors rather than in the actors themselves (Adler and Kwon, 2002).

Sources of social capital

Kwon and Adler (2014) suggest that social capital is dynamic and is influenced by various contextual and relational demands which affect its formation and maintenance. The existence of individual social ties and relationships provides the prospect for actors to engage in social capital exchanges. The quality of these ties is reflected in features such as frequency, intensity and the multiplicity of interactions among actors which impact the manner in which social capital is cultivated (Kwon and Adler, 2014). Additionally, the degree to which the ties and relationships of an actor connect the actor to other actors determines the extent of internal social capital (Coleman, 1988). Leana and van Buuren (1999) suggest that “collectiveness” and “trust” are key determinants of social capital, while Adler and Kwon (2002) add “ability” as another key determinant of social capital. The next section will explore the determinants of social capital, namely, *collectiveness*, *trust* and *ability*.

Collectiveness

Collectiveness is the willingness and ability of actors to engage in collective action towards a mutually beneficial outcome (Leana and van Buuren, 1999). To reaffirm the collectivist nature of the social capital of social actors, there is a need for repeated exchanges that reinforce mutual gains (Blackshaw and Long, 1998; Burt, 2005; Leana and van Buuren, 1999; Lee, 2009; Lin, 2001). In the present study, the immigrant entrepreneurs engaged in dynamic, repetitive and iterative interactions with different stakeholders. In this respect, repeated exchanges ensued which facilitated and reinforced mutual gains that resulted in social capital which was key for the identification of opportunities in the host community. For example, the immigrant entrepreneurs regularly *engaged* in or *disengaged* from interactions with different stakeholders (customers, local employees and family members) in the host community. From these dynamic interactions with stakeholders the immigrant entrepreneurs were able to identify various opportunities to meet unmet customer needs in the market.

Trust

According to Leana and van Buuren (1999), trust is a key determinant of social capital. Trust needs to be resilient to enhance social capital between multiplicities of ties. Trust which generates social capital is not calculative in nature, but instead is based upon favourable experiences with social actors, based on beliefs of sound moral standing (Leana and Van Buren, 1999; Lee, 2009). Communities where trust is shared have strong values and norms that are supportive of its progress. Valuing and rewarding trust, setting an example of trustworthiness and showing trust in others builds the resilience of the trust. Evidently, to operate the small business and identify opportunities in the host community, the immigrant entrepreneurs afforded varying degrees of trust to their stakeholders. In this respect, the immigrant entrepreneurs would *engage* in or *disengage* from interactions iteratively with different stakeholders. For example, the trust which was afforded to local employees was more affective during hostile conditions, while the trust which was afforded to hostile customers was calculative in nature. Additionally, to identify opportunities that needed local indigenous insight, the trust which was afforded to local employees was affective in nature.

Consequently, the development of social capital can be enhanced by encouraging actors to continuously create relationships and make connections, thereby enabling trust and promoting co-operation in a constructive manner (Leana and Van Buren, 1999; Lee, 2009; Prusak and Cohen, 2001; Portes, 1998).

Ability

According to Kwon and Adler (2004), ability is defined as the competencies and resources at the nodes of networks. However, there is much contention among scholars pertaining to the inclusion of ability as a source of social capital. Essentially, the contention lies in defining whether social capital resides on the nodes of networks, or whether it lies holistically within the overall network. In the present study it can be noted that social capital resided on the nodes of the networks that were established with different stakeholders. Immigrant entrepreneurs recognised that identifying opportunities required stakeholders such as organisational members (*family members and local employees*) to be driven towards achieving desirable gains for the small business. This was particularly important for local employees. Consequently, the immigrant entrepreneurs introduced systems and practices to promote and inspire the desired abilities and attributes. Adler and Kwon (2014) suggest that the interactions that foster social capital can be attributed to shared norms such as generalised reciprocity. In the present study, a key driver of the behaviour of the immigrant entrepreneurs that enabled their ability to identify opportunities was their behavioural orientation to build and sustain relationships and networks.

MANAGERIAL IMPLICATIONS

The study makes a contribution to the body of knowledge by providing an understanding of the interactional processes adopted in the process of identifying opportunities and operating small businesses by immigrant entrepreneurs. The study has significance in illuminating the influence of social capital embedded in relationships and interactions (Coleman, 1988) in the identification of opportunities of unmet customer needs and operations of immigrant-owned small businesses within host communities. Moreover, the study highlights the importance of relationships with stakeholders in garnering resources (Portes, 1998) that facilitate the identification of opportunities by immigrant entrepreneurs operating within a host community.

The study presents a scholarly view of immigrant entrepreneurs who operate small businesses displaying a relationship-based philosophy of interacting with stakeholders, which in turn facilitates the identification of opportunities and the functioning of the small business in the host community. By examining the iterative and evolving interactions and relationships evidenced in the theory of *differentiating engagement of opportunity identification*, various individuals (such as *practitioners, academics, and policymakers*) can further comprehend and interrogate the critical activities and practices engaged by immigrant entrepreneurs in a host community as they identify opportunities of unmet customer needs and operate their businesses. Additionally, the study can be used by practitioners to aid and improve entrepreneurship by immigrants.

CONCLUSION

The aim of this study was to develop a grounded theory of the process of how immigrant entrepreneurs identify opportunities of unmet customer needs in the market of the host business environment. A substantive grounded theory was developed using the precepts of grounded theory proposed by Strauss and Corbin (1990). The phenomenon of *differentiating engagement of opportunity identification* emerged in the study. This phenomenon was characterised by practices of engaging and disengaging in interactions with stakeholders to identify opportunities. Social capital theory was used to illuminate the findings of the study. Social capital embedded in relationships and interactions with different stakeholders enabled the identification of opportunities in the market. In this respect, developing and harnessing social capital is key for immigrant entrepreneurs to identify opportunities. In the present study, several recommendations arise which are related to the substantive nature of the study. Drawing from the nature of the substantive grounded theory generated in the present study, future studies can expand the substantive theory of *differentiating engagement of opportunity*

identification into a formal theory (Strauss and Corbin, 1990) by expanding the research context. Aspects such as the types and size of business researched could be broadened. Additionally, the nature of research participants could be broadened.

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Marco-locational determinants and motives of Chinese foreign direct investment in Cameroon

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ABSTRACT

The context for this study is motivated by China's interest in African countries as well as the reciprocal interest in Chinese Foreign Direct Investment (FDI) by African countries, especially Cameroon (Cabestan, 2015:6). Despite previous empirical studies to identify the determinants of FDI asserting that the *macro-locational determinants* are the main sources of a country's comparative advantage to attract FDI (Sichei and Kinyondo, 2012:5), there is no widely accepted set of agreed upon macro-locational determinants of FDI (Kok and Ersoy, 2009:3). As such the macro-locational determinants of FDI specific to the Cameroonian context will be identified for this study.

Furthermore, with controversies surrounding the *motives* of Chinese FDI in Africa based on their interest in resource rich African countries with poor governance (Kolstad and Wiig, 2011:31), and the main motives of Chinese FDIs in Cameroon (Cabestan 2015:19). This study seeks to understand the motives of Chinese FDIs in Cameroon. In addition, Popovici and Calin (2014:53) reveal an alignment between the macro-locational determinants and motives. More specifically, that the macro-locational determinants influenced the FDI destination depending on the significance of the macro-locational determinant to achieve the motives of the FDI.

The goals of this study is firstly, to ascertain the significance of the proposed macro-locational determinants of Chinese FDI in Cameroon and to identify the motives of Chinese FDI in Cameroon. Secondly, to determine whether there is an alignment between the macro locational determinants and the underlying motives of Chinese FDI in Cameroon

In this study a pragmatic research paradigm will be followed, using both quantitative and qualitative methods (Creswell, 2014:48). Accordingly, the research design will consist of two parallel phases. In one phase, data on the significance of the proposed macro-locational determinants will be collected from the World Bank data set and analysed by means of an ordinary least squares analysis. Quarterly and/or annual time series data from 1980 to 2018

will be used in this study. Whilst in the second phase, a content analysis is used to analyse the in-depth interviews with 10 managers of Chinese firms on the motives of the FDI. The Chinese firms will be identified using snowball and convenience sampling techniques whereas the managers will be selected using a purposive sampling technique. Finally, both sets of data will be used to determine whether there is an alignment between the motives of Chinese FDI in Cameroon and its macro-locational determinants.

The findings will assist in good policy development to attract more Chinese FDI as well as other FDI and also assist the government to identify which macro-locational determinants to prioritise in order to allocate resources efficiently.

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Effect of knowledge management and business intelligence on business performance in the mining industry

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ABSTRACT

The main objective of this research study was to investigate the effect of knowledge management and business intelligence on performance in the mining industry. Business intelligence is a management tool used to manage and enhance business information and to produce up-to-date intelligence and knowledge for operative and strategic decision-making. Knowledge management includes the identification and examination of available and required knowledge and the subsequent planning and control of actions to develop knowledge assets to accomplish organisational objectives.

A structured questionnaire was used for the study. A total of 300 mines were randomly selected from a research population of mining organisations in South Africa, Africa and globally. The respondents were all part of senior management. Statistically and practically significant positive relationships with a large effect were found among the dimensions of business intelligence and knowledge management and perceived business performance.

INTRODUCTION

This study focuses on investigating the effect of the use of knowledge management and business intelligence on performance of mining organisations.

Insightful diagnosis of an organisation's external and internal environments is a prerequisite to prosper in crafting and formulating an excellent strategy (Thompson, Peteraf, Gamble & Strickland, 2012). Barbosa Hattingh and Kloss (2010) argue that strategic decision-makers can challenge conventional wisdom and get ready for uncertainty better through assessing the complex and not-so-obvious ways global trends develop and interact in their industries. Being able to forecast the future is one of the most important tasks facing a strategist and it is also one of the most challenging. One way to tackle the challenge is to thoroughly scrutinize the societal values and lifestyles, population demographics, political, legal, technological, environmental, macroeconomic, and other long-term factors that constantly shape the global business environment. Each of these components has the potential to affect the organisation's immediate industry and competitive environment (Thompson et al., 2012). The information gathered from the scanning of the environment has to be analysed, refined, interpreted and infused with developed implications in order to create business intelligence which is needed

by organisations (Igbaekemen, 2015). Analysis is the utilization and application of scientific and non-scientific methods and processes to interpret data or information. Thus analysis produces insightful intelligence findings and actionable recommendations for decision makers.

Knowledge is also one of the most essential assets for organisational success among other assets such as materials, machineries, capital and properties (Ganesh, Mohapatra & Nagarajan, 2014:3). According to Deloitte (2015), managing and sharing knowledge in the organisation leads to competitive advantage and adds real customer value.

The study focuses on the mining sector. Commercial mining activities generate a series of economic impulses that reverberate across society according to the report issued by the International Council of Mining & Minerals (2015). The payment of taxes and royalties to governments represents one of the most significant contributions by the mining industry in many countries. The incomes directly produced by mining organisations comprise incomes from labour in a form of salaries and wages, financing costs and interest (payable to lenders) as well as profits (operational surplus before tax and depreciation charges). In addition, mining generates indirect contributions through the value generated by providers of mining industry inputs (that is procurement of goods and services). A good example of this industry's contribution is in South Africa, where mining organisations are key players in the global industry (Chamber of Mines of South Africa, 2013). In South Africa, the sector accounts for roughly one-third of the market capitalization of the Johannesburg Stock Exchange (JSE), and continues to act as a magnet for foreign investment in the country.

In today's changing and dynamic environment, mining organisations continuously need to assess, develop and implement strategies to ensure their competitive advantage and position themselves for growth by harnessing future opportunities whilst making sure that costs are kept under control (KPMG, 2014). Mining organisations need to consider and test their strategies relating to capital allocation, portfolio investment, supply chain, tax, financing, people and stakeholder management (KPMG, 2014). Leveraging of internal and external intelligence and knowledge can assist these organisations to improve efficiency and enhance their performance (Marchand & Hykes, 2007)

The following section establishes the theoretical base for the construct of knowledge management and business intelligence.

LITERATURE REVIEW

Knowledge Management

According to Davenport and Prusak (2000:5), knowledge is a fluid combination of framed experience, principles, insight from experts and intuition that is grounded for the provision of a framework and environment that enable proper evaluation and incorporation of new experiences and information. Knowledge originates and is applied in the minds of those who know. In organisations, it often becomes embedded in organisational routines, processes, practices and norms, documents or repositories. In general, there are two types of knowledge: tacit knowledge and explicit knowledge. Tacit knowledge refers to knowledge that exists in a person's mind and can consist of aspects of culture or the way things are done (Nonaka & Krogh, 2009). The degree and facility by which tacit knowledge can be shared depends to a large extent on the willingness and ability of the person having it to transfer it to others, because it is highly individualized. The distribution of tacit knowledge is a serious challenge to many organisations. Uriarte (2008:5) recommends that various activities and mechanisms including conversations, workshops and on-the-job training should be used to share and communicate tacit knowledge. Such mechanisms may include the use of information technology tools such as email, groupware, instant messaging and related technologies. Tacit knowledge becomes extremely beneficial to the organisation having it when it is identified because it is a unique asset that is not easy for other organisations to replicate. Its uniqueness

and difficulty to duplicate is what makes tacit knowledge a basis of the organisation's competitive advantage. According to Koenig (2012), explicit knowledge can be referred to as knowledge that is set out in a tangible form. Thus it is knowledge that has been recorded as information in some medium such as a document, image, computer data or photograph. It can be written on a paper, expressed in a form of sentences or shown in drawings and specifications.

Knowledge Management (KM) is defined by Prior (2010) as the organised and systematic process of generating, creating and distributing information, and selecting, distilling, deploying and exploiting explicit and tacit knowledge through the critical pillars such as people, process, and technology to create unique value that can be used to achieve a competitive advantage in the marketplace by an organisation. According to Frost (2011), KM therefore implies a strong connection to organisational goals and strategy, and it involves the management of knowledge that is useful for some purpose and which creates value for the organisation. Expanding upon the previous knowledge management definition, KM involves the understanding of the following:

- where and in what forms knowledge exists;
- what the organisation needs to know;
- how to promote a culture conducive to learning, sharing, and knowledge creation;
- how to make the right knowledge available to the right people at the right time;
- how to best generate or acquire new relevant knowledge, and
- how to manage all of these factors so as to enhance performance in light of the organisation's strategic goals and short-term opportunities and threats

Thus KM is the process through which organisations generate value from their intellectual and knowledge based assets (Ahmad, An & Gaterell, 2007). The primary objective behind the knowledge management initiative is to capture the explicit and tacit knowledge about people, skills, processes, markets, competitors, customers, suppliers, organisation, environment, policies, procedures, regulation and legislation that exist and to make it available to all employees (Ganesh et al, 2014:3). The application of knowledge in the workplace is to reuse knowledge to reduce rework, redeploy knowledge to leverage best practices, transfer skills and behaviours, repurpose knowledge to drive innovation and achieve business benefits.

Business Intelligence

Gartner (2013) defines business intelligence (BI) as an umbrella term that comprises the applications, infrastructure, tools and best practices that enable access to and analysis of information to improve and optimize decisions and performance. According to Troy Media (2015), business intelligence (BI) is the analysis of the organisation's internal data. BI is about gathering large amounts of raw data concerning all aspects of business, from profits and losses to productivity and converting it into actionable insights. Organisations use business intelligence to make improvements to current processes, products and services as well as identify and develop new opportunities. Coker (2014) views business intelligence as the means by which an organisation collects its own information about customers, returning clients, sales or website hits and transforms the numbers into measurable metrics to ascertain that the organisation is performing efficiently. BI depends mainly on technology, using applications and processes to analyze the (mostly internal) data. One of the main benefits of BI is that it enables the organisations to contextualize both historical and current data, which enables them to make better and informed predictions.

According to Techopedia (2014), BI technologies provide current, historical and predictive views through functions such as online analytical processing (OLAP), reporting, predictive analytics, data mining, benchmarking and Business Performance Management (BPM). According to Polasek (2013), objectives of a BI exercise include better decision-making, enhanced operational efficiency, growth in revenue and competitive advantage as well as enhanced customer service.

Below is the discussion of the concept of organisation performance

Organisation Performance

Performance can be looked at in two ways namely; end results and a means to achieve the results. According to Ukko (2009) performance is the ability to distinguish the outcomes of organisational activities. Performance can either be financial or non-financial performance (Iltner, 2008). The non-financial performance can be measured using operational key performance indicators such as market share, innovation rate or customer satisfaction (Hyvonen, 2007). Financial performance is a subjective measure of how well organisation can use its assets from its primary role of conduction of business and its subsequent generation of revenues. This term is also used as a general measure of the overall financial status over a given period of time and can be used to compare similar firms across the same industry or to compare industries or sectors in totality.

There are two measurement techniques used in evaluation of the financial performance. The two measurement techniques are market measurement technique and accounting measurement technique. The two measurement techniques represent different perspectives on how to evaluate the financial performance and subsequently have different theoretical implications (Ramaswamy, 2001).

The financial performance is specifically measured using accounting key performance indicators such as return on assets, return on sales, or sales growth, net profit margin (Crabtree & DeBusk, 2008). The advantage of these measurements is their general availability, since every profit oriented organisation produces these figures for the yearly financial reporting (Chenhall & Langfield, 2007). This study measured the perceived business performance based on the responses to questions related to profitability, sales, cash flow, market share, overall performance and productivity.

Knowledge management, business intelligence and performance

The critical business benefits of knowledge management are according to Ganesh et al. (2014:5) as follows: improved ability to capture and manage intellectual assets; effective dissemination of knowledge through collaboration; improved agility in responding to market and regulatory change; improved knowledge continuity during organisational change; exploiting existing knowledge assets by re-deploying them in areas where the organisation stands to gain something; enhancing the organisation's performance, the organisation's ability to innovate and its ability to protect its key knowledge and competencies from being lost or copied. Schiff (2010) listed the following benefits of using BI: eliminating guesswork; getting critical business metrics reports when and where they are needed; getting insight into customer behavior; identifying cross-selling and up-selling opportunities; learning how to streamline operations and improving efficiency.

This research proposes that the convergence and synergy of Business Intelligence and Knowledge Management can act as a sonar, searching for underlying opportunities and threats that cannot easily be observed (monitoring critical strategic themes) and a radar helping the organisation on its road to the future, supplying intelligence about turning points

(promoting a change in direction, forecasting what is ahead, developing scenarios) for the organisation.

RESEARCH PROBLEM AND HYPOTHESES

The mining sector is under a lot of pressure and there have been several reports of certain mines being forced to downsize their labour force as part of cost cutting strategies. The aging workforce together with the high staff turnover caused by either downsizing efforts to cut costs or others leaving to join other companies lead to a loss of knowledge and experience on an ongoing basis in the sector. Reductions in staffing have created a need to replace informal knowledge with formal methods. There is a need for a re-evaluation of the methods used to retain and develop knowledge within the sector.

Lack of credible information and knowledge of decisions taken by all stakeholders within the mining organisations has led to the weakening and even failure of some of these mines. A great deal of data is produced continuously at a site of the mine. Without a proper and systematic way to organise this data and present it in a timely, simplified, easily accessible and accurate manner, tactical and strategic decisions regarding the operations and long-term sustainability of a mine site becomes very challenging. Some mining organisations are still not capable of reading the competitive trends and forces affecting the industry. Some mines cannot benefit from any form of intelligence because it is not integrated, organised, processed and available to the right people in a format for decision-making. There are isolated pools of data which are mainly influenced by the functional view of the business units rather than a broader, general-management view of the whole mining organisation.

There is also a scarcity in empirical literature about the use of knowledge management and business intelligence in the sector. This prompted the researcher to investigate the extent of the use of both business intelligence and knowledge management and how they contribute to business performance in the sector. This study aims to produce findings of practical relevance and value for the mining and other sectors. Therefore, this research seeks to contribute to both management practitioners and academics alike.

The following research hypotheses are formulated for the purposes of this study:

H1: Statistically and practically significant positive relationship exists between knowledge management and business performance.

H2: Statistically and practically significant positive relationship exists between business intelligence and business performance.

The research objectives of the study are outlined below.

RESEARCH OBJECTIVES

The research objectives are divided into primary and secondary objectives.

Primary objective

The primary objective of this study is to investigate the effect of the use of knowledge management and business intelligence to enhance business performance in the mining industry.

Secondary Objectives

To achieve the primary objective, the following secondary objectives include a need:

- to conceptualize knowledge management and business intelligence
- to empirically assess the use of knowledge management using a questionnaire;
- to empirically assess the use of business intelligence using a questionnaire
- to empirically assess the level of perceived business performance;
- to assess the relationship between business intelligence and knowledge management and business performance
- to compare the findings based on the geographic location of the organisations and

RESEARCH METHOD

A survey design was used in which a selected sample was studied to make inferences about the population. The survey involved selecting a representative and unbiased sample of subjects drawn from senior management in the mining organisations in South Africa, Africa and globally. The researcher used a simple random sampling technique to select participants. Saunders, Lewis and Thornhill (2015) state that simple random sampling involves the selection of a sample at random from the sampling frame using either random number tables or a computer. A total of 300 mines were randomly selected from a population of 850.

The survey questions were developed based on the existing literature with some questions adopted from a questionnaire from a study by Kruger (2010). The structured questionnaire which was used was divided into sections comprising the biographic information, items of business intelligence, knowledge management and perceived business performance which were measured using a 4-point Likert-type scale.

Statistical Analysis

The data gathered from the received questionnaires was captured and analysed using the statistical software programs.

Effect sizes and descriptive statistics were used to decide on the significance of the findings. The mean and standard deviations are used to describe and compare the results. The mean is used to measure the central tendency of the results. The standard deviation presents the average distance of the individual scores from the mean.

The reliability of the instruments is measured by the Cronbach alpha coefficient which is based on the average correlation of variables within a test (Sekaran & Bougie, 2010). If a construct yields a large alpha co-efficient, then it can be concluded that a large portion of the variance in the test results for the construct is attributable to general and group factors (Bhattacharjee, 2012). Sekaran and Bougie (2010) suggest that the Cronbach alpha coefficient should be greater than 0.70, for the data to be regarded as reliable and internally consistent. Generally, alpha values above 0.70 are acceptable, although Field (2009) states that, when attitudes and not abilities are tested, a score of up to 0.6 could still be held as acceptable. Pearson product-moment correlation coefficients were computed to find the relationships between the variables. The statistical significance level was set at a 95% confidence interval ($p \leq 0.05$). The cut-off point of 0.30 is used to determine practical significance of a medium effect (Field, 2009).

RESULTS AND FINDINGS

Biographical information was reported for a number of employees in the organisation, level of employment, type of metal mined or processed, number of years the organisation has been operating and the geographic location.

A total of 193 questionnaires were received. The majority of the respondents were working for the mines with more than 1000 employees (66%) followed by those in smaller operations with less than 499 employees (18%). The respondents from medium-sized mines with 500 to 999 employees were about 16%. The majority of respondents were managers (57%) followed by

directors (34%) and CEOs (9%). About 51% of the respondents were from the mines producing precious metals such as gold and platinum group metals. A number (17%) of the respondents were from coal mining organisations while about 11% were from the steel industry. About 12% were from the mines producing non-ferrous metals such as copper and only 8% were in the industrial metal mines. The majority of the respondents were from the mines with more than 20 years in operation (87%) which serves as a confirmation that most of the mines in the world have been operating for decades. Most of the respondents were from the South African mining operations (55%), other respondents were from the rest of Africa (23%) while the respondents from other continents such as USA and Australia formed about 21% of all the respondents.

The results of descriptive statistics are presented in the next section.

Descriptive Statistics

Knowledge Management

One of the main objectives of this study was to measure the extent of the use of Knowledge Management by the mining organisations. The questionnaire was designed to help critique the knowledge management process used by the mining organisations. The results of the survey are presented in Table 1.

TABLE 1:
Results for Knowledge Management

		Strongly disagree	Slightly Disagree	Slightly agree	Strongly Agree	Mean	Std Deviation
I1	Knowledge Management assists in creating value out of the intangible assets.	0	9.8	58.0	32.1	3.23	0.61
I2	The company values knowledge as a strategic asset, critical for success.	.5	5.2	52.8	41.5	3.35	0.61
I3	The culture in the organisation is conducive to the sharing of knowledge.	8.3	17.6	56.5	17.6	2.84	0.82
I4	The organisation benefits from the processes created to contribute knowledge.	4.2	25.5	54.7	15.6	2.82	0.74
I5	There is a general culture in the company where people respect knowledge.	3.6	9.4	67.2	19.8	3.04	0.65
I6	Employees are responsible for the transfer of knowledge in their areas of responsibility.	3.1	13.0	53.4	30.6	3.11	0.74
I7	Knowledge is accessed by employees by means of a central intelligence repository.	22.5	20.9	37.2	19.4	2.53	1.04
I8	The organisation has the technical infrastructure to enable knowledge sharing.	13.0	19.2	48.7	19.2	2.73	0.91
I9	There is transfer of knowledge about best practices among employees in order to improve operational efficiency	16.6	18.1	36.8	28.5	2.78	1.05
I10	There is a document management system in place	14.1	15.1	54.2	16.7	2.75	0.90
I11	The organisation stores Intellectual Capital.	4.7	13.5	67.4	14.5	2.94	0.65

Source: Compiled by author from survey results

The mean score for question I1 is 3.23 with low standard deviation of 0.609. About 90% of the participants responded positively and agreed that knowledge management assists in creating value out of the intangible assets in their own organisations. The mean score for question I2 was also high (3.35) with a low standard deviation because about 94% of the respondents

agreed that their organisations value knowledge as a strategic asset which is critical for success.

About 26% of the participants responded negatively to question I3 indicating that the culture in their organisations is not conducive to the sharing of knowledge. Almost 30% of the respondents do not believe that their organisations are currently benefitting from the processes created to contribute knowledge. About 32% of the participants indicated that their organisations do not have the technical infrastructure to enable knowledge sharing and 35% believe that there is no transfer of knowledge within their organisations about the best practices among the employees in order to improve operational efficiencies. About 29% also indicated that their organisations do not have document management systems in place. Question I7 had the lowest mean score because 47% of the participants responded negatively to this question. This means that almost half of the respondents do not agree that knowledge is accessed by means of a central intelligence repository in their organisations.

The other objective of this study was to measure the extent of the use of Business Intelligence by the mining organisations. The results are presented and discussed below

Business Intelligence

The results are presented in Table 2. The mean score for item F1 is above 3 indicating that about 75% of the mining organisations systematically collect information to assist in strategic decision making. The standard deviation for the question was relatively high indicating a high spread in terms of the responses. A significant number (25%) responded negatively to this question.

TABLE 2:
Results for Business Intelligence

		Strongly disagree	Slightly Disagree	Slightly agree	Strongly Agree	Mean	Std Deviation
F1	Information is systematically collected to assist in strategic decision making.	13.5	11.9	32.1	42.5	3.04	1.04
F2	The availability of Business Intelligence has increased the effectiveness of managerial decision making.	8.8	19.2	25.9	46.1	3.09	1.00
F3	Business Intelligence tools are used to manipulate data, e.g. operational or/and historical data.	9.3	14.0	47.7	29.0	2.96	.89
F4	The Business Intelligence tools have forecasting capabilities.	7.3	10.4	59.1	23.3	2.98	.79
F5	Data gathered from Business Intelligence deployment is reliable.	7.8	1.6	70.5	20.2	3.03	.73
F6	Knowledge generated from successful Business Intelligence deployment can be used to sustain competitive advantage.	3.1	10.4	57.5	29.0	3.12	.71

Source: Compiled by author from survey results

The mean score for responses to item F2 was also above 3 indicating that the majority (72%) of the participants agree that the availability of business intelligence has to a certain extent increased the effectiveness of decision-making by the managers. A high standard deviation is also found for this item indicating a relatively large spread in terms of the responses. 28% of the participants responded negatively to this question. The mean scores for questions F3 and F4 are 2.96 and 2.98 respectively. These mean scores are close to 3 and also indicate that most of the participants responded positively to these questions. Thus the majority of the

mining organisations have business intelligence tools which are used to manipulate data and also have some form of forecasting capabilities. About 20% of the organisations do not have such business intelligence tools or use them for these specific functions. About 91% of the respondents agree that the data they gathered from BI deployment is reliable. However about 9% completely disagrees and believe that the data is not reliable. The mean score of 3.12 for the last question indicate that most (87%) of the participants agree that the knowledge generated from the deployment of BI systems can be used to sustain competitive advantage.

In general, a large proportion of the participants responded positively to the questions about business intelligence. This indicates that most of the mining organisations are using some form of business intelligence in their strategic decision-making.

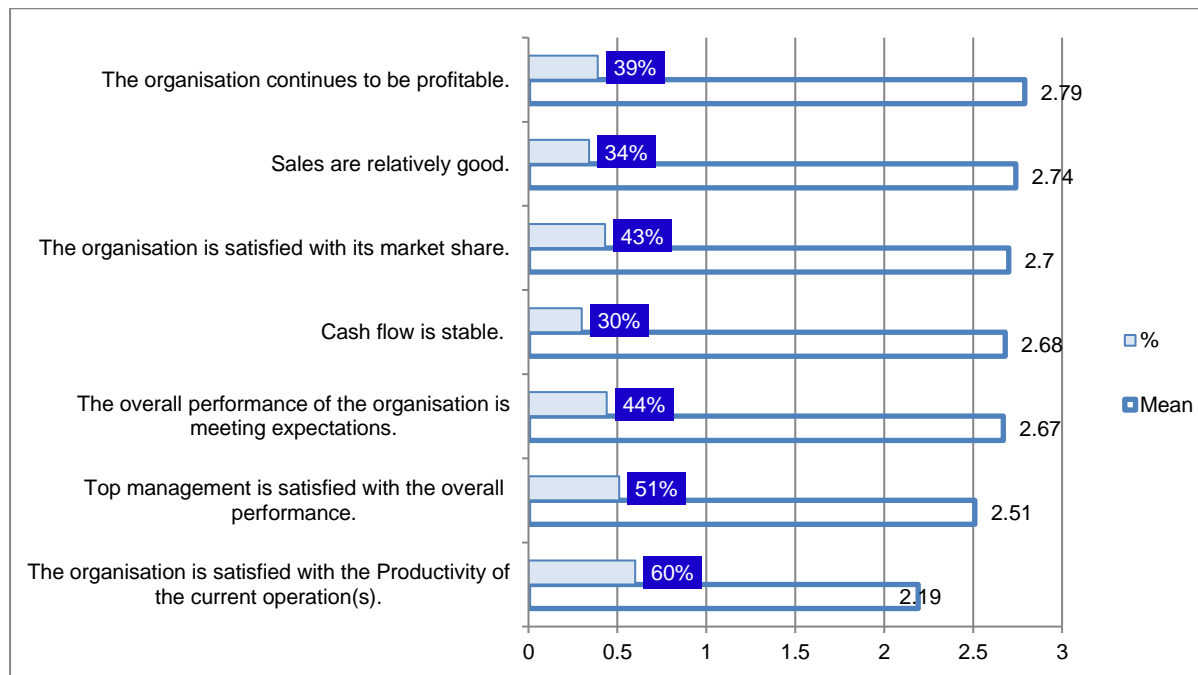
The perceived business performance of the organisations is discussed below.

Perceived Business Performance

The results for the overall business performance are shown in Figure 1.

FIGURE 1:

Mean scores in ranking order for perceived business performance



Source: Compiled by author from survey results

The majority of the organisations (60%) were not satisfied with the productivity of their current operations. There was also a large number (51%) of respondents who indicated that their top management was not satisfied with the overall performance of the organisations. The overall performance of a significant number (44%) of the mines was not meeting expectations. About 39% indicated that they were not profitable while about 43% were not satisfied with their current market share. A significant number (30%) of the mines indicated that their cash flows were not stable.

The other objective was to confirm the factor reliability of the dimensions which were used. The results are shown in the following section.

Reliability Statistics

Reliability data of the identified dimensions is presented in Table 3. The results display satisfactory levels of reliability with alpha coefficients ranging from 0.87 to 0.95.

TABLE 3:

Results of factor reliability

Factor	Cronbach Alpha	Cronbach Alpha Based on Standardized Items	N of Items	Mean	Minimum	Maximum	Range	Variance
Business Intelligence	0.900	0.908	6	3.039	2.964	3.124	0.161	0.004
Knowledge Management	0.876	0.873	11	2.921	2.534	3.354	0.820	0.059
Business Performance	0.946	0.946	7	2.613	2.192	2.788	0.596	0.042

Source: Compiled by author from survey results

The other main objective was to determine if there are any positive relationships between knowledge management, business intelligence and the perceived business performance of those organisations. The results of those correlations are shown and discussed below.

Correlations

The results of the product-moment correlation coefficients between the constructs are reported in Table 4.

TABLE 4: Correlation coefficients between the dimensions

	Business Performance	Business Intelligence	Knowledge Management
Perceived Business Performance	1.000	.796**	.705**
Business Intelligence	.796**	1.000	.798**
Knowledge Management	.705**	.798**	1.000

** . Correlation is significant at the 0.01 level (2-tailed). (Source: Compiled by author from survey results)

The table shows that business intelligence use is positively correlated to perceived business performance (practically significant, large effect). The table also shows that knowledge management use is positively correlated to perceived business performance (practically significant, large effect).

The other objective of this study was to compare the findings based on the demographic differences. This was achieved by using the ANOVA tools to establish if there were any significant differences in the responses based on the biographical information of the participants. The p-value was less than 0.05 indicating that the participants in different geographic locations answered the questions in a significantly different manner statistically. The results for the effect sizes indicate that the d-value was 0.8 for Africa when compared to other continents. This indicates a large practically visible difference. The data indicated that mines in other continents have relatively higher means implying that they use the business intelligence and knowledge management tools more than those in SA and the rest of Africa. Lowest means were observed for mining organisation in Africa.

LIMITATIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

This study has some limitations. The cross-sectional survey design allows for the identification of the existence of relationships between variables, but implies that more complicated forms of infrequent connections could not be examined. Prospective longitudinal and quasi-experimental research designs are needed to further validate the interpreted relationships within this study. In spite of the noted limitations, the findings offer valuable suggestions for future research. It was also noted that participants in different geographic areas responded differently to the questions about knowledge management and business intelligence. Possible reasons for this can be established by further research. A significant number of participants indicated that the culture in their organisations is not conducive to the sharing of knowledge. A possible framework to create such a culture can also be established by further research. The convergence and synergy of the business intelligence and knowledge management has been proposed to enhance performance. Future research can be used to generate more theoretical and empirical data in this regard. The optimal framework used for such a synergy can also be tested through future research.

CONCLUSION

The results confirmed that statistically and practically significant positive relationships with a large effect exist between business intelligence, knowledge management and perceived business performance. Based on these results, the hypotheses have been successfully met

The mining industry, like other organisations, uses information to expand and maintain competitive advantage in the current information age in which knowledge is power. Collecting information and transforming this raw data into intelligence is an essential aspect of business. Organisations need to systematically and continuously collect information from their own internal business operations, the competitive environment, the competitors and the markets to assist in operational, tactical and strategic decision-making. Knowledge management is essential for the successful management of mining operations and a complement to the other business activities of these organisations. Knowledge is indeed one of the most vital assets for organisational success. With the successful collection, distribution and creation of valuable knowledge, the mining organisations can enhance the process of organisational learning to improve performance and create more possibilities to gain competitive advantages. Integration of knowledge management processes such as acquisition, creation, sharing, utilization and transfer into the essential activities of the organisation should be carried out by the managers. Participants in different geographic areas responded differently to the questions. Possible reasons for this can be determined by further research.

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The effect of strategic IQ on business performance in the mining sector

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Keywords: Strategic IQ, Strategic Intelligence, Strategic Management, Mining Industry

ABSTRACT

The general aim of the study is to investigate the effect of strategic intelligence quotient (SIQ) on performance in the mining industry. SIQ is a measure of strategic intelligence which is a systematic and continuous process of gathering, analysing and disseminating intelligence of strategic value in an actionable form to assist in long-term decision-making (Djekic, 2014). According to Wells (2012), strategic intelligence is the capability to adjust to changing environmental conditions instead of blindly continuing on a path when all the signals in the competitive environment suggest the need for change. There is therefore a need for organisations to build a quantitative metric for measuring the level of strategic intelligence like a Strategic Intelligence Quotient (SIQ). Organisations with a low score for SIQ are considered to be the strategically blind; those with a moderate SIQ score are deemed to be able to keep up with the pack, but those with a high score are considered to be the smartest and do not only simply react to change; but drive it and shape the competitive environment to their advantage. When the environment is not changing a lot, smart organizations will gain ground on their less intelligent competitors. When times are volatile, they are more likely to be able to adapt and survive (Wells, 2012)

The study focuses on the mining sector. Commercial mining activities generate a series of economic impulses that reverberate across society according to the report issued by the International Council of Mining & Minerals (2015). Amid a complex and challenging environment, a common denominator for many mining organizations is their struggle to create a sustainable competitive advantage. Increased strategic flexibility is required together with the speed and innovation to manage environmental discontinuities and unpredictable changes for the creation or maintenance of any competitive advantage (Thornton, 2013). Continuously engaging in and measuring strategic intelligence can therefore assist managers to overcome the blind spots and avoid falling into the rigidity trap (Büchel, 2010).

The primary objective of this study is to investigate effect of strategic intelligence quotient on business performance in the mining industry. The secondary objectives include a need to conceptualize strategic intelligence and its measure, to empirically assess the level of SIQ using a questionnaire and to empirically assess the level of perceived business performance.

A quantitative research design was identified as relevant for this research. A survey design will be used and based on a selection of a sample of senior management in the mining organizations in South Africa, Africa and globally. A total of 300 mining organizations will be randomly selected from a population of 850. A structured questionnaire sub-divided into sections consisting of the biographic information, items of Strategic IQ of the mine and Business Performance with a 4-point Likert-type scale will be used. Descriptive statistics, reliability, correlation coefficients, regression analysis, t-test and ANOVA will be used for analysis. Attempts will be made to develop a universal measure of strategic intelligence quotient that can be used by organisations. The study will also provide managerial recommendations.

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The 'forth industrial revolution,' endogenous growth theory and decreasing returns to innovation over time: Novel insights from theory

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ABSTRACT

Research-inspired management advancement has arguably driven the innovations that have contributed to economic growth over time. According to discussions related to the 'Fourth Industrial Revolution,' interactions of novel technologies herald an age of unequalled productivity and human progress. Evidence however suggests that returns to innovation (narrowly defined here as investments in R&D), are in fact continuing to decline. Given this paradox, the objective of this conceptual paper is to present an argument drawn from theory that it is only a matter of time until declining returns to innovation reverse themselves and a new form of R&D problem solving becomes more widely utilised. If the propositions offered here are borne out by future research, then an important reconceptualization of the nature of the innovation process is necessary, one that questions Cohen and Levinthal's notion of absorptive capacity and path dependency as the primary mode of innovation problem solving.

INTRODUCTION

According to Schwab (2017:55), the impact of the fourth industrial revolution on business will take the form of "an inexorable shift from the simple digitisation that characterised the third industrial revolution to a much more complex form of innovation based on the combination of multiple technologies in novel ways."

In terms of this notion of 'combination,' Brynjolfsson and McAfee (2014:47) stress the importance of Weitzman's (1998) 'mode' of recombinant innovation, whereby combinatorial possibilities develop "so quickly there is soon a virtually infinite number of potentially valuable recombinations of...existing knowledge pieces" and suggest that constraints to economic growth are primarily the ability to sift potential recombinations to find valuable ones. Weitzman's (1998) theory is premised on the development of microfoundations for the knowledge production function. According to Weitzman's approach, the production of new ideas is modelled as a function of newly reconfigured old ideas, akin to a process of cross-pollination. At the heart of these arguments is the notion that although resources might be scarce, ideas that allow for their combination and recombination, through the innovation process, can be the source of economic growth, and human development. This argument is a central tenet of Romer's (1990) endogenous growth theory.

“As a result of trial and error, experimentation, refinement, and scientific investigation, the instructions that we follow for combining raw materials have become vastly more sophisticated,” according to Romer (1990:72), whereby such ideas, or recipes for the combination or recombination of resources can result in economics of scale in research and development (R&D) for the reason that once created and known they can be used by others, essentially at no additional cost. This concept, of knowledge as a nonrival good, implies that it cannot be ‘used up’ in the same way as other resources, but that an idea can be used in other contexts to increase productivity. This rationale places innovation at the heart of processes of economic growth. This perspective suggests certain implications, however, the most important of which is perhaps that investments in the development of new ideas (R&D) will demonstrate increasing returns over time, reflecting economies of scale in the R&D process. In other words, this body of theory predicts that R&D ‘will scale.’ Romer’s (1990:84) endogenous growth model therefore predicts that “unbounded growth at a constant rate is feasible”

Declining returns to innovation

In contrast, evidence exists that rates of innovation may be slowing. Patent statistics (and per capita growth rates) have over time been relatively constant despite sharp increases in research and development (R&D) employment (Segerstrom, 1997). Kortum (1997: 1389) points to the paradox associated with “puzzling trends in industrial research, patenting, and productivity growth” in that patenting has “been roughly constant as research employment has risen sharply over the last forty years.” According to Gordon (2016: 2):

...advances since 1970 have tended to be channelled into a narrow sphere of human activity having to do with entertainment, communications, and the collection and processing of information. For the rest of what humans care about- food clothing, shelter, transportation, health, and working conditions both inside and outside the home- progress slowed down after 1970, both qualitatively and quantitatively. Our best measure of the pace of innovation and technical progress is total factor productivity (hereafter TFP), a measure of how quickly output is growing relative to the growth of labor and capital inputs. TFP grew after 1970 at barely a third the rate achieved between 1920 and 1970.

Similarly, according to Cowen (2011: 2), wealthy country rates of economic growth have declined since “about 1970,” a sign that the “pace of technological development has been slowing down” due to the exhaustion of the benefits of previous technological change that remain unmatched today.

In light of the tension between these two literatures, it is argued here that an important knowledge problem exists. If Romer’s (1990) endogenous growth theory specifies compelling arguments in support of the prediction that innovation (for the purposes of this work defined here as returns to investments in new ideas, proxied by investments in R&D) will increase over time, and if this theory explains phenomena such as productivity increases associated with what have been termed the ‘fourth industrial revolution’ (Schwab, 2017) or the ‘second machine age’ (Brynjolfsson and McAfee, 2014:47), then how does it account for evidence of declining returns to R&D over time (Kortum, 1997; Segerstrom, 1997; Cowen, 2011; Gordon, 2016)?

Given this knowledge problem, this paper seeks to make the argument *that certain structural constraints exist to what might be an inevitable evolution of innovation systems towards a new form of scientific discovery*. Importantly, this argument relates to what has been termed the ‘reinvention of discovery’ on account of the way science is changing due to network effects associated with open innovation. According to Nielsen (2012:19) the “reinvention of discovery is one of the great changes of our time” whereby to “historians looking back a hundred years from now, there will be two eras of science: pre-networked science, and network science” as we are currently “experiencing a time of transition to the second era of science.”

In certain ways, Nielsen's (2012) description of this 'second era of science' accords with Schwab's (2017) fourth industrial revolution, as well as Brynjolfsson and McAfee's second machine age, and other hopeful descriptions of changes in socioeconomic relationships associated with the potential of contemporary innovation to solve societally important problems. Importantly, Nielsen's (2012) theory offers microfoundational linkages to examples of real life applications of network science principles.

Objective of the paper

Given the tensions between the literatures identified above, the objective of this paper is therefore to present an argument *that it is only a matter of time* until the declining returns to innovation (Kortum, 1997; Segerstrom, 1997; Cowen, 2011; Gordon, 2016) reverse themselves and *the positive contributions of directional and decomposable forms of R&D problem solving* (Nickerson and Zenger, 2004) become more widely recognised and applied across contexts. In making this argument, certain propositions are derived from literature, and three fundamental conditions are identified for scale effects to occur in the R&D process. It is also argued that methodologies now exist that make it possible to obtain increasing returns to scale in the R&D process. Using the example of the pharmaceutical industry and its lack of innovation (see Terblanche, 2008), it is argued that contemporary investments in R&D often fail to scale, with important societal costs, particularly for those in societies that are more vulnerable to the consequences of stalled innovation. The paper therefore seeks to tackle the following research question, namely *Why is innovation declining alongside the emergence of revolutionary new technologies?* In light of this question, the contributions of this paper are considered to be important, for the following reasons.

First, whether or not the arguments of this paper are borne out by future evidence, the model offered here may provide a useful heuristic, or frame of analysis that offers an interested reader contextual understandings of what might be some of the most important debates in current innovation theory. Lack of theoretical insight into why returns to R&D are seemingly declining even though novel technologies offer productivity improvements may have important consequences. This lack of insight may obscure, or obstruct signals that show where important opportunities are for R&D investments.

Problem solving is dependent on problem solving heuristics, or simplified "representations of...solution landscapes" or theory-drive structures in the form of cognitive maps that are updated through subsequent feedback (Nickerson and Zenger, 2004). Without knowledge that specifically highlights potential scalable R&D opportunities in R&D, the time taken to discover them is a cost. This paper seeks to provide a theory-driven cognitive map of sorts that suggests specific opportunities to improve returns to time and cost investments in R&D.

Second, through identifying certain cost and time savings that may enable economies of scale in the R&D process, this research seeks to contribute to knowledge relating to a larger knowledge problem, that of *the need to understand the fundamental nature of the innovation process itself*. Although the definition used here, of innovation as the result of, or returns to, the 'investments in ideas,' is delimited to one dimension of innovative activity, this definition draws from theory that suggests that it is innovation itself that is at the heart of economic growth.

Whereas other theory has explicitly ascribed growth, and therefore development, to increased endowments of physical capital and labour (Solow, 1956), relegating innovation in the form of technological change to a residual function, in the form of total factor productivity (Gordon, 2016), the definition of innovation used here seeks to focus discussions in such a way as to provide a useful framework for further theory development. In so doing, it seeks to ground performance as it relates to innovation in Rothwell's (1994) theory of generations of innovation.

What is important about Rothwell's theory is its explanation of how technological innovations and innovations in the production process drive a cost and time curve closer to its axis. This accords with Romer's (1990:84) seminal endogenous growth theory that predicts that the once-off development of 'recipes' or innovations in how resources can be more efficiently combined and re-combined to enable radically improved productivity, and that R&D investments can produce "unbounded growth at a constant rate." This paper also contributes to the R&D literature by identifying certain theory that predicts that methodologies already exist that can provide *increasing returns* to scale in the R&D process.

If increasing returns to scale are possible in the R&D process, then assumptions about the innovation process itself that are structured around the notion that innovation is declining over time would be upended. Similarly, if increasing returns to scale are possible, then Romer's (1990) notion of unbounded growth at a constant rate is rendered a conservative prediction. Whether the model developed here is borne out by future research is beyond the scope of this work. As stressed above, the objective of the paper is to present an argument in such a way as to provoke ideation, and the development of new ideas that might be useful to those seeking to better understand what might be certain of the most important debates in contemporary innovation theory.

The paper proceeds as follows. First, a review is undertaken, of the primary theory that predicts that returns to investments in new ideas (R&D as innovation) should be increasing and not declining (Romer's (1990) endogenous growth theory). This review is important, as it sets the stage for subsequent arguments. Next, Segerstrom's (1997) endogenous growth theory is reviewed. The review of Segerstrom's work also important, because it provides a counterargument to Romer's hypothesis, while maintaining certain of the same endogenous growth assumptions. This review demonstrates that the tension between Segerstrom's and Romer's hypotheses relates primarily to the notion that the R&D problems that remain over time are increasingly complex, and resist efforts to solve them. This argument is acknowledged to accord with evidence of declining returns to R&D over time (Kortum, 1997; Segerstrom, 1997; Cowen, 2011; Gordon, 2016). Certain propositions are then derived, in order to provoke discussions around why they persist. It is argued that the absorptive capacity model of Cohen and Levinthal (1990), premise on path dependency is *fundamentally limited in its ability to generate increasing returns to scale*. Although counterintuitive, it is argued that Nickerson and Zenger's (2004) authority-based hierarchy and consensus-based hierarchy forms cannot deliver increasing returns to scale, but their market-based governance form can, under certain conditions. The discussion then turns to Segerstrom's complexity problem. To contest the notion of the undecomposability of extremely complex problems (that complex problems defy modularisation) network science theory (Nielsen, 2012) is introduced, which predicts that extremely complex problems can indeed be decomposed- Nickerson and Zenger's (2004) term- or modularised- Baldwin and Clark's (2000) term. Keeping faith with the different literatures, these terms are used interchangeably, and it is argued that if extremely complex problems are subjected to a graduated breakdown in their complexity, using a chain of consensus-based hierarchy followed by authority-based hierarchy, it might ultimately be possible to modularise them. Examples from Nielsen's (2012) work in network science are used to make the argument that problems that seem extremely complex are solvable using this suggested process. These discussions, in their entirety, seek to achieve the objective of the paper, which is to present the argument that it is only a matter of time until the declines in returns to innovation identified by seminal scholars (Kortum, 1997; Segerstrom, 1997; Cowen, 2011; Gordon, 2016) reverse themselves and the positive contributions of what Nickerson and Zenger (2004) describe as directional and decomposable forms of R&D problem solving become more widely recognised and used. The discussions follow.

THEORY AND LITERATURE

At this nexus, it is important to identify the theoretical insights that are most relevant to the tension between the literatures discussed above. In seeking to make the case that increasing returns to scale are possible in the R&D process, it is first necessary to make explicit the case for the argument that R&D investments can produce “unbounded growth at a constant rate” as put forward by Romer (1990:84). It is therefore necessary to first consider Romer’s theory.

Romer’s Endogenous Growth Theory

According to Romer’s (1990) model of the contribution of technological change to economic growth, technology change is a function of intentional profit-maximising investment decisions on the part of agents. According to this model, technology is an input that is neither conventional nor public good in nature, but a partially excludable, non-rival good. Due to its non-rival nature (and its nonconvexity), it cannot support price-taking competition and is instead associated with monopolistic competition. On account of this, human capital therefore drives economic growth, albeit with constant sub-optimal human capital investments in research at equilibrium.

Dramatic increases in output per hour worked that have occurred over the past century have been ascribed to different causes, including technological change (Solow, 1957), an increase in the effective labour force and an increase in the effective stock of capital. Technological change is particularly important, however, given that the “raw materials that we use have not changed, but as a result of trial and error, experimentation, refinement, and scientific investigation, the instructions that we follow for combining raw materials have become vastly more sophisticated” (Romer, 1990:S72). According to Romer, the recombination of ideas, or recipes, is key to economic growth. According to Romer (2008:1):

Thinking about ideas and recipes changes how one thinks about economic policy...A traditional explanation for the persistent poverty of many less-developed countries is that they lack objects such as natural resources or capital goods. But Taiwan started with little of either and still grew rapidly. Something else must be involved. Increasingly, emphasis is shifting to the notion that it is ideas, not objects, that poor countries lack. The knowledge to provide citizens of the poorest countries with a vastly improved standard of living already exists in the advanced countries. If a poor nation invests in education and does not destroy the incentives for its citizens to acquire ideas from the rest of the world, it can rapidly take advantage of the publically available part of the worldwide stock of knowledge. If, in addition, it offers incentives for privately held ideas to be put to use within its borders- for example, by protecting foreign patents, copyrights, and licences; by protecting property rights; and by avoiding heavy regulation and high marginal tax rates- its citizens can soon work in state-of-the-art productive activities.

Key to the development of new ideas is the phenomenon of technological change. For Romer (1990) technological change is particularly important for three reasons. *First*, in improving the rationale for raw material combination it lies “at the heart of economic growth (p. 72),” as predicted Solow’s model (1956), providing incentives for capital accumulation. Capital accumulation and technological change together contribute substantially to work increases in output per hour. *Second*, technological change is primarily an endogenous function of the intentional actions of people as a response to market incentives (there are certain exceptions, such as academic scientists supported by non-market grants), with new knowledge being converted to practical value in the form of goods. *Third*, developing these ‘new and better instructions’ [or recipes] for converting raw materials is essentially a fixed cost, which is “the defining characteristic of technology (p. 72).” This has an important implication, that the use of these sets of instructions has no additional cost. Whoever uses these ideas, or recipes benefits from their formulation, at no additional cost. According to Romer (2008:1):

Every generation has perceived the limits to growth that finite resources and undesirable side effects would pose if no new recipes or ideas were discovered. And every generation has underestimated the potential for finding new recipes and ideas. We consistently fail to grasp how many ideas remain to be discovered. The difficulty is the same one we have with compounding. Possibilities do not add up. They multiply.

An implication of this is that it is innovation that is key to economic growth. Certain other models of growth have not focused on Romer's (1990) three reasons, or cornerstone premises that suggest why technological change is particularly important in its contribution to growth. Aggregate growth models (including those which model spillovers and externalities), according to Romer, are premised on price-taking behaviours, but if these three cornerstone premises are incorporated, price-taking equilibria are no longer appropriate. An implication of this is that larger markets cause more research and growth. Population size, however, is not necessarily the correct measure of market size and large domestic markets cannot substitute for worldwide trade, and low human capital stock can potentially forestall growth (Romer, 1990). The power of new ideas to benefit society is however necessarily dependent on the extent to which R&D is a nonrival good, and the extent to which these ideas are shared.

The Power of Ideas

A 'piece' of human capital representing a capability does not equate to the way nonrival goods can accumulate with no limit on their per capita accumulation, as an individual has only a finite capacity to accumulate human capital through spending time developing skills (Romer, 1990). Further, these skills cannot transcend life spans whereas "a scientific law; a principle of mechanical, electrical, or chemical engineering; a mathematical result; software; a patent; a mechanical drawing; or a blueprint" lives on (Romer, 1990:S75). Modelling knowledge as a nonrival good is therefore useful in explaining spillovers, or incomplete excludability, as knowledge characteristics such as unbounded growth and incomplete appropriability have important implications for growth. These characteristics also have important implications in terms of nonconvexities as nonrival production does not typically reflect constant returns to scale.

Romer (1990) acknowledges that this conceptualisation contrasts with Solow's (1956) treatment of technology as an exogenously supplied public input which is nonexcludable and nonrival. Romer (1990) stresses, however, that in Solow's (1956) model, technology (A) does not accrue compensation and an incorrect assumption is made that individual firms are free to exploit the entire stock of A. Although in accordance with the principle that technological change drives growth, and that technology is a nonrival good, this assumption does not incorporate the role of private, maximising behaviour in generating technological change. It must be asked here, however, if private maximising behaviour, at least on the part of incumbents, is not primarily concerned with mitigating the effects of perfect competition. If so, then firms would pursue as little technological change as possible if it brings with it disruption of hard won oligopolistic or monopolistic conditions associated with the status quo. Technological change, then, is expected to occur on account of emergent firm who contest incumbents for market share.

In contrast to other models which either consider knowledge as an unintentional side effect of conventional goods production, Romer (1990) incorporates learning-by-doing effects to endogenise the rate of accumulation of nonrival knowledge, acknowledging that if nonrival inputs are even partially excludable, nonconvexities will exist, ruling out the possibility of sustaining a decentralised equilibrium. Based on this analysis, long run cost curves would be horizontal with all rival inputs variable, and the only way to incorporate the three principles is to explicitly incorporate market power, with human capital a measure of scale rather than population (Romer, 1990).

Unbounded growth and incomplete appropriability are characteristics of knowledge that have important implications for growth. Romer (1990) models certain relationships related to research productivity, where research output depends of the amount of human capital devoted to research, as well as on stocks of knowledge available to an individual doing research. In this model, he considers designs to be discrete indivisible objects created non-deterministically. Production technology for designs explicitly incorporate integer constraints

and uncertainty. Although indivisibility and uncertainty have an influence at the micro level, at shorter time intervals, Romer applies a simplifying assumption that these are less of an influence at the macro level, and offers the following function.

$$Y(H_Y, L, x) = H_Y^\alpha L^\beta \int_0^\infty x(i)^{1-\alpha-\beta} di$$

This is a simple functional form for output based on the extension of the Cobb-Douglas production function, but whereas the typical form relates total capital K as proportional to the sum of all the different types of capital, Romer's function implies that all capital goods are perfect substitutes. This formal treatment allows output of new designs produced by a researcher (j) to be represented as a continuous deterministic function of certain inputs. With a certain endowment of human capital H^j a researcher with access to part of (A^j) the total stock of knowledge will be able to produce new designs at a rate of $\delta H^j A^j$, with δ representing a productivity parameter. Growth in A is taken to increase human capital productivity for the research sector. However, notwithstanding secrecy and property rights assumptions, this equilibrium rests on an assumption that researchers have access to the entire knowledge stock, an assumption deriving from the conceptualisation of knowledge as a nonrival input. Extending this to all researchers, an aggregate stock of designs can be modelled to develop as follows (with H_A total human capital engaged in research):

$$\dot{A} = \delta H_A A$$

However, this function is also based on certain assumptions relating to substantive issues and to its functional form. In terms of the former, more human capital devoted to research is assumed to result in a higher production rate of new design production, and that larger stocks of designs and knowledge enhance productivity in work, and in terms of functional form, linear output of designs in both H_A and A when holding the other constant. Romer stresses that linearity in A implies unbounded growth, a characteristic of the model akin to an assumption rather than a result. The marginal product of human capital H_A in manufacturing grows proportionately with A , indicating no loss of researchers to industry; Romer considers this to reflect general evidence. According to this model, knowledge enters production through certain mechanisms; a new design can result in a new good which produces output, and it can also increase the total knowledge stock, increasing human capital productivity in the research sector, and property rights imply to the first of these but not the second. To resolve the problem of lack of clarity about the definition of new good design versus copying an existing good, Romer uses the production function Y , in a functional form in which new goods cannot be close substitutes as producer durables enter into production separately, notwithstanding its avoidance of obsolescence. The key to this model is the way knowledge is modelled as a partially excludable, privately provided, nonrival good.

Romer's model predicts that endogenous growth can result in scale effects. The model offers conceptual logics that are useful in understanding how growth may be underpinned primarily by innovation, *but he acknowledges the possibility that opportunities in research might be diminishing*. Drawing from the same endogenous growth theory framework, what other theory predicts that endogenous growth can occur without scale effects? One such model, in the form of Segerstrom's R&D-driven endogenous growth model is now considered.

Segerstrom's Endogenous Growth Theory

Segerstrom (1997) offers an R&D-driven endogenous growth model. This model demonstrates how endogenous growth can occur without scale effects, and why increasing R&D employment can co-occur with no improvements in patent statistics and economic growth rates. Drawing from research on the microprocessor industry (where challenges increase

exponentially with complexity), Segerstrom makes the theoretical prediction that R&D becomes progressively more difficult over time.

In this model, economic growth is a function of the profit-maximising R&D decisions in firms across industries. Irrespective of initial conditions, a slow and steady convergence to a balanced growth path occurs, according to the dictates of equilibrium behaviour, and along this balanced path, “economic growth proceeds at a constant rate and R&D employment grows at the same rate as total employment” (Segerstrom, 1997:2). The instantaneous probability of an innovation across industries is however also constant along this balanced growth path. This would explain the constant rate of patenting since the mid-1960s.

Accordingly, a permanent unanticipated increase in state subsidy to R&D will increase the rate of patenting but as firms invest more in research, R&D difficulty increases more rapidly, with the consequence that the rate of technological change slowly drops to the level of the balanced growth rate. Thus R&D employment will rise but the rate of technological change will only temporarily be increased. According to Segerstrom (1997:2/3):

Even though R&D subsidies do not have long-run growth effects, it does not follow that a laissez faire public policy is welfare-maximizing. In general, the fraction of resources devoted to R&D along the equilibrium balanced growth path is not optimal (due to the presence of three external effects: the positive consumer surplus effect, the negative business stealing effect and the negative intertemporal R&D spillover effect). By subsidizing (taxing) R&D, the government can increase (decrease) the relative size of the R&D sector. We find that the larger is the size of innovations (and the corresponding markup of price over marginal cost charged by successful innovators), the smaller is the optimal R&D subsidy.

According to Segerstrom’s (1997:25) model, there are three parameters that “completely determine the long-run economic growth rate,” namely the innovation size parameter, the population growth rate and the R&D difficulty parameter. Certain R&D efforts may focus on the improvement of existing products, or new products rather than the development of new manufacturing processes, whereby horizontal differentiation in the R&D process occurs at the expense of vertical R&D. Whereas the former is focused at improving products, the latter is focused on increasing variety (Segerstrom, 1997).

Given that even within the endogenous growth framework there exists theory to explain the absence of scale effects, it would seem that there exists little in the way of theory that supports the argument made here, that R&D investments can under certain conditions produce increasing returns to scale. It was considered necessary, however, to review these theoretical frameworks so as to locate the arguments made here in relation to these bodies of theory.

Private R&D is fundamentally absorptive

Basic scientific research, as primarily a public good is not independent however of the dynamics of price-taking models which incorporate taxation and government action (Romer, 1990). Growth driven by research in Romer’s model can be considered to be caused in turn by partially excludable, nonrival inputs (research productivity), according to Romer’s first premise, and the design of a new good (its recipe) can be used by others, in a host of other productive ways, largely at no additional cost.

Does much knowledge developed in R&D by private firms become a private good? To the extent that this knowledge can be copied, it could be used by others at no additional cost. However, if this knowledge is only shared to the extent that it is incorporated in goods and services, and only in this way is made publically available, there exists no incentive for a private firm to share the rest of its stocks of proprietary knowledge. Indeed, it might be argued that incentives exist for firms to hoard valuable knowledge, lest they lose competitive advantage over other firms.

It is perhaps important to also model the incentives that incumbent firms have to avoid innovating in such a way as to disrupt their monopolistic advantages. These monopolistic advantages extend to their unique brand power and their unique configurations of competencies that give rise to competitive advantage. Hence, the development of new and better instructions also provides a basis for the disruption of business models. This might be at odds with the need of firms to maintain a system that is configured to hold the forces of perfect competition at bay. Proprietary knowledge is a rival good if used to exclude competitors, and knowledge is only non-rival if shared. Hence, Proposition 1 is derived:

Proposition 1. The nature of private R&D is fundamentally absorptive, and leakage of knowledge is primarily limited to that embedded in products and services, and in processes that others can copy.

According to this proposition, the nature of the market system is primarily ‘absorptive’ in that knowledge is hoarded, and the primary flow, or leakage from the private R&D system that enters the public knowledge domain is either in the form of knowledge embedded in products and services, or in systems that can be identified and benchmarked by others. Strategically, firms are typically incentivised to not share knowledge with other firms. On account of this logic, Proposition 2 is also offered.

Proposition 2. The private innovation system crowds out societally important innovation by prioritising responses to wealthier markets.

The formulation of this proposition is in no way meant to challenge the positive contributions of the private innovation system, which seems highly efficient at meeting proximal needs, or the immediate consumption needs of people. The ability to produce and deliver Coca Cola to the world’s most remote regions, for example, captures the tremendous efficiency of the market system. No, what is argued here is that from a probabilistic perspective, these unrelenting market forces find expression in certain mechanisms that constrain innovation in certain ways. A detailed consideration of these mechanisms is beyond the scope of the discussions here, but their effects can be seen, perhaps, in the skewed ratios of students studying business related subjects versus those studying biomedical research. To some extent these ratios simply reflect the interplay of incentives, as immediate consumption needs have higher incentive response pressures than needs related to health outcomes that might increase in importance in future. There might be some collective heuristic at play here, where the importance of biomedical research, for instance, is not reflected in society’s allocations of resources.

Path dependency models are unable to attain increasing returns to scale

Innovation may face a threshold limitation if it is captive to the constraints of market incentives that allocate innovative activity to investments with lower risk that have higher potential returns. To transcend this threshold might require a meta-idea that reconceptualises the innovation process in such a way as to unite theory development and focus effort on a useful target, or goal. According to Romer (2008:1):

Perhaps the most important ideas of all are meta-ideas—ideas about how to support the production and transmission of other ideas. In the seventeenth century, the British invented the modern concept of a patent that protects an invention. North Americans invented the modern research university and the agricultural extension service in the nineteenth century, and peer-reviewed competitive grants for basic research in the twentieth. The challenge now facing all of the industrialized countries is to invent new institutions that encourage a higher level of applied, commercially relevant research and development in the private sector.

It is argued here that a threshold constraint exists because most theory and practice has converged around the notion of path dependency in knowledge production. According to absorptive capacity theory (Cohen and Levinthal, 1990), the ability to make knowledge advances, particularly over competitor firms, can primarily be path dependent, as only by

building on previous knowledge can one see new opportunities that are not visible without the attainment of such previous knowledge. This logic is compelling. Under certain conditions, this principle can act as a constraint if decision makers fail to understand that increasing returns to scale in the R&D process are possible through surrendering direct management control of the knowledge creation process. If it is not possible for sufficient actors to break away from path dependency logics then path dependency approaches might exist as a strong norm, akin to a paradigm of knowledge creation (Kuhn, 1970). Hence, Proposition 3 is derived:

Proposition 3. Path dependency models of knowledge creation face a fundamental threshold limit and cannot attain increasing returns to scale.

If path dependency could never deliver increasing returns to scale in R&D, and if this were the dominant model of R&D, then the increasing returns to scale predicted by Weitzman's (1998) theory of recombinant innovation would not be expected to emerge on a large enough scale to change common practice. Naturally, the question arises, that if the path dependency paradigm cannot deliver increasing returns to scale in R&D, what paradigm can? To understand under what conditions increasing returns to scale can, and cannot occur, it is necessary at this nexus to turn to Nickerson and Zenger's theory of organisational problem solving.

Nickerson and Zenger's theory of R&D problem solving

If organisational problem solving within an organisation is organised through hierarchy, or authority relations, then solving such problems outside the firm would be considered a non-hierarchy approach. Instead of a focus on the efficiency of hierarchy in its contributions to knowledge exchange, Nickerson and Zenger (2004:617) offer a theory of the firm based on the efficiency of alternative organizational forms "in generating knowledge or capability." This approach takes the problem as the basic unit of analysis. An implication of this is that a problem's complexity "influences the optimal method of solution search and the optimal means of organising that search (p.617)."

According to Nickerson and Zenger (2004:618) the "manager's fundamental knowledge-based objective is to sustain above-normal profits by continually discovering new knowledge or new solutions that form from unique combinations of existing knowledge." This echoes Romer's (1990) notion of innovation recipes, as well as Weitzman's (1998) conceptualization of recombinant innovation, but with an important extension. Applying the notion of typologies of solution landscapes, Nickerson and Zenger (2004) make explicit certain conditions under which increasing returns to scale may be possible in R&D. They explain their conceptualisation of the topography of solution landscapes as follows (p. 619):

Thus, suppose we identify that a particular problem may benefit from five distinct knowledge sets, with each knowledge set informing a distinct binary design choice. Each unique combination of these design choices yields a unique solution value. The level of interaction among these binary design choices defines the topology of a solution landscape. The greater this interaction, the more rugged the landscape is, the higher the value of the highest valued solution is, and the lower the spatial autocorrelation among the high-value solutions is. The lower the interaction is, the smoother the landscape (and the lower the value of the highest solution). For any given problem, the set of all possible combinations of relevant existing knowledge (i.e., solutions) can be represented as a landscape the topography of which defines the value associated with any given combination. Peaks on such solution landscapes represent valuable combinations of knowledge sets or technologies that are highly complementary. Valleys on such landscapes represent low-value combinations of existing knowledge. When knowledge sets are highly interdependent, solution landscapes are more rugged and unpredictable.

According to Nickerson and Zenger (2004:619), problems "and their corresponding solution landscapes thus can be arrayed according to the level of interaction among knowledge sets." Problems can however also be differentiated according to a typology of decomposable or low-interaction problems, nondecomposable or high-interaction problems, and nearly decomposable problems associated with moderate levels of knowledge interaction. Near

decomposability is a condition defined as having greater interactions among knowledge sets within subproblems than among subproblems.

The knowledge appropriation hazard

In addition, according to Nickerson and Zenger (2004), two hazards relate to the incentives of individuals who seek to solve problems. The first hazard, the *knowledge appropriation hazard*, relates to the incentive “to simply assimilate others’ knowledge and thereby extract its value without payment” which makes it difficult to sell knowledge, and “self-interest encourages actors to hoard knowledge and embed it into saleable products” but if “the value of an actor’s knowledge is revealed only through recombination with other actors’ knowledge, then knowledge sharing is necessary, which- absent a means of protection- may simply not happen (p.622).” This limitation might apply to heuristic search, but is less a problem in directional search (problem solving search).

Nickerson and Zenger (2004:620), argue that the “search for solutions is necessarily uncertain” in that the “likelihood, speed, and cost of arriving at a valuable solution” is dependent on choices of trials and luck. Choice of trials can be based on two alternative approaches, namely *directional* and *heuristic* search choices. Directional search is based solely on feedback or experience from prior trials. Directional search is also well suited to low-interaction problems that require little interaction between design choices in defining solution performance. According to Nickerson and Zenger (2004:620), on “such solution landscapes, the only relevant feedback is whether performance is increasing or declining in response to a specific design change” and this type of search is therefore fully decomposable but “inefficient when exploring solutions to high-interaction problems.”

Heuristic search differs from directional search in certain fundamental ways. Drawing from Simon’s (1991) and March and Simon’s (1958) conceptualisations, Nickerson and Zenger (2004:621) describe heuristic or cognitive search as “a form of solution search in which an actor or a group of actors cognitively evaluate the probable consequences of design choices” rather than only relying on feedback from previous design choices. These heuristics are essentially simplified “representations of the solution landscapes” or theory-driven structures in the form of cognitive maps that are updated through subsequent feedback. These heuristics are either at the individual level, framed by the individual’s beliefs and cognitions or by the collective beliefs of a group.

The strategic knowledge accumulation hazard

The second hazard, the *strategic knowledge accumulation hazard*, relates to the value that new knowledge has to individual actors, as it would depend on the “complementary knowledge that they already possess” (Nickerson and Zenger, 2004:622). The incentives individuals therefore have to strategically shape the search heuristic for self interest can thereby constrain knowledge sharing. If problems are decomposable, then these hazards are not an issue, as knowledge transfer and heuristic search is not required. However, as problems increase in their complexity and become nondecomposable, governance mechanisms are required to mitigate knowledge exchange hazards, that need to be tailored to the appropriate level of knowledge transfer. At the same time, “efficiency dictates the maintenance of high-powered incentives that encourage actors to actively seek knowledge through solution search” as there is a “fundamental trade-off between governance forms that powerfully motivate search effort and those that more effectively support heuristic development” (Nickerson and Zenger, 2004:623).

These hazards mitigate against problem solving when problems are nondecomposable, and when heuristic search is necessary. On account of this theory discussed above, the following proposition is offered.

Proposition 4. Directional problem solving and the decomposability of problems are necessary conditions for increasing returns to scale in R&D.

According to Nickerson and Zenger (2004:623), three forms of governance can be used for search, namely markets, authority-based hierarchies, and consensus-building hierarchies, which differ according to (i) decision rights over the path of solution search, (ii) the communication channels used to support knowledge transfer, and (iii) the incentives used to motivate search. According to Nickerson and Zenger (2004:623) markets have the advantage of operating well as a device for efficiently governing knowledge exchange, as stressed by Hayek (1945). They support Hayek's (1945), argument that the fundamental economic problem is that of how to use decentralised knowledge that is initially dispersed amongst people, and that markets dispense with the need for centralised control of economic problem solving.

Markets as a form of governance

Nickerson and Zenger stress the disadvantages of markets, however, associated with their inability to deal with knowledge-exchange hazards that makes them less effective as problems become more complex. According to Nickerson and Zenger (2004:623):

In our context of problem solving, market governance determines the path of search by decentralising control to those in possession of valuable, specialised knowledge. In markets, prices provide high-powered incentives that motivate actors to search for solutions that both exploit and enhance their specialised knowledge and that can be encapsulated into saleable products. For a given problem, the path of search is merely an aggregation of the individual search decisions made by a set of actors autonomously choosing paths of search that they anticipate will lead to improved and marketable solutions. Thus, markets achieve unique combinations of knowledge using fully decentralised decision making.

Jeppesen and Lakhani (2010) describe open calls for problem solving made by firms to the public as 'broadcast methods.' This is an example of a market-based governance system. The effectiveness of problem solving using broadcast methods is dependent on the structure of the problem, and the extent to which it can be decomposed into smaller components so that subparts can be solved independently; similarly, the smaller components should also be decomposable (Jeppesen and Lakhani, 2010).

Markets are ideally suited to directional search, which involves individual actors "altering design features based on knowledge they possess and then observing the resulting change in solution performance," and provide "high-powered incentives that motivate actors to pursue trials that expand their knowledge or the sale of products and services based on that knowledge" (Nickerson and Zenger, 2004:623). Markets however provide weak support for knowledge sharing, little "protection against knowledge appropriation and no clear disincentives against strategic manipulation of search heuristics," and weak incentives for the formation of a common language to communicate knowledge in support of knowledge sharing (p. 623).

Markets therefore economise on knowledge sharing, and only decomposable problems and directional search are robust to these constraints of markets. They therefore "avoid knowledge-exchange hazards by severely restricting knowledge exchange" but "offer powerful incentives for...individual actors to make optimal use of the knowledge" whereby each "possesses incentives to engage in local search and thus to focus on trials that enhance their own accumulation of specialised knowledge" (Nickerson and Zenger, 2004:624). Hence, the incentives of markets "discourage knowledge sharing and instead promote knowledge hoarding (p.624)."

Proposition 5. Markets are the only form of governance that can typically produce increasing returns to scale in R&D.

According to Nickerson and Zenger (2004), problems of high complexity and that are not decomposable are better suited to consensus-based hierarchies, where trust and social relationships enable the sharing of knowledge within a group of problem solvers. Problems that are moderately complex are suited to authority-based hierarchies, where management with the requisite skills can substitute for individual lack of skills. Where complexity is lower, and problems can be decomposed, then the market is the appropriate form of governance. Certain important implications derive from these propositions. These are now discussed.

Synthesis and Implications

There are three primary implications that derive from these propositions. *First*, to attain increasing returns to scale in the R&D process it may be necessary to redirect R&D problem solving efforts away from simply attempting to solve problems using a single governance structure, and instead to focus instead on problem decomposition as a primary focus of the R&D process. If Segerstrom's (1997) modelled constraints are acknowledged, that even with increasing investments in R&D the difficulty of R&D might increase more rapidly, then the problem becomes one of addressing the complexity of problems, and making them accessible to directional search, and by making them decomposable. Decomposability corresponds with Baldwin and Clark's (2000) notion of modularity. If consensus-based hierarchies could be used to break the complexity of problems down to the level at which authority-based hierarchies can take over, and if in turn these problems could be decomposed, then market-based hierarchies would be able to solve them.

Second, given that the process suggested here would in theory be able to solve most problems that can be modularised, the key constraint becomes one of how to reduce the complexity of problems, or how to unravel their constituent structural components. The arguments of Segerstrom (1997), and by extension others who have argued that innovation declining (Kortum, 1997; Cowen, 2011; Gordon, 2016) therefore reduce to the hypothesis that complex problems are inherently not decomposable. If it can be shown that (i) extremely complex problems are in fact decomposable, and if it assumed that (ii) decomposable, or modularised, problems can be solved by market-based methods of governance, then it might be argued that these problems can then be solved in a way that exhibits increasing returns to scale. The attainment of these increasing returns to scale is however also dependent on (iii) the existence of a methodology, or a mechanism that can harness the full potential of the market-based system of governance. These three conditions are considered necessary conditions for the attainment of increasing returns to scale. Each are now considered in turn.

Can extremely complex problems be decomposed?

The notion that extremely complex problems cannot be broken down into modular components needs to be considered with reference to real life examples of extremely complicated problems that have been solved. Nielsen (2012) offers certain examples of how these were solved using network science, or an open source process of problem solving. The Polymath Project example highlights how a Mathematics Field's Medal winner put mathematical problems online for solving. More fundamentally difficult problems were solved than were expected, demonstrating economies of scale in problem solving that were robust to the complexity of problems. The HapMap and ongoing GenBank genetic information repository projects bring together global genetic information, and demonstrate success in developing economies of scale in biomedical data collection. Galaxy Zoo is a cosmological census which uses over 200 000 volunteers to assist astronomers in classifying images of the galaxy. With over 150 million galaxy classifications, a new class of galaxy has been identified. This project also demonstrates economies of scale in data collection and analysis.

InnoCentive is a platform used by firms to put scientific problems on the Internet to be solved for financial rewards. It has also demonstrated economies of scale in its problem solving, with

successes where in-house R&D has failed, at lower cost and in less time. Linux is another example of economies of scale attained through open source software problem solving. Maths Works hosts open-ended programming contests, utilising microcontributions, or small contributions by many programmers to solve complex problems. What these all have in common is that they are open source collaborations and that they 'scale.'

According to Nielsen (2012:57) there are four "powerful patterns that open source collaborations have used to scale." These are (i) an uncompromising commitment to modular work and breaking up tasks into smaller subtasks, (ii) encouraging small contributions and reducing barriers to entry, (iii) enabling easy reuse of previous work that others have done, and (iv) using mechanisms like scores to direct peoples' attention. Incorporating these patterns into any architecture of attention can be used to "amplify collective intelligence" (Nielsen, 2012: 57). Modularity is key to this, because it enables people to work in parallel. Without it, open source collaboration cannot scale.

Scientific problems can also be extremely complex, and one would think that only experts in a specific field would be able to solve them. Jeppesen and Lakhani (2010:1017) studied 166 scientific problems put forward by the R&D laboratories of 26 firms in 10 countries that were broadcast to a network of almost 80 000 scientists, concluding that "marginality of external problem solvers is a statistically significant predictor of problem-solving success." Using data on 12 000 scientists that demonstrated an interest in solving broadcast problems, they found that "both technical marginality (i.e., a solver's self-assessed technical expertise distance from the problem field) and social marginality (i.e., as proxied by being a female scientist...) relate independently to successful problem resolution (p.1017)." The implication of this is that non-experts, or people with no specific training in the field in which the problem originated typically solved these scientific problems. These examples suggest that the complexity of a problem might not necessarily make it impossible to break it up, and decompose, or modularize it. It is left to further work to establish the extent to which complex problems are decomposable. The scalability problem of R&D essentially reduces to the problem of decomposability.

Can decomposable problems be solved with increasing returns to scale?

Certain of the examples considered immediately above suggest that decomposable problems can be solved using open source collaborative methods, and that increasing economies of scale can be achieved in this process. Nielsen (2012:55) explains the scale possibilities for online collaborations using the example of Linux as follows:

To give you some idea of the scale, in 2007 and 2008 Linux developers added an average of 4,300 lines of code per *day* to the Linux kernel, deleted 1,88 lines, and modified 1,500 lines. That's an astounding rate of change- on a large software project, an experienced developer will typically write a few thousand lines of code per *year*. Of course, most open source projects have fewer contributors than Linux. A popular repository of open source projects called SourceForge houses more than 230, 000 open source projects. Nearly all those projects have only one or a few contributors. But a small number of projects have captured the imagination of programmers, drawing in tens, hundreds, or thousands of contributors.

By definition, software engineering is a good example of modularity, with its basic unit being a line of code. Nielsen's (2012) examples suggest that if problems can be broken down into modular components, then what is needed is to populate the problem space with problem solvers, and to motivate them accordingly. However, for widespread adoption of open source problem solving to occur, an integrated methodology is required, that can incorporate process learning and integrate it in a way that problem solvers can tap into it, and its continually updated, or state of the art processes.

Is there a methodology that can be used to operationalise market-based systems of governance?

Biomedical research is a useful example of a field that has to solve complex problems. Open source research, in the form of crowdsourced R&D, has demonstrated proof of concept in complex fields like medical research (Prainsack and Wolinsky 2010; Adams 2011; Armstrong, Harskamp, Cheeney and Schupp, 2012). The successes of this methodology are evident in the achievements of InnoCentive (see Jeppesen and Lakhani, 2010). What remains, perhaps is to formalise this crowdsourced R&D methodology such that it can develop into a formal scientific methodology. This would have the advantage of developing an open source research infrastructure of academic work that researchers and practitioners can continually contribute to and update. If innovation seems to be declining on a global scale, this might be due to the slow uptake of systems of open source problem solving. The developing of a formal methodology might hasten its acceptance. Ironically, theory related to the uptake of innovations and innovative ideas might better explain this slow uptake. This paper therefore take a hopeful view of the problem of declining returns to investments in innovation.

Although it was not the purpose of this paper to draw out empirical evidence to support its arguments and propositions, it sought to advance certain arguments to provoke discussion and further research on these topics. The paper therefore sought to reconceptualise R&D problem solving in terms of its ultimate potential, whereby even complex problems might ultimately be solved in ways that exhibit increasing returns to scale. If we envision a state in which most R&D problems could ultimately be solved in real time, we might be open to novel approaches and theory that suggests how this could be achieved. Further research might provide empirical tests of the ideas presented here.

Conclusion

The objective of this paper was to present an argument that it is only a matter of time until declining returns to innovation reverse themselves and the positive contributions of directional and decomposable forms of R&D problem solving become more widely recognised and applied across contexts. Discussions undertaken here suggest that if the propositions offered here are borne out by future research, then certain assumptions about nature of the innovation process would need to be revisited. Cohen and Levinthal's (1990) absorptive capacity theory predicts that path dependency is key to innovation, as only when one has reached a certain level of knowledge can one 'see further' to identify opportunities, which cannot be seen by those who have not followed the same path of knowledge building. In contrast, Nickerson and Zenger's (2004) market governance structure for organisational innovation provides certain conditions under which increasing returns to scale in R&D are possible, as long as problems are decomposable. However, their assumption that complex problems cannot be decomposed, or modularised was challenged, using examples from network science (Nielsen, 2012) which suggest that this assumption might not be warranted in many instances. The implication of these arguments is that it is perhaps not through closed systems of organisational learning associated with path dependency, but through the use of market-based open source problem solving that these economies of scale can be universally realised.

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The management of innovation: A portfolio perspective interpretation of technological change

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Keywords: Innovation Management, Theory Development, Strategic Management, Technology

ABSTRACT

Many suggest that the radical changes in technology we are seeing offer utopian possibilities for society. Others, however, suggest that such technologies herald a dystopian future. This paper applies a portfolio perspective interpretation to make sense of certain technological threats facing us at this time, and to order the importance of five core technological threats. The paper also seeks to develop a theoretical model of how such technological threats might be managed. In doing so, this paper seeks to offer useful insights for management theory and the management of innovation in the face of increasing technological change. It arguably falls to management theory to provide guidelines for how to ensure that technological change is beneficial. Drawing from recent theoretical developments, novel theoretical insights are highlighted that may be useful to those tasked with managing technological change.

Towards of a sustainable financial management strategy for South African universities' hotel schools: An international perspective

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Keywords: Hospitality, Higher Education, Financial Management

ABSTRACT

The internationally recognised Central University of Technology, Free State (CUT) Hotel School is seen as an education and training leader in the services industries in South Africa. It is therefore unfortunate that this Hotel School finds it increasingly challenging to balance its income and expenses, and function as a financially viable academic unit in a sustainable way. This challenge can be ascribed to international and national factors, negatively impacting the financial sustainability of the Hotel School. Higher education related challenges, such as the continuously increasing demand for quality education, increased access rates, strong competition, deteriorating resource allocation, high drop-out rates and low student success rates have had a negative influence on the financial sustainability of the Hotel School. Additionally, the relative low lecturer-student ratio, relative high operational costs, third-stream income not fully realised, and the limited tuition fees received, limits the available resources to the Hotel School. Further limiting the available funding, are the funding received from state grants, such as the Actual Teaching Output grant, the Actual Research Output grant and the Funded Teaching Input grant, is not maximised, due to the relative high drop-out rates, poor staff research outputs and capped student number intake respectively.

Innovative ways of income generation options must be identified in order to move towards a sustainable financial strategy. Therefore, the main aim of this paper is to formulate a sustainable financial management strategy for South African universities' hotel schools. A qualitative research design was followed, using a document analysis and one-to-one semi-structured interviews held at four top international Hotel Schools in Switzerland and the Netherlands. Findings obtained, were transcribed verbatim, coded and categorised into themes. The computer software programme namely Atlas.ti, was also used to assist in data analysis.

Confirming the high expense of offering Hospitality Management courses, interviewees mostly suggested actions towards maximising income. It was recommended that the number of Full-time Equivalent students (FTEs) are increased, research output is increased, relative high drop-out rate be decreased and third-stream income be increased. In support, a strong marketing strategy, focusing on attracting the best candidates, establishing the Hotel School as a brand within the institution and, promoting the academic offerings of the school, short

courses and online courses, as well as the operational facilities and services offered. The generation of additional sources of third stream income will be supported through an increase in the occupancy and operational hours of operational facilities, offering additional short courses and consultation work for companies. Stringent selection processes should be implemented in order to improve the calibre of the student, ultimately reducing drop-out and increase throughput rates. The Hotel School staff component should be rearranged in order to allow academic staff be focused on teaching, learning and research, while operational staff are responsible for practical classes, while managing operational facilities. A strong alumni and industry partner network needs to be built and maintained as this will also assist in the improvement of financial sustainability.

The findings of this study inform a sustainable financial management strategy for South African universities' hotel schools.

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The Guptas: Masters of non-market strategy?

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Keywords: Non-Market Strategy, Corporate Political Activity, Corporate Social Responsibility

ABSTRACT

Non-market strategy may be defined as ‘a concerted pattern of actions taken in the non-market environment to create value by improving . . . overall performance’, where ‘the non-market environment consists of the social, political, and legal arrangements that structure the firm’s interactions outside of, and in conjunction with, markets’ (Baron 1995: 47-48).

In recent years the media has displayed to South Africans the spectacle of an audacious example of non-market strategy. The so-called state capture project of the Guptas, while not yet fully revealed, clearly involved a particularly complex web of social, political and legal arrangements that will offer researchers a rich vein of data to mine.

The study of non-market strategy is enjoying a burst of interest (*vide* a special edition in the British Journal of Management: Frynas, Child and Tarba, 2017). Three strands of research inform the thinking behind this paper. First, how companies organise to engage in non-market strategy (Minor, 2015). Second, how the two main components of non-market strategy, corporate social responsibility (CSR) and corporate political activity (CPA), relate to each other (Ahammad, Tarba and Frynas, 2017). Third, which components of non-market strategy most reduce institutional risk (Liedong, Rajwani and Mellahi, 2017).

At the time of writing the Guptas’ business empire appears to be collapsing. The overall question that this research will attempt to address is the extent to which the non-market strategy that the Guptas pursued put their businesses at risk of institutional failure. To answer this question, it will be necessary to first explore three preliminary research questions: what was the nature of the Guptas’ non-market strategy? How did Gupta-related businesses organise to implement this strategy? What was the relationship between CSR and CPA in this strategy? In this way, contributions may be made to all three of the research strands mentioned above.

The research will take the form of a case study. To avoid over-reach in scope, a single Gupta-related business (The New Age may be a suitable candidate) will be investigated. It is unlikely that senior actors in the Guptas’ business empire will be available for interviewing. The research will therefore focus on collecting and analysing documentary evidence. Limited primary sources exist, including a leaked trove of emails and a report by the Public Protector. Extensive secondary sources are available from the efforts of experienced investigative

journalists. As a starting point, reports from Business Day and the Daily Maverick will be surveyed, and a snow-balling process followed to expand the data set. Book length reportage such as that by Basson and du Toit (2016) and Myburgh (2017) will also be incorporated, including a survey of their own references. While a presumed lack of access to the actors will make it difficult to explore the motivations underlying the decisions made about non-market strategy, it may be possible to develop some insights into this from their reported actions. The use of the grey literature will be informed by the guidelines updated recently by Adams, Smart and Huff (2017).

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A sustainable management framework for marine adventure products: The case of whale watching and shark cage diving

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Keywords: Marine Tourism, Adventure Tourism, Management Framework, Sustainable Management

ABSTRACT

Marine adventure tourism is a relatively new topic of research and one which has not received much attention over the past years. Recently, this industry has experienced a significant increase in interest amongst tourists, which urges the need for research in various areas of this topic, such as sustainability of the marine adventure tourism sector.

Sustainability and sustainable practices have been a catchword amongst academics for a long time (Manwa, 2013:3; Messimer, Robert & Broman, 2017:32). According to the World Tourism Organisation (2018) the working definition of sustainable tourism is as follows: “*tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities.*”

Accordingly, Liam and Cooper (2010:90) state that the concept of sustainability has been the topic of many definitions. In recent times, the literature on sustainability suggests that a paradigm shift regarding a holistic and systematic approach to tourism is needed to ensure an integration of interventions (Pulido-Fernandez, Andrades-Caldito & Sanchez-Rivero, 2015:48). According to Pulido-Fernandez *et al.* (2015:48), these interventions should take into account the complex and dynamic interactions between economic, environmental, social and cultural challenges which the tourism industry faces in terms of sustainable development.

By establishing a sustainable management framework, it can aid operators in their mission to manage the long-term sustainability of whale watching and shark cage diving and the protection of the species can be ensured. This will result in less negative impacts on the environment, the animals and the social community, while increasing the positive impacts, such as job provision and increased numbers of whales and sharks along our coast.

For the purpose of this research both qualitative and quantitative research approaches were implemented. Firstly, the qualitative research was conducted using exploratory methods and involved personal interviews with four operators of marine adventure tourism. The population

consisted of all whale watching and shark cage diving operators in Gansbaai and Hermanus. Merely four operators out of a total of 18 in both areas were willing to participate in the survey. Therefore four personal interviews were conducted.

Secondly, quantitative research was conducted by means of descriptive research methods. Two self-administered questionnaires were created and facilitated by two groups of respondents, namely marine adventure tourism participants and residents of Hermanus. Non-probability sampling methods were once again followed with convenience sampling to target the most appropriate sample of both marine adventure participants and residents. A total of 301 questionnaires were collected from marine adventure participants, while a total of 250 questionnaires were collected from the residents of Hermanus.

The findings from the qualitative and quantitative data have been used to establish a sustainable managerial framework for marine adventure activities. The framework consists of six areas that include the external environment (political, legislative, technological, economic, climate and culture), inputs (infrastructure and facilities, human resources management, marketing, financial management and operations), the demand side tourist market segments, motives to participate, satisfaction and experiences), the supply side (training, contribution to conservation, education, research and community relations), guidelines to management (environmental management, economic management, socio-cultural management), outputs (sustainable marine adventure tourism) and feedback.

Sustainable practices should aim to improve the economic and natural environment while decreasing the negative socio-cultural impacts. With the implementation of a framework operators are given a basic guideline as to what needs to be done in order to achieve this, serving as the practical contribution of this research. Therefore, operators are able to serve the market and offer a service that meets their needs and expectations, while ensuring the long-term viability of the economic, natural and socio-cultural environments.

Important community impacts of marine adventure tourism are identified, along with demand side factors (motives to participate, experiences and satisfaction) and supply side factors, such as the need for stronger industry regulation pertaining to permit issuance and illegal activities. Furthermore, the market taxonomy for marine adventure tourism is identified, describing the market for this sector in more detail and providing a greater chance of improved marketing efforts.

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The association between social and relationship ending capability

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Keywords: Social capital, Relationship ending capability, business-to-business relationships, relationship management

ABSTRACT

Emily Dickson, a celebrated American poet, once said that the ending of a relationship “... *is all we need of hell*”. Though Dickson was referring to personal relationships, the dissolution of business relationship can be characterized by financial, technical, legal and administrative complications, along with emotional and psychological trauma (Giller & Matear, 2001). While terminating an undesirable business relationship can improve a firm’s operational performance, it can also negatively affect the organisation’s access to critical resources (Zaefarian et al., 2015). Therefore, the proper and successful dissolution of business relationships is as important as initiating new ones and developing existing relationships (Tähtinen & Halinen, 2002).

A relationship can be considered dissolved, or terminated, when all activity links and resource ties that once existed between the parties involved, cease to do so (Tähtinen & Halinen-Kalia, 1997). Accordingly, relationship ending capability refers to a firm’s competence and ability to intentionally end a business relationship, which otherwise would have continued (Zaefarian et al., 2015). This firm capability of terminating a business relationship can furthermore be explained in terms of two dimensions: Relationship ending preparation capability and relationship ending process capability. Aligned with the idea of dynamic capabilities (Teece, 2007) that depicts an organisation’s behavioural routines, which directly affect outcomes and orientations, various authors (Dan & Zondag, 2016; Ritter & Geersbro, 2011) points at the importance of social capital in ending business relationships.

Yet few studies actually set out to test the association between social capital and relationship ending capability. The current study focuses on understanding this association. In business research, social capital is mostly defined as an important economic asset that results due to the establishment of beneficial social relationships which provides access to valuable resources (Villena, Revilla & Choi, 2011). Nahapiet and Ghosal (1998) delineate that social capital constitute of three dimensions: cognitive, relational and structural. Cognitive social capital deals with a shared vision and incorporate organisational culture, while the relational social capital refers to trust, respect and reciprocity fashioned by social interactions over a

period of time. Structural social capital involves the impersonal configuration of linkages within a social structure (Villena et al., 2011).

We construct an argument that suggest a firm's relationship ending capability is partially associated with social capital and therefore firms should seek to strengthen their social capital. Our exploratory study considers the relationship between cognitive, relational and social capital and the two main components of relationship ending – preparation and process. We offer a particular conceptualisation before we discuss the results of a pilot study.

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The effect of partnering, infrastructure gaps and currency weakness on the cost of an infrastructure-building nonmarket strategy in emerging markets

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Keywords: Nonmarket Strategy, Infrastructure-Building Nonmarket Strategy, Cost

ABSTRACT

This study examined effect of partnering, infrastructure gaps and currency weakness on the implementation cost of infrastructure-building nonmarket strategy. Limited knowledge on cost of nonmarket strategy existed, leading to absence of meaningful understanding of the business competitive and performance benefits from implementation. To address this gap a study was conducted in the mining sector of South Africa. A cross-sectional survey design, quantitative method, and a snowball non-probability sampling technique collected data from 239 participants. Analysis showed a positive relationship between a partnering and cost of implementing infrastructure-building nonmarket strategy. This study contributed to the understanding of the cost of implementing nonmarket strategy. The study illuminates a surprising observation, where against natural expectation partnering increases implementation cost suggesting antecedents that drive the direction of the relationship. Future research can focus on antecedents and moderators on the relationship with cost of implementing nonmarket strategy.

INTRODUCTION

Nonmarket strategy is an important factor and has performance (Breitinger, 2009) and competitiveness benefits from its implementation (Bach & Allen, 2010; Holburn & Bergh, 2006; Majumdar & Chang, 2010). Such benefits have been reported in previous research that focused on the performance outcomes of organizations' political actions (Blumentritt & Nigh, 2002; Bonardi, Hillman, & Keim, 2005; Breitinger, 2009; Funk & Hirschman, 2017; Liedong, Rajwani, & Mellahi, 2017).

Prior research has also empirically validated the business performance benefits through integration with market strategy (Baron, 1995, 1997, 1999; He, 2006) while focusing on specific taxonomies (Blumentritt, 2003; Mezner & Nigh, 1995; He, Tian & Chen, 2007; Hillman & Hitt, 1999; Hillman, Keim, & Schuler, 2004; Marquis & Raynard, 2015; Rajwani & Liedong, 2015). Furthermore, the drivers of nonmarket strategy (Doh, McGuire, & Ozaki 2015) have also been empirically validated and scholars have focused on an important element of nonmarket strategy, corporate social responsibility and sustainability (Öberseder, Schlegelmilch, Murphy, & Gruber, 2014; Wang, Tong, Takeuchi & George, 2016), with recent trends concentrating on the internationalization of nonmarket strategy (Doh et al., 2015).

Most prior research on nonmarket strategy has been conducted in the developed world (Bach & Allen, 2010; Baron, 1995, 1997, 1999; Holburn & Bergh, 2006), creating a dearth of contextual knowledge in emerging markets. The contextual differences between the developed market and emerging market present an opportunity for theory testing (Wright, Filatotchev, Hoskisson, & Peng, 2005) and expansion in the latter market. In addition, much scholarly attention focuses on emerging markets as they posit as locations for future growth and expansion of organizations (Marquis & Raynard, 2015; Rajwani & Liedong, 2015; Xu & Meyer, 2013). Many emerging market studies have been conducted, mainly in Asia (Aggarwal, 2001; He, 2006; He et al., 2007; Liao, Chang, Wu & Katrichis, 2011). However, despite similarities in these emerging market nations the lack of knowledge on the costs of nonmarket strategy implementation prevails. Little is known of the effect of strategy option, institutional & economic factors on the cost of an infrastructure-building nonmarket strategy, leading to absence of meaningful understanding of perceived benefits of nonmarket strategy. To address the gap, this study examined the effect of partnering, infrastructure gaps and currency weakness on the cost of an infrastructure-building nonmarket strategy.

Infrastructure-building nonmarket strategy is part of Marquis and Raynard's (2015) proposed taxonomy of nonmarket strategy made up of relational, infrastructure-building and social-cultural bridging. This taxonomy was developed through a meta-synthesis of various fields of studies related to nonmarket strategy that includes institutional strategy, CPA studies, collective action, resource dependence, and stakeholder corporate social responsibility studies. Their taxonomy which is the most recent and all-encompassing and integrative nonmarket strategy taxonomy moved away from 'action'-based strategies into more generalized categories that spoke to the nonmarket environment actors. It encompasses the different arrays of strategy and tactics used in the nonmarket environment and as such one of its taxonomies, infrastructure-building nonmarket strategy, which speaks to the salient characteristics of emerging markets was used for this study.

From a theoretical perspective, the study extends nonmarket strategy theory by providing knowledge on the effect of strategy option, institutional & economic factors on the cost of implementing an infrastructure-building nonmarket strategy. There is limited understanding of the costs, benefits and trade-offs of nonmarket strategy (Dorobantu, Kaul, & Zelner, 2017) as there have been no prior studies on the cost of nonmarket strategy.

The study provides a basis for meaningful understanding of the perceived organizational performance and competitiveness benefits of implementing nonmarket strategy backed by knowledge of the cost effects of partnering, infrastructure gaps, and currency weakness. According to Peng and Heath (1996), Hoskisson, Eden, Lau, and Wright (2000), and Bonardi et al. (2006), implementing infrastructure-building nonmarket strategy is expensive and partnering can reduce costs. Currency weakness affects the cost of capital used in infrastructure development and therefore also the unit costs in implementing an infrastructure-building nonmarket strategy (Bahmani-Oskooee & Gelan, 2013; Miyajima, Mohanty, & Chan, 2015). Infrastructure gaps mean increased workarounds and resources to achieve business imperatives, escalating the cost of business activities. A study on the implementation of road infrastructure showed a cost escalation of up to 30% owing to the absence of business-aiding infrastructure (Collier, Kirchberger, & Söderbom, 2015). Empirical evidence from this study will confirm these assertions and extend findings from prior research to an emerging market context.

LITERATURE REVIEW

This section focuses on the research environment, which is the South African mining sector, as well as the constructs under investigation in this study. The latter are: nonmarket strategy, infrastructure-building nonmarket strategy, partnering, infrastructure gaps, and a weak local currency.

South African emerging market

The study was conducted in the mining sector of the emerging market of South Africa. As with most emerging market nations, South Africa is characterized by infrastructure that aids business being either unavailable or underdeveloped (Narayanan & Fahey, 2005; Waiganjo et al., 2012; Xu & Meyer, 2012), which impacts negatively on business performance and competitiveness. Where major cities and towns are built around mining activities the expectation is that proper infrastructure is in place. Most South African mining operations, however, are located in remote areas of the country characterized by underdeveloped or missing business-aiding infrastructure (Marquis & Raynard, 2015). Organizations need to formulate strategies to address the missing and underdeveloped infrastructure to ensure business sustainability (Dorobantu et al., 2017).

South Africa has substantial mineral reserves and there is scope for business continuity and expansion which will generate revenue for investors as well as much needed export earnings (Eberhard, 2011). One of the biggest challenges for organizations in the South African mining sector is the ageing physical infrastructure, with rail infrastructure at the forefront (Eberhard, 2011). This constrains the movement of products between the mines and the markets and ultimately impacts on their competitiveness. Most of the ageing infrastructure promotes economic activity and includes roads, highways, railroads, airports, sea ports, electricity, telecommunications, water supply and disposal (Fourie, 2006). Savvy businesses need to step in and address the infrastructure challenges (Arnold & Quelch, 1998) by adding to or rehabilitating the existing infrastructure (Dorobantu et al., 2017).

In addition to the missing, underdeveloped and ageing infrastructure, is the increasing pressure to develop social infrastructure for the communities surrounding business activities (Eweje, 2006). The South African government is one of the pressure groups, and through sets of legislation, governance guidelines, and macro-economic policies, organizations are being asked to play a role in infrastructure development. The legislative requirements, governance guidelines and policies include the following: King III/ IV corporate governance guidelines, black economic empowerment (BEE), broad based black economic empowerment (BBBEE); and the Johannesburg Stock Exchange (JSE) Socially Responsible Investment (SRI) index. As part of ensuring sustainable relationships with stakeholders and the broader South African community, most mining organizations are heeding the call for developing and rehabilitating social infrastructure. Social licences have been acquired and are being acquired by most mining organizations as they address the demands and expectations of key stakeholders (Esteves & Barclay, 2011). Conforming to a social licence entails organizational participation in the nonmarket arena and includes community engagement (Gordon, Schirmer, Lockwood, Vanclay, & Hanson, 2010), empowering the local community through employment, supporting entrepreneurial activities, and assisting in the development and upkeep of local infrastructure.

The above country-specific characteristics are a stimulus for implementing nonmarket strategy, in particular an infrastructure-building nonmarket strategy. This stimulus means that there is considerable activity in the South African mining nonmarket environment. South Africa was therefore an ideal location for the study because of the rich data sources in key organizational informants in the mining sector.

Nonmarket strategy

Organisations employ a number of strategies to navigate institutionally diverse environments to capture rents outside the conventional market place. These strategies are collectively termed 'nonmarket strategy' and are defined by Doh, Lawton and Rajwani (2012: 23) as consisting of "social, political, legal and cultural arrangements that constrain or facilitate firm activity". Baron (1997: 146) referred to nonmarket strategy as a "concerted pattern of actions taken in the nonmarket environment to create value by improving a firm's overall

performance". The nonmarket environment consists of the social, political and legal arrangements that structure the firms' interactions outside of, and in conjunction with, markets (Baron, 1995). Corresponding with the above definition, Boddewyn (2003: 299) suggests that "nonmarket refers to internal and external organising and correcting factors that provide order to market and other types of institutions and organisations so that they may function efficiently and effectively as well as repair their failures". Wartick and Mahon (1994) see nonmarket strategy as an immediate action or future action that is implemented to resolve an existing issue or anticipated issue, at the same time impacting positively on organisational outcomes. Nonmarket strategy is not only set of plans to counter social, political, legal and cultural arrangements that constrain business activity, but also actions around similar arrangements that facilitate business activity (Doh et al., 2012; Doh et al., 2015). Marquis and Raynard (2015: 294) have defined nonmarket strategy under the umbrella of institutional strategies as "the comprehensive set of plans and actions directed at leveraging and shaping socio-political and cultural institutions to maintain or improve an organization's competitive position". From the above definitions, nonmarket strategy was operationally defined for the purpose of the reported study as: 'a set of plans or actions, in response to existing or anticipated social, political, cultural and legal issues that constrain or facilitate business, aimed at improving an organisation's competitiveness and overall performance by capturing rents in both the nonmarket and market environment'. The definitions above suggest a business case for nonmarket strategy; however, lack of knowledge on the implementation costs involved is hampering its prevalence.

The need for infrastructure-building nonmarket strategy in the business environment

The importance of infrastructure-building nonmarket strategy is unequivocal, where 'infrastructure-building nonmarket strategy' encompasses actions and activities taken to address marginally developed markets, and underdeveloped social, technological and physical infrastructures (Mair & Marti, 2009; Marquis & Raynard, 2015; Schneiberg & Lounsbury, 2008). Infrastructure-building nonmarket strategy is part of Marquis and Raynard's (2015) nonmarket strategy taxonomies that also include relational strategy and socio-cultural bridging strategy.

Developing infrastructure is a prime way to boost economic growth, improve the social wellbeing of populations, and improve organizational performance on a global scale (Fourie, 2006). In addition, availability of social, technological and physical infrastructure is critical in its contribution to an organization achieving appropriate levels of performance (Kobrin, 2015); however most emerging markets are characterized by poor infrastructural development, "thus, where key commercial, technological, and physical infrastructures are missing or underdeveloped, savvy global businesses may step in and build these infrastructures in ways that create competitive advantage" (Marquis & Raynard, 2015: 312). For these savvy global businesses, the challenge is the absence of knowledge on cost behaviour related to implementing infrastructural-building nonmarket strategy (Kobrin, 2015).

Despite the need for Infrastructure-building nonmarket strategy in the business environment highlighted above, its prevalence in the corporate world is hampered by the lack of knowledge of its cost, benefits and trade-offs (Dorobantu et al., 2017). Lack of knowledge of nonmarket strategy cost, the effects of strategy option, institutional & economic factors involved in implementing nonmarket strategy, has slowed down the development of infrastructure in many sectors. The slow development of the field in practice has been exacerbated by prior studies that have blanketed nonmarket strategy, concealing the rich vein of knowledge that could be extracted by delving into the specific approaches and exploring the cost and implications of its drivers. Infrastructure-building nonmarket strategy is important to economic development as already alluded to, but considering the high costs involved (Bonardi et al., 2006) it was necessary to examine the effects of partnering, infrastructure gaps, and currency weakness on the cost.

Cost of implementing infrastructure-building nonmarket strategy

The challenge for most emerging market organizations is the absence of knowledge on the cost related to implementing infrastructure-building nonmarket strategy (Dorobantu et al., 2017). Existing resources that include comparable knowledge bases include the Road Cost Knowledge System (ROCKS), Construction Sector Transparency Initiative (CoST), the Africa Infrastructure Country Diagnostics (AICD) and the Private Participation in Infrastructure (PPI) databases. These databases contain much information that needs to be arranged systematically to be of any value. In addition, the scale and scope of the information contained in these databases is beyond the specific needs of organizations engaging in nonmarket strategies that involve infrastructure development. These databases contain information related mostly to road construction and energy provision and the main participants are government and private entities (AFRICON 2008; Alexeeva, Queiroz, & Ishihara, 2008, 2011; Collier et al., 2015) that implement these projects as part of their core business.

As alluded to earlier there are no studies, let alone empirical studies, that look at the cost, benefits and trade-off of implementing nonmarket strategy (Dorobantu et al., 2017). The study addressed this gap by examining the effect of partnering, infrastructure gaps, and currency weakness on the cost of an infrastructure-building nonmarket strategy. Previous studies have focused on the cost involved in road construction (Alexeeva et al., 2008, 2011; Collier et al., 2015; Mubila et al., 2014) with one study broadening the cost involved to other infrastructure developments (AFRICON 2008); however, the examined infrastructure developments were not part of an organization's nonmarket strategy and showed great variability. The study took an approach of examining how the cost of infrastructure-building nonmarket strategy is impacted by strategy option, institutional & economic factors of an emerging market.

Mubila et al. (2014), from their study on 172 road infrastructure developments, concluded that the cost of road infrastructure development could not be established because of design variability. In line with AFRICON (2008), the variability on specific costs of nonmarket strategy can be overcome by examining the cost effects of strategy option, institutional & economic factors. The cost effect transcends the variability.

Collier et al. (2015) in their study on the cost of road infrastructure in low- and middle-income countries found that the cost of infrastructure development is increased by up to 30% depending on contextual characteristics that include terrain ruggedness, proximity to markets, and host country conflict.

A review of the above literature on cost of infrastructure development had important implications for the current study. The earlier studies created a baseline from which the cost of infrastructure-building nonmarket strategy was examined. This study extends AFRICON's 2008 work to infrastructure development in the nonmarket environment and expands the assertions made by Dorobantu et al. (2017) on the absence of an understanding of cost, benefits, and trade-offs of nonmarket strategy.

HYPOTHESIS DEVELOPMENT AND THEORETICAL FRAMEWORK

Organizations and governments in emerging markets do not have meaningful understanding of the perceived competitive benefits (Dorobantu et al., 2017) of nonmarket strategy due to lack of knowledge on the cost of nonmarket strategy (Dorobantu et al., 2017; Mubila et al., 2014). This lack of knowledge hampers the prevalence of infrastructure-building nonmarket strategy implementation despite the unequivocal competitive benefits of nonmarket strategy (Bach & Allen, 2010; Breitingger, 2009; Holburn & Bergh, 2006; Majumdar & Chang, 2010). To address this, the study examined how partnering, infrastructure gaps, and currency weakness impact the cost of an infrastructure-building nonmarket strategy.

Partnering and infrastructure-building nonmarket strategy

To examine the costs involved in implementing an infrastructure-building nonmarket strategy the study focused on partnering, which is an inter-organizational mechanism (Mair & Marti, 2009) that involves one or more businesses coming together for the purposes of implementing infrastructure-building nonmarket strategy. Through these mechanisms organizations mobilize resources to overcome issues that prevent markets from continual existence and proper functioning (Marquis & Raynard, 2015; Dorobantu et al., 2017).

The focus on partnering is motivated by the high costs involved in implementing nonmarket strategy (Bonardi et al., 2006) and scarcity of resources in most emerging markets for infrastructure development (AFRICON 2008; Alexeeva et al., 2008, 2011; Collier et al., 2015). According to Canuto and Liu (2013), implementing an infrastructure-building nonmarket strategy, which involves developing infrastructure or upgrading underdeveloped social, technological and physical infrastructure (Marquis & Raynard, 2015), is expensive (Bonardi et al., 2006) and can be achieved through partnering (Dorobantu et al., 2017). Partnering among private organizations usually involves businesses in the same industry or in the same area that stand to benefit (Dorobantu et al., 2017) from the infrastructure development. Where such partnering is formed and infrastructure development is achieved as part of an infrastructure-building nonmarket strategy there is significant spread of risk and costs on the output infrastructure.

Organizations can respond in a number of ways to address gaps in regulation, technology and physical infrastructure that enhance and support business activities (Marquis & Raynard, 2015). These include value creation within the confines of existing infrastructure, augmenting or improving existing infrastructure, and developing new or additional infrastructure (Dorobantu et al., 2017). To implement this, organizations need to come up with cost effective frameworks and mechanisms that ensure business continuity and competitiveness (Ferguson & Voth, 2008; Fisman, 2001; Johnson & Mitton, 2003; Khwaja & Mian, 2005). Partnering allows the parties involved to lessen risk and share synergies for mutual benefit and also posits as a cost-effective mechanism and encompasses bilateral and multilateral contractual arrangements with other organizations (O'Faircheallaigh, 2015), nonmarket stakeholders such as local communities (Dorobantu & Odziemkowska, 2016; Marquis & Battilana, 2009), government (Capron & Gatignon, 2015), and nongovernmental interest groups (Baron et al., 2016; Dorobantu et al., 2017).

Government partnership with private organizations is commonly known as Public Private Partnerships (PPP). South Africa makes use of public-private partnerships to address underdeveloped and missing business-aiding infrastructure. A study by Pottas (2009) revealed that the National Treasury had 25 partnerships with private organizations with a private investment value of R13.8 billion in 2009 alone. Partnerships with government appeal to private organizations (Capron & Gatignon, 2015) because of the level of agreements, which include management and lease contracts and concessions that allow the private entity to own the developed infrastructure and benefit from its use while it is being run or managed by government. Some organizations partner with government at conception of the infrastructure development or after its development, to ensure maintenance and continued running (Pottas, 2009).

Partnering with government in implementing infrastructure-building nonmarket strategies that benefit the organization and the public makes good business sense owing to the competitive advantages (Ferguson & Voth, 2008; Fisman, 2001; Johnson & Mitton, 2003; Khwaja & Mian, 2005) highlighted earlier. Partnering allows funds and other requirements to be put in place quickly in addition to risk spreading (O'Faircheallaigh, 2015). Infrastructure development or upgrade of underdeveloped infrastructure or both carry commercial, public and political risks, making it vital for the correct partnerships need to be in place before implementation. Where

organizations operate in equally constrained areas of infrastructure development and where outlay costs to remedy infrastructure gaps are exorbitant (Bonardi et al., 2006), private entity partnerships can be formed to develop the missing or underdeveloped infrastructure.

According to Hoskisson et al. (2000) & Peng and Heath (1996), addressing poor infrastructural development in emerging markets requires informal partnering owing to the large capital injections necessary to set up required infrastructure. Partnering reduces the cost of capital in cases where an organization borrows to facilitate infrastructure development; the cost of capital is reduced and spread among the partners (Dorobantu et al., 2017). In addition, partnering allows access to networks (Zuckerman & Sgourev, 2006) that can provide information and discounted inputs, and allow access to required inputs (Henisz & Delios, 2004), and also expedite decision making processes. As such Hypothesis 1 is made and sub hypotheses H1a and H1b

Hypothesis 1: There is a negative relationship between partnering and the cost of implementing an infrastructure-building nonmarket strategy

H1a: There is a negative relationship between setting up of private partnerships and the cost of implementing an infrastructure-building nonmarket strategy

H1b: There is a negative relationship between setting up of public private partnerships and the cost of implementing an infrastructure-building nonmarket strategy

Infrastructure gaps and infrastructure-building nonmarket strategy

Emerging markets are characterized by underdeveloped business-aiding infrastructure such as poor distribution systems, insufficient communication technology, inadequate transportation infrastructure, and poor energy generation capabilities (Hitt, Dacin, Levitas, Arregle, & Borza, 2000) that result in organizations not realizing legitimate revenue. Arnold and Quelch (1998: 9) note that in emerging economies “there is little or no reliable market data, non-existent or poorly developed distribution systems, relatively few communication channels, and both a lack of regulatory discipline and a propensity to change business regulations frequently and unpredictably”. The substantial thrust of existing research work shows that most emerging markets are void of infrastructure that supports commercial activities (Dorobantu et al., 2017; Marquis & Raynard, 2015).

The absence of business-aiding infrastructure impacts on the implementation of nonmarket strategy. Access to resources and inputs required for the implementation of a nonmarket strategy is difficult mainly due to remoteness of most mining operations and poor distribution systems (Hitt, Dacin, Levitas, Arregle, & Borza, 2000). Distribution systems relate to entire chain of distribution intermediaries among suppliers, organizations and customers. Intermediaries are channels or groups that facilitate the movement of inputs and outputs between suppliers, organizations and customers (Marquis & Raynard, 2015). Distribution systems are made up of these intermediaries and relevant infrastructure that facilitates the function of the channels of distribution. In emerging markets, these systems are characterized by absence of good enabling infrastructure, absence of well-established suppliers, high logistical costs and issues, poor access to and provision of market data, and supply chain disruptions, which all negatively impact on business activities in the market and nonmarket arena (Hitt et al., 2000).

While absence of global practices, technological, physical and commercial infrastructure speaks to the uncertainties of conducting business in an emerging market context, social infrastructure speaks to gaining legitimacy and creating an enabling environment that brings human resources to an organization (Esteves & Barclay, 2011; Marquis & Raynard, 2015). Business success and competitiveness is driven by legitimacy in emerging markets as most

organizations are reliant on host communities (Dorobantu & Odziemkowska, 2016; Marquis & Battilana, 2009) for market and nonmarket activities. Absence of legitimacy due to social infrastructure gaps can negatively impact market and nonmarket activities due to lack of support, lack of human resources, lack of human resource commitment, and absence of an enabling environment (Esteves & Barclay, 2011; Marquis & Raynard, 2015). This leads to Hypothesis 2 with sub hypotheses H2a and H2b:

Hypothesis 2: There is a positive relationship between infrastructure gaps and the cost of implementing an infrastructure-building nonmarket strategy

H2a: There is a positive relationship between absent or underdeveloped physical, social and commercial infrastructure and the cost of implementing an infrastructure-building nonmarket strategy.

H2b: There is a positive relationship between poor distribution systems and the cost of implementing an infrastructure-building nonmarket strategy.

H2c: There is a positive relationship between poor local business standards compared to global business standards and the cost of implementing an infrastructure-building nonmarket strategy.

Weakening local currencies and infrastructure-building nonmarket strategy

Another important factor to be considered when examining the cost of infrastructure-building nonmarket strategy is the weakness of the local emerging market currency. Emerging markets are characterized by currency fluctuations, political instability, volatility in commodity prices, policy decisions that deter investments and growth, social unrest and slow economic growth Arnold and Quelch (1998). These factors reduce demand for the local currency due to deteriorating investor confidence, which leads to the currency weakening.

The focus on a weak local currency is motivated by the myriad of institutional, and economic factors that drive currency weakness. The salient characteristics of an emerging market are all potential drivers of currency fluctuations. This is driven by how markets respond to institutional and economic factors, as well as investor confidence, and general demand of the currency for various micro and macro-economic activities. The weakening of an emerging market local currency was seen as a manifestation of a number of institutional and economic factors, making it an ideal factor for the study.

A weak currency driven by poor demand has several implications for a country's economy and at the micro level on individual infrastructural developments undertaken as part of an organization's infrastructure-building nonmarket strategy. Increasing costs of imported inputs increases the costs (Didier, Kose, Ohnsorge, & Ye, 2016) of implementing nonmarket strategy. Currency weakness affects the cost of capital used in infrastructure development and ultimately the cost of infrastructure-building nonmarket strategy. Currency weakness poses the greatest risk (Towbin & Weber, 2013) as capital used to finance the development of infrastructure-building nonmarket strategy is usually borrowed from international markets or international investors who require payment in currencies that are increasingly stronger. Currency recovery takes a long time especially considering global trends in commodity prices (Gruss, 2014).

Stagnant political regimes in emerging market nations, credit rating downgrades of most emerging nations (Didier, Kose, Ohnsorge, & Ye, 2016), creeping recession and timing of the implementation period of an infrastructure-building strategy (Miyajima et al., 2015) all increase the cost of that strategy. Increase in unit costs is attributed to the aggregate demand and aggregate supply. If aggregate demand is higher than aggregate supply, as is the case in most

emerging market nations, the cost of imported inputs increases (Fayad & Perrelli, 2014). This in turn has a ripple effect on internal input costs (Bahmani-Oskooee & Gelan, 2013) and subsequently the cost of infrastructure-building nonmarket strategy. Emerging markets carry huge foreign currency debts (Didier et al., 2016) and depreciation increases domestic leverage, constraining investments due to increased borrowing costs. The reduction in investments increases aggregate demand (Fayad & Perrelli, 2014) because of a fall in domestic output. This exerts further pressure on the local emerging market currency, leading to increased import costs (Fayad & Perrelli, 2014) that ultimately affect market and nonmarket business activities reliant on imported inputs. As such Hypothesis 3 with sub hypotheses H3a is made:

Hypothesis 3: There is a positive relationship between currency weakness and the cost of implementing an infrastructure-building nonmarket strategy.

H3a: There is a positive relationship between depreciation of currency and the cost of implementing an infrastructure-building nonmarket strategy.

Conceptual Model

The conceptual models in Figure 1 and Figure 2 show the theoretical relationships between partnering, infrastructure gaps, currency weakness and the cost of an infrastructure-building nonmarket strategy.

FIGURE 1:

High level relationship between partnering, infrastructure gaps, currency weakness and the cost of an infrastructure-building nonmarket strategy.

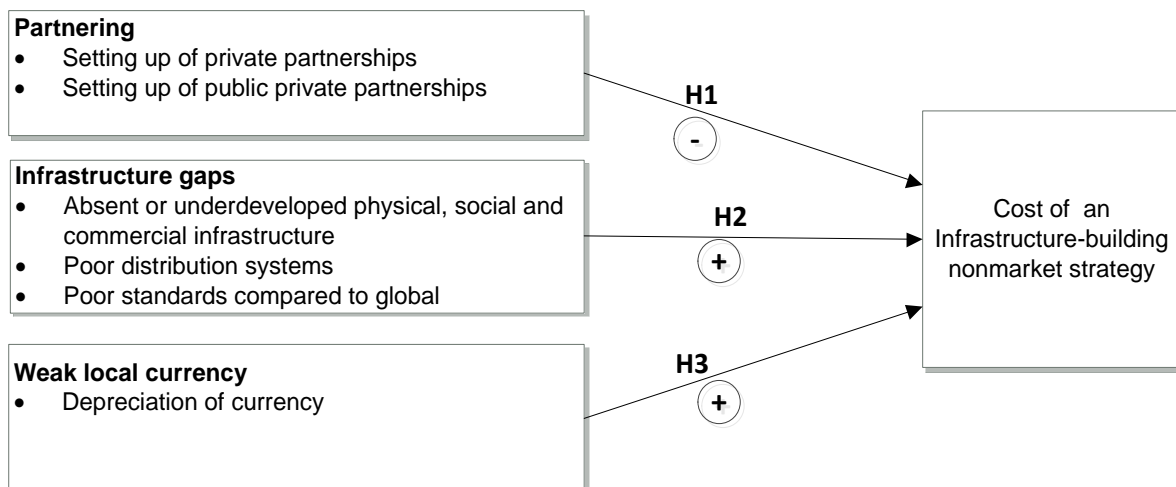
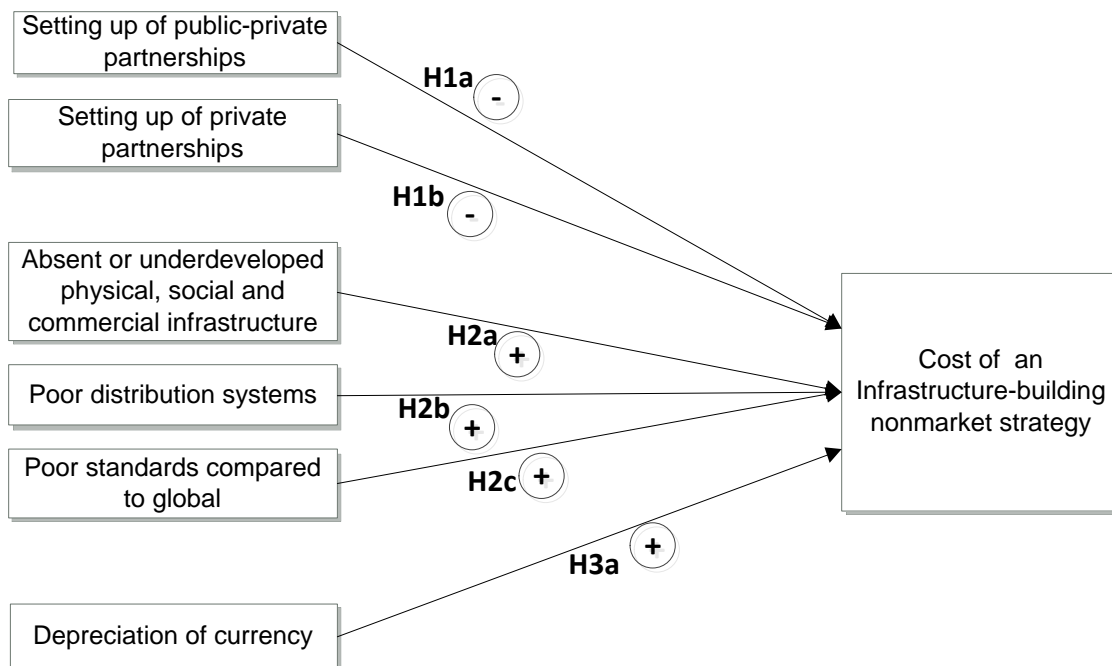


FIGURE 2:

Detailed relationship between partnering, infrastructure gaps, currency weakness and the cost of an infrastructure-building nonmarket strategy.



RESEARCH DESIGN AND METHODOLOGY

Research design

The primary goal of this study was to examine how partnering, infrastructure gaps, and currency weakness impacts the cost of an infrastructure-building nonmarket strategy. To this end it used an extensive survey research (Miller & Tsang, 2010) design that administered questionnaires to participants and allowed generalizations across multiple cases.

Research method

According to Srivastava and Thomson (2009), a quantitative methodology answers what, who, where and when questions of the research study. This study was made up mainly of the 'what' type of research questions, measurable variables with hypothesized relationships. In line with the research questions, a quantitative method was found to be ideal to achieve the objectives of this study. In addition, prior research on nonmarket strategy has utilized quantitative methodologies suggesting that theory in this area is well developed and further quantitative studies will help empirically validate and extend theory.

Population and sample

The population of this study was made up of all professionals and middle and senior managers from all the mining sites of the 69 member companies of the Chamber of Mines of South Africa. The units of analysis for this study were professionals, middle managers and senior managers from the South African mining sites that had implemented an infrastructure-building nonmarket strategy in the past four years.

From the two types of sampling methods, probability and non-probability sampling, the latter was chosen because the sample is not selected randomly. Given the few organizations that have formalized actions in the nonmarket environment, and poor response rates and cost

associated with obtaining reasonable response rates, a non-probability purposeful sampling technique was appropriate for the sample selection. According to Blumberg, Cooper, & Schindler (2008: 253), “a non-probability sample that conforms to certain criteria is called purposive sampling”. Purposive sampling eliminates some of the elements from the population. A study where all the elements in a population are measured is called a census and for this study it was not practical to include all the chosen population.

Streams of research on nonmarket strategy have used a quantitative approach (Han, Kim, & Srivastava, 1998; Liao et al., 2011; Narver & Slater, 1990; Rodriguez, Carrillat, & Jaramillo, 2004) to carry out different empirical analyses. However, to carry out the quantitative component of this study with acceptable statistical generalization, at least 200 responses were required (Kline, 2005; 2011).

Measurement scales and procedures for data collection

Data collection was done through an online survey consisting of structured and open-ended questions. The data were collected over a period of two months between 11 April and 11 June 2017. The survey questionnaire consisted of four sections summarized in the table below. Section one contained background information of the respondents, the mining activity engaged in by their organization and job level. This was used to compare perceptions of the effects of partnering, existing infrastructure gaps, and currency weakness on the cost of an infrastructure-building nonmarket strategy. Section two posed questions to establish the level of nonmarket strategy activity. This section served as reliability and validity check of the respondents’ awareness and exposure to nonmarket strategy activities. Section three contained the three main elements (partnering, infrastructure gaps and weak local currency) that affect the cost of infrastructure-building nonmarket strategy. For each item, a six-point Likert scale as shown in Table 1 was developed to measure how respondents agreed or disagreed with the statements posed. The scale anchors are shown in Table 1 below.

Section four contained four open-ended questions focusing on the four main elements of the study: partnering, infrastructure gaps, weak local currency, and cost of an infrastructure-building nonmarket strategy. The section sought to collect respondents’ views, which were used to validate and integrate the findings from the quantitative component of the study.

TABLE 1:

Six point Likert scale anchors

0	Strongly disagree
1	Disagree
2	Neither disagree or agree
3	Agree
4	Strongly agree
5	Don’t know

The survey questionnaire was designed to collect data from participants on six latent variables, which were: depreciation of currency, private partnerships, public-private partnerships, poor distribution systems, poor standards compared to global, and missing or underdeveloped physical, technological, social and commercial infrastructure. Before being administered the questionnaire was rearranged to ensure that it would not influence

Data analysis and results

The quantitative data analysis was integrated with the responses from the four open-ended questions. The first part of the analysis involved checking the completeness of data collected and creation of a raw data master file. The second part of the analysis looked at the four open-ended questions posed to participants using Atlas.ti software to generalize the findings into themes. The third part of the analysis was centred on the quantitative data collected and involved reliability and validity tests, exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) using Statistical Package for the Social Science (SPSS). Structural equation modelling (SEM) using analysis of moment structures (AMOS) software was used to measure the structural model and sub-structural models using the constructs identified through EFA and CFA. Model fit during CFA was evaluated by several indices that included Chi-square (χ^2)/Degrees of freedom(d.f.); Comparative Fit Index (CFI); and Steiger's Root Mean Square Error of Approximation (RMSEA). Convergent validity and composite reliability were also examined. To test the hypothesized relationships, measurement sub-models were constructed with items that passed the confirmatory analysis and for each variable the CFI, GFI and RMSEA were used to evaluate the fit of the model to the data, subsequent to structural equation modelling (SEM). The study used CFA for re-specification of the model.

Validity and reliability

Validity was approached on two levels, content and construct validity (Roberts et al., 2006), since similar instruments do not exist, so eliminating the need to test for criterion validity. Existing literature on 'nonmarket strategy' and 'costs of infrastructure development', together with industry experts, were used to test content validity. Construct validity, which describes the accuracy of collected research data (Yilmaz, 2013) or the correctness to which measured data represents concept being investigated (Roberts et al., 2006), was done using Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of Sphericity. KMO ranged between 0.649 and 0.868 above the recommended lower limit of 0.5. The Bartlett's Test of Sphericity was significant at $p < 0.05$. Construct validity was further affirmed during exploratory factor analysis by convergent validity with overall results that showed anti-image diagonal values of greater than 0.5, indicating high correlation and factor analysability of the latent variables.

Pearson's correlations were computed to illustrate further convergent and discriminant validity as well as nomological validity. Measurement items for the same construct showed high correlation significant at $p < 0.01$, demonstrating convergent validity. Discriminant validity was observed when the correlation of two measurement items from different constructs was computed, showing poor correlation with no statistical significance. Two measurement items measuring the same construct but not necessarily having a causal relationship showed significant correlation $p < 0.01$ demonstrating nomological validity.

The study measured the internal consistency reliability of the measuring instrument by computing Cronbach's alpha coefficient. Cronbach's alpha coefficient was computed through the statistical package for social scientists and values greater than the threshold of 0.7 (Pallant, 2006) were computed for partnering, cost of infrastructure-building nonmarket strategy and infrastructure gaps, while currency weakness had an alpha coefficient of 0.6, considered acceptable in social science research (Cronbach, 1951; Nunnally, 1978).

Confirmatory factor analysis demonstrated further convergent and discriminant validity as well as reliability of the constructs. Measurement items for the eight constructs loaded with loadings ranging from 0.412 to 0.84 (Basto & Pereira, 2012; Lambert & Durand, 1975), confirming convergent validity. Correlations among constructs that measured each of partnering, infrastructure gaps, and currency weakness, were significant at the 0.01 level, further demonstrating convergent validity. Discriminant validity was confirmed by insignificant

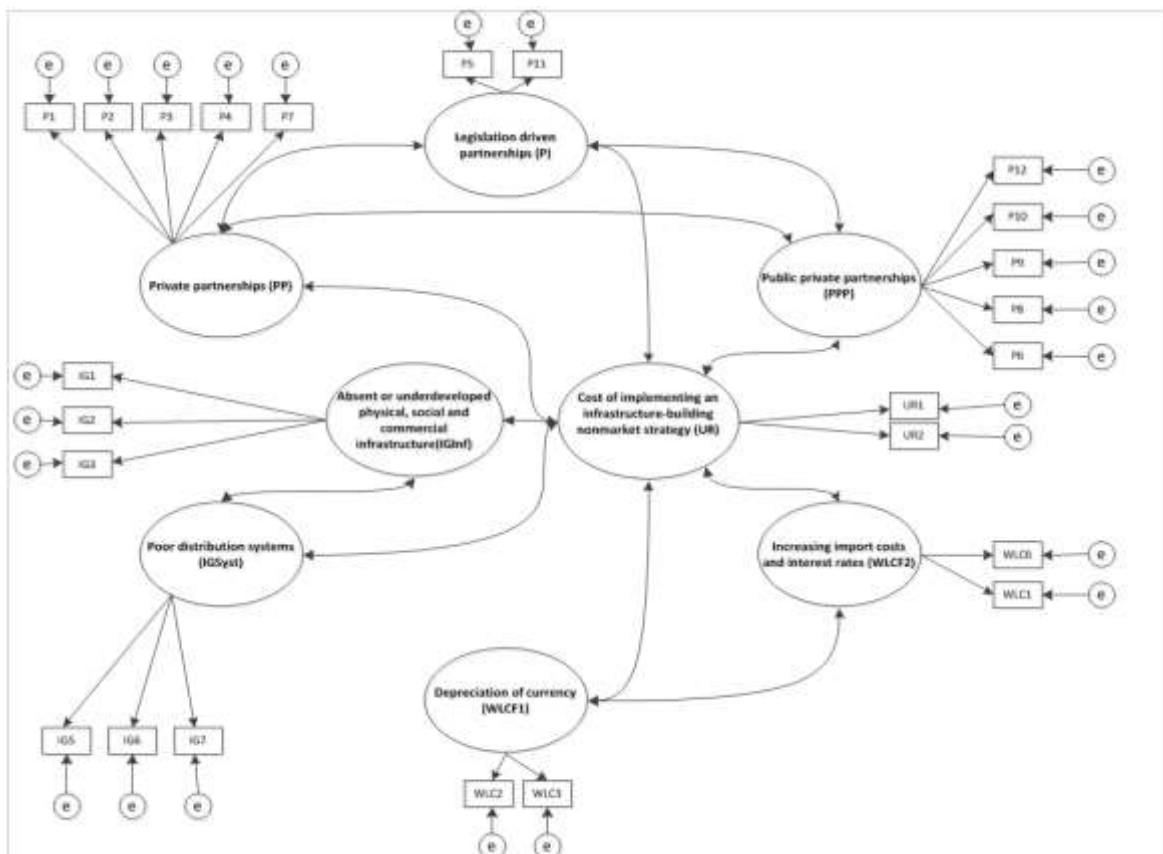
correlations of indicator items measuring different constructs. Composite reliabilities ranged from 0.600 to 0.876 demonstrating reliability for the eight constructs.

Modified measurement model

Exploratory factor analysis was done as these scales had never been used and a number of observed variables did not load very well on the proposed latent variables. Two new factors were added during the exploratory factor analysis and were retained after confirmatory factor analysis (CFA) using AMOS software. The modified measurement model is shown below.

FIGURE 3:

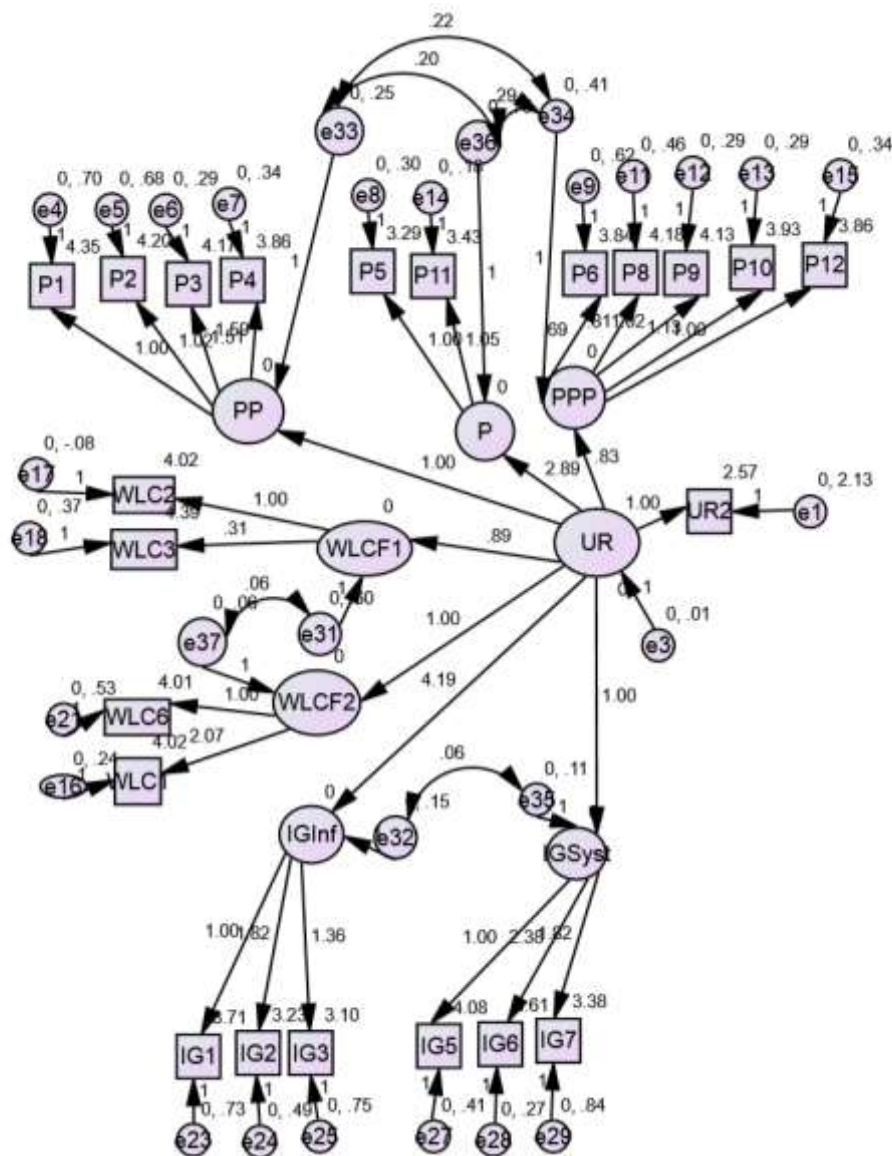
Modified measurement model



Estimation and fit

To estimate model fit, maximum likelihood estimation was used. RMSEA, and CFI fit indices as recommended by Kline (2011) were used in addition to Chi-square (χ^2)/Degrees of freedom (d.f.). Minimum was achieved on the default model with Chi-square = 300.756, degrees of freedom = 200, and probability level = 0.000. The results showed a p-value of 0.000 indicating no difference between default model and saturated model, confirming a good fit between the modified model and the data analysed. Chi-square (χ^2) = 300.756, which is ≥ 0.05 and Chi-square (χ^2)/Degrees of freedom (d.f.) = 1.504, which is ≤ 3.00 , all fall within the acceptable range, suggesting a good model fit. The comparative fit index of 0.917, which is ≥ 0.9 , and the root mean square error approximation of 0.045, ≤ 0.05 as recommended, further confirmed a good fit. The structural and measurement model is shown below.

FIGURE 4:
Structural model



Key: **PP** – private partnerships, **PPP** – public private partnerships, **P** – legislation-driven partnerships, **WLCF1** – depreciation of currency, **WLCF2** – increasing import costs and interest rates, **IGInf** – absent or underdeveloped physical, social and commercial infrastructure, **IGSystem** – poor distribution systems, **UR** – output unit costs of an infrastructure-building nonmarket strategy, **UR1** – output unit cost of infrastructure developed as part of an organisation’s infrastructure-building nonmarket strategy.

Hypothesis tests

From the convincing estimates and fit of the structural and measurement model, the structural model was subjected to further analysis using sub-models to test the research hypotheses, based on the modified structural and measurement model:

Partnering and cost of implementing an infrastructure-building nonmarket strategy

H_{1a}: There is a negative relationship between setting up private partnerships and the cost of implementing an infrastructure-building nonmarket strategy.

H_{1b}: There is a negative relationship between setting up public private partnerships and the cost of implementing an infrastructure-building nonmarket strategy.

H_{1c}: There is a negative relationship between legislation-driven partnerships and the cost of implementing an infrastructure-building nonmarket strategy.

A good fit between the model and the data being analysed was confirmed by the fit indices shown in below.

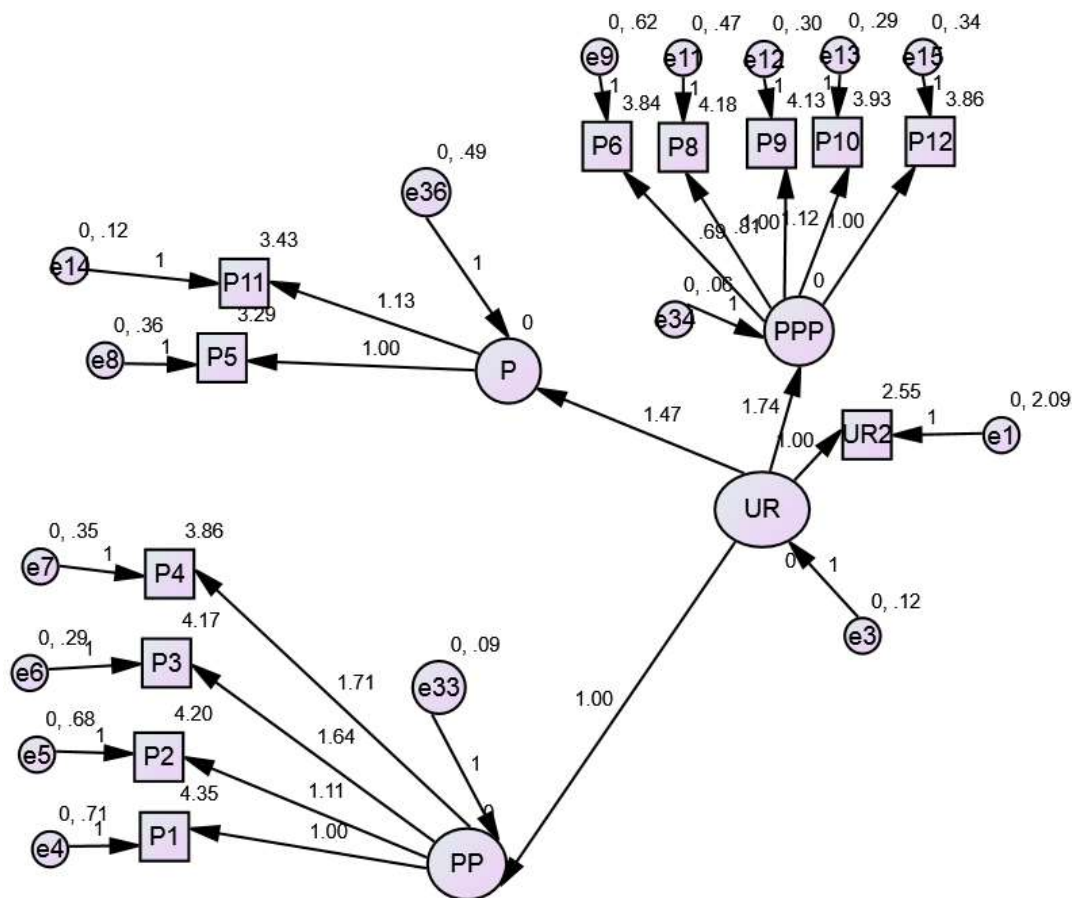
TABLE 2:

Partnering and cost of implementing an infrastructure-building nonmarket strategy fit indices

Fit Criteria	
Sample size	239
Degrees of freedom	52
Chi-square (χ^2)	116.037
Probability level (p-value)	0.000
Chi-square (χ^2)/Degrees of freedom (d.f.)	2.231
Root mean square error approximation	0.072
Comparative fit index (CFI)	0.927

Estimation of the model was driven by p-values of the factor loadings that exceeded the critical value of 1.96 ($p < 0.05$) all at $p < 0.01$. The results from the analysis revealed a positive regression coefficient of 1.740 ($p < 0.01$) for the relationship between public private partnerships (PPP) and the cost of implementing an infrastructure-building nonmarket strategy (UR). The regression coefficient for the relationship between private partnerships (PP) and the cost of implementing an infrastructure-building nonmarket strategy (UR) was set at 1 for the analysis. The estimated path coefficient for the relationship between legislature-driven partnerships and the cost of implementing an infrastructure-building nonmarket strategy (UR) was 1.47 ($p < 0.01$). The analytical evidence provided sufficient evidence to support hypotheses *H_{1a}*, *H_{1b}*, and *H_{1c}* with a positive relationship between the variables. The structural and measurement model is shown below.

FIGURE 5:
Structural sub-model 1 estimation



From the qualitative data analysis, it became clear that some respondents were of the opinion that there is a significant positive impact on costs as partnering increases efficiencies, which in turn reduces the unit cost. Others were of the opinion that partnerships enhance good inter-relations with positive adoption of national policies. Organisations tend to learn from working together, which also enhances continuous operational improvements without necessarily competing. The open responses further pointed to a positive impact due to increased economies of scale, business synergies and increased bargaining power as indicated by one respondent: “[T]here is shared infrastructure that is already existing resulting in a reduction of output costs.” A negative impact on the output unit costs was emphasised by another respondent who highlighted that “as a result of BEE requirements that require big providers to partner with local partners, there is cost escalation. The smaller players 1) contribute less or disproportionate vs returns expected 2) require more supervision as they tend to not have the best skills” (in the nonmarket environment). Despite such negative sentiments, respondents pointed out that preferred partners are upcoming businesses as they are being ushered into the competitive business environment through legislation.

Infrastructure gaps and the cost of implementing an infrastructure-building nonmarket strategy

H_{2a}. There is a positive relationship between absent or underdeveloped physical, social and commercial infrastructure and the cost of implementing an infrastructure-building nonmarket strategy.

H_{2b}: There is a positive relationship between poor distribution systems and the cost of implementing an infrastructure-building nonmarket strategy.

Fit indices shown below suggested a good fit between the model and data analysed.

TABLE 3:

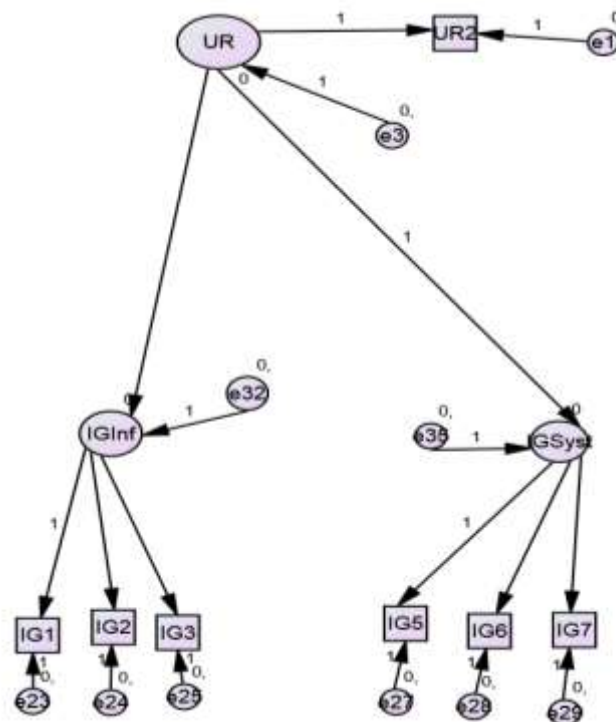
Infrastructure gaps and the cost of implementing an infrastructure-building nonmarket strategy fit indices

Fit Criteria	
Sample size	239
Degrees of freedom	13
Chi-square (χ^2)	20.543
Chi-square (χ^2)/Degrees of freedom (d.f.)	1.580
Root mean square error approximation	0.049
Comparative fit index (CFI)	0.965

The analysis revealed a positive regression coefficient of 4.733 ($p = 0.475$) for the relationship between infrastructure gaps (IGInf) and the cost of implementing an infrastructure-building nonmarket strategy (UR). The regression coefficient for the relationship between poor distribution systems (IGSys) and the cost of implementing an infrastructure-building nonmarket strategy (UR) was set at 1 for the analysis. IGInf is responsible for 4.733 times change in UR compared to IGSys. The analytical evidence provided sufficient evidence to reject hypotheses H_{2a} and H_{2b} as the results were not statistically significant. Figure 5 below shows the structural and measurement model.

FIGURE 6:

Structural sub-model 2 estimation



Results from the qualitative survey component suggest that infrastructure gaps lead to additional costs which are not budgeted for; that results in delays in finishing infrastructure-building projects or even in the project failing altogether. Implementation costs are seen to be

negatively impacted as more resources have to be employed to cater for the lack of business-aiding infrastructure, which means additional support infrastructure or systems. A negative impact on the implementation costs was emphasised by one respondent who noted that “building of a clinic in a rural area may require additional energy, communication and road infrastructure to be in place”, all of which increase the costs involved. Implementation costs are seen to be escalated by activities that include hiring of infrastructure; and the more underdeveloped an area, the more investment in infrastructure is required, which ultimately affects cost.

Weak local currency and the cost of implementing an infrastructure-building nonmarket strategy

H_{3a}: There is a positive relationship between depreciation of currency and the cost of implementing an infrastructure-building nonmarket strategy.

H_{3b}: There is a positive relationship between increasing import costs and interest rates and the cost of implementing an infrastructure-building nonmarket strategy.

The fit indices shown in Table 3 below suggested a good fit between the structural and measurement model and the data analysed.

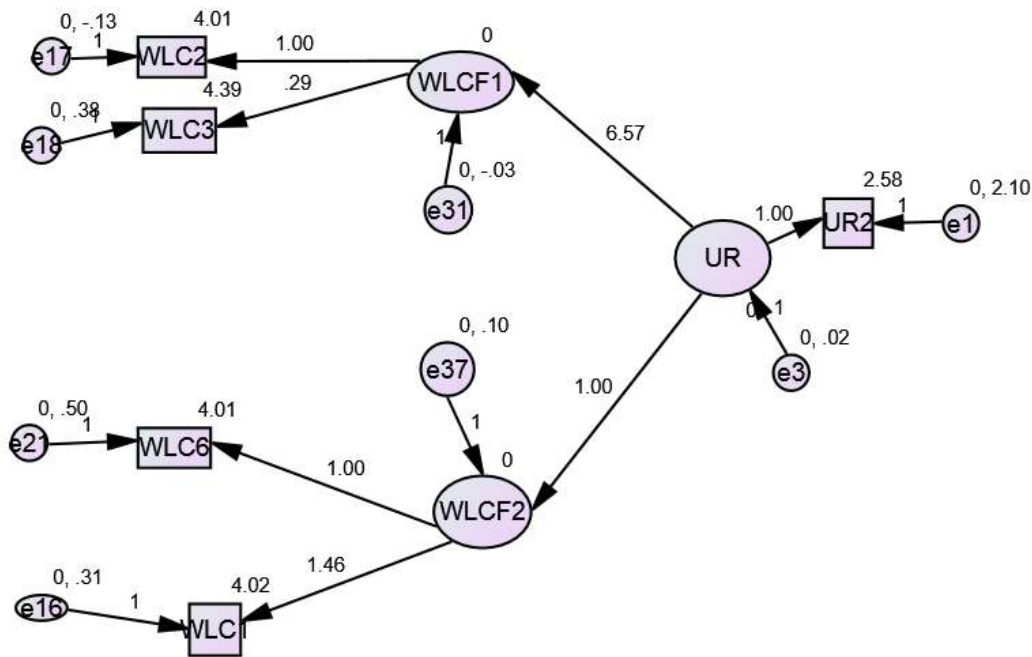
TABLE 4:

Weak local currency and the cost of implementing an infrastructure-building nonmarket strategy fit indices

Fit Criteria	
Sample size	239
Degrees of freedom	4
Chi-square (χ^2)	2.047
Chi-square (χ^2)/Degrees of freedom (d.f.)	0.512
Root mean square error approximation	0.000
Comparative fit index (CFI)	1.000

Analysis results revealed a positive regression coefficient of 6.57 ($p = 0.770$) for the relationship between depreciation of currency (WLCF1) and the cost of implementing an infrastructure-building nonmarket strategy (UR). The regression coefficient for the relationship between increasing import costs and interest rates (WLCF2) and the cost of implementing an infrastructure-building nonmarket strategy (UR) was set at 1 for the analysis. WLCF1 is responsible for 6.57 times change in UR compared to WLCF2. The analytical evidence provided sufficient evidence to reject hypotheses H_{3a} and H_{3b} as the results were not statistically significant. The structural and measurement model is shown in Figure 6 below.

FIGURE 7:
Structural sub-model 3 estimation



Results from the qualitative strand of the study consistently maintained that depreciation of the local currency negatively affects the output unit costs, as highlighted by one respondent: “... since some components used in the implementation of infrastructure-building nonmarket strategy are sourced from outside the country. In such instances, the currency exchange rate plays a big role in influencing the output unit costs.” In addition, a weak currency affects fuel prices, as they are pegged against a stronger US\$. Weakening of the currency results in price increases that have a ripple effect on other costs, as they are influenced by transport prices.

DISCUSSION

Results from this study paint an interesting relationship between infrastructure gaps, partnering, currency weakness, and the cost of an infrastructure-building nonmarket strategy. Data collected in the study was analysed and empirically contradicted suggestions made by Dorobantu et al. (2017), Baron et al. (2016), and Canuto & Liu (2013) of a negative relationship between partnering and the cost of an infrastructure-building nonmarket strategy in an emerging market context. The findings do not show a significant relationship between a weak local currency, infrastructure gaps, and the cost of an infrastructure-building nonmarket strategy. However, the responses from the open-ended questions suggest a positive relationship between a weak local currency, infrastructure gaps, and the cost of an infrastructure-building nonmarket strategy, in line with the suggestions made by Collier et al. (2015), Miyajima et al. (2015), and Bahmani-Oskooee & Gelan (2013).

Research question one was formulated to examine the impact of partnering on the cost of an infrastructure-building nonmarket strategy. The intention was to identify how different partnership arrangements affect the cost of implementing nonmarket strategy. Overall the findings suggest a positive relationship between partnering and the cost of an infrastructure-building nonmarket strategy, contrary to the hypothesized relationship and theorized relationships suggested by Dorobantu et al. (2017); Baron et al. (2016); and Rasche et al. (2013). The findings suggest that the positive relationship is driven by (a) poor contractual agreements without any enforcement, leading to breach, resulting in high costs of implementation, (b) complicated and poor project management due to increased stakeholders,

resulting in scope creep and additional resources that escalate output unit costs, (c) wrong choice of partners that burdens other partners because of unequal resource allocation for the partnership venture, (d) weak governance and bureaucracy inherent with government entities, (e) political environments that are volatile and made up of coalitions that can be broken at any time, resulting in ever-changing socio-political mandates, (f) conflicting or changing objectives among partners, (g) legislative mandates that compel bigger or established players in the market to partner with businesses that are owned by previously disadvantaged person or group of persons; these businesses are characterized by poor business expertise and limited resources that overburden partners and lead to increased output unit costs of nonmarket strategy.

Research question two was formulated to examine the impact of infrastructure gaps on the cost of an infrastructure-building nonmarket strategy. The intention was to identify how infrastructure gaps inherent to emerging markets impact on the cost of an infrastructure-building nonmarket strategy. The findings did not suggest a significant relationship between infrastructure gaps and the cost of an infrastructure-building nonmarket strategy. However, the findings from the open-ended responses did not complement the quantitative findings as they suggest a positive relationship between infrastructure gaps and the cost of an infrastructure-building nonmarket strategy, in line with Collier et al. (2015) who suggested a 30% impact on the cost from their study on the costs of road infrastructure. The insignificant relationship could have been attributed to the measurement variables that only loaded three factors after exploratory factor analysis, confirmatory factor analysis, and chi-square tests, implying poor association between measured variables and the two latent variables (infrastructure gaps and a weak local currency). The measuring instrument used in the quantitative study needs to be further developed by incorporating more measurable variables for the latent variables measured in the empirical model.

Research question three was formulated to examine the impact of a weak local currency on the cost of an infrastructure-building nonmarket strategy. The intention was to identify how a weak local currency inherent to emerging markets impacts on the cost of an infrastructure-building nonmarket strategy. The findings from the study did not suggest a significant relationship between currency weakness and the cost of an infrastructure-building nonmarket strategy. This is consistent with AFRICON (2008), which asserted that inflation and currency fluctuations affected infrastructure developments, although its findings showed insignificant causality. However, the open-ended responses from the study suggest a positive relationship between infrastructure gaps and the cost of an infrastructure-building nonmarket strategy, in line with Miyajima et al. (2015) who found in their study that most organizations in emerging markets fail to time their participation in the nonmarket environment, implementing initiatives during periods of sustained currency weaknesses, leading to high implementation cost. Bahmani-Oskooee & Gelan (2013) also found that If aggregate demand is higher than aggregate supply, as is the case in most emerging market nations, the cost of imported inputs increases, which in turn has a ripple effect on the cost of infrastructure-building nonmarket strategy. Despite the findings indicating insignificant causality in line with AFRICON (2008), the measuring instrument in the study can be further developed to include more measurable variables for additional empirical examinations of the relationship.

CONCLUSIONS AND IMPLICATIONS FOR PRACTICE AND FUTURE RESEARCH

The prevalence of nonmarket strategy, in particular an infrastructure-building nonmarket strategy, is hampered by lack of knowledge on the cost of implementation. This study sought to understand how partnering, infrastructure gaps, and currency weakness influenced the implementation cost of an infrastructure-building nonmarket strategy. Findings from the study suggest a positive relationship between partnering strategies and the cost of implementing an infrastructure-building nonmarket strategy. Regarding infrastructure gaps and weak local currencies, the study did not find any statistically significant relationships, while the open-

ended responses suggest a positive relationship with the implementation cost of an infrastructure-building nonmarket strategy. The findings assisted in answering the research question and objectives set out at the beginning of the study.

The findings are particularly important because existing theory on nonmarket strategy literature has not examined its implementation cost. Literature has theorized a negative relationship when a partnering strategy option is used (Baron et al., 2016; Canuto & Liu, 2013; Dorobantu et al., 2017) and a positive relationship when the environment in which the business is operating is characterized by a weak local currency (Bahmani-Oskooee & Gelan, 2013; Miyajima et al., 2015) and infrastructure gaps (Collier et al., 2015).

The study extends nonmarket strategy research on implementation costs to African emerging markets that are increasingly becoming the focus of scholarly attention. Previous studies have been done in developed market nations and Asian emerging markets, leaving Africa uncharted. Despite similarities in emerging market nations there was a lack of knowledge on the costs of nonmarket strategy implementation.

The implication of this study is that it contradicts the negative theoretical relationship, suggesting a positive relationship between partnering and the cost of implementing an infrastructure-building nonmarket strategy. The study further shows insignificant causality between currency weakness, infrastructure gaps, and the cost of implementing an infrastructure-building nonmarket strategy. The reasons for a positive relationship between partnering and the cost of implementing an infrastructure-building nonmarket strategy are most likely due to the absence of the following:

1. Contractual agreements that are enforced through formal contracts and relational contracts based on operational interests, shared resources, and social-business communities (Dorobantu et al., 2017),
2. Right partners guided by political ties, networks and connections, national and global status (Dorobantu et al., 2017), mutual benefits, shared supply chain, infrastructure-building nonmarket strategy initiative, complementing expertise and shared resources, non-competing organizations, enhancement of bargaining and buying power,
3. Cost effective project management that entails a rigid scope of work, minimal design variability, managed stakeholder expectations, contractor diligence, experts in nonmarket sectors, stakeholder engagement, accurate costing, good planning, execution, and prioritization, and good overall quality of goods and services. Partnerships guided by the above factors will effectively lower the cost of implementing an infrastructure-building nonmarket strategy.
4. Clear understanding of regulatory requirements.
5. Long-term partnerships that involve building capabilities among partners.

The study illuminates how managing the above drivers impacts the effects of partnering on the cost of implementing infrastructure-building nonmarket strategy. In addition, the insignificant causality between currency weakness, infrastructure gaps, and cost of infrastructure-building nonmarket strategy, provides compelling evidence why managers should focus on the factors that drive a partnering relationship.

The study provides a basis for meaningful understanding of the perceived organizational performance and competitiveness benefits of implementing infrastructure-building nonmarket strategy backed by knowledge of the cost effects of partnering, infrastructure gaps, and currency weakness. The findings from this study are important to organizations and persons interested in implementing nonmarket strategy as they provide a baseline for decision making, policy formulations, and proposals that foster infrastructure development as part of an entity's infrastructure-building nonmarket strategy.

Infrastructure-building nonmarket strategy is just one taxonomy of Marquis and Raynard's (2015) proposed taxonomy of nonmarket strategy made up of relational, infrastructure-building and social-cultural bridging strategy. Future research can examine how the cost of the other two nonmarket strategy are impacted by strategy option and salient institutional characteristics.

The study also recommends empirically examining the effects of the following factors as mediators or moderators to the relationship between partnering and the cost of infrastructure-building nonmarket strategy: (a) contractual agreements, enforced through formal contracts (Dorobantu et al., 2017), (b) choice of partners guided by political ties, networks and connections, and national and global business status (Dorobantu et al., 2017), (c) effective project management, (d) meeting and understanding regulatory requirements, and (e) long-term partnerships and building capabilities among partners. In addition, responses from the open-ended questions seem to suggest an additional category in a partnering strategy option, which is private community partnerships.

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Possible outcomes of effective farm worker equity share schemes in South Africa

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ABSTRACT

The paper sets out to assess farm worker equity share schemes in South Africa. Farm worker equity share schemes started in the early 1990s with the aim of having a special arrangement pertaining to the ownership and operation of a farm between the farmer and the farm workers. This was intended to assist farm workers in not only remaining as farm workers but also to gain ownership of the farm. A quantitative research design was employed. Non-probability sampling was used by means of convenience and judgemental sampling, based on the availability and accessibility of farm workers who belong to an equity share scheme. The empirical results showed that farm worker equity share schemes influence farming performance, farming sustainability and employee expectations. Practical guidelines are provided as to ensure effective functioning of farm worker equity share schemes.

INTRODUCTION AND BACKGROUND

South Africa's transition into a democratic country, since 1994, has seen a number of legislative instruments which attempt to address land issues. According to Binswanger-Mkhize (2014:257), six programmes for restitution, redistribution and post-settlement support have been introduced in South Africa. These programmes are Restitution of Land; the Settlement/Land Acquisition Grant (SLAG); Land Redistribution for Agricultural Development (LRAD); the Comprehensive Agricultural Support Programme (CASP); the Proactive Land Acquisition Strategy (PLAS); and the Re-capitalisation and Agricultural Development Programme (RECAP) (Binswanger-Mkhize, 2014:257-258). The various land reform programmes were introduced to tackle problems associated with historic dispossession and rural poverty (Lahiff, 2007:1577). Despite all of government's attempts, land reform missed the targets to be achieved by 1999.

As a consequence, farm worker equity share schemes, which are an extension of the land reform programmes, were started in the early 1990s in the Western Cape in order to

redistribute assets to farm workers, referred to as beneficiaries, while still maintaining commercial farming operations. The first equity share scheme in South Africa, for example, was a farm which came before the introduction of grants for equity schemes. The owner initiated it due to financial challenges and a desire to share the operation of the farm with the workers (Fast, 1999:17-21). Fast (1999:18) further argues that workers were allocated shares according to their service period and income. Furthermore, there is a possibility that the other schemes used a different set of criteria to allocate shares to workers. Knight, Lyne and Roth (2003:1), for example, report that, in these schemes, the original owner together with farmworkers, and in some instances with a third party investor, become shareholders; however, management gets the exclusive use rights of the farmland with farmworkers getting voting rights and benefits according to their proportion of investment. These schemes are usually arranged as a company, a trust or a partnership. Therefore, these are some of the reasons for the variation in the dividends pay-out. However, there is no mention from government as to whether there were other benefits received by the farm workers such as, better housing and training, and many others, this indicates that it is important to consider the ways in which the involved parties benefited from the scheme. This means that benefits would vary from financial to non-financial. For that reason, it would be unjustifiable to view financial benefits in isolation from non-financial benefits.

As was rightfully pointed out by the Minister of Rural Development and Land Reform, in September 2009, according to Greenberg (2009), it is necessary to put a moratorium on farm equity share schemes which claimed that the schemes are a good model, yet it is important to establish who has benefited from it. It appears that just knowing who has benefited is not sufficient; it is also important to know in what way the involved parties have benefited, as there are both financial and non-financial benefits involved. Thus, there is a need for a review of farm worker equity share schemes. Beneficiary views and perceptions regarding farm worker equity share schemes and its potential benefits in South Africa is the main focus of this paper.

PROBLEM STATEMENT

Hall and du Toit (2014) postulate that the government moratorium in 2009 on equity share schemes was influenced by, amongst other things, the results of studies revealing detrimental information regarding the performance of farm worker equity share schemes. Out of 88 equity share schemes at the time, only nine were able to pay out dividends, which ranged from R200 to R2000 per year. Makhubele (2014) states that shareholders of the farm worker equity share schemes are also faced with challenges pertaining to skills development, housing, procuring wrapping machines and repairing roads. As a consequence, the issue of infrastructure or resources such as roads, water and electricity, amongst others, can influence the performance of these schemes. Mkodzongi and Rusenga (2016:13) revealed that the beneficiaries of these schemes were paid negligible amounts, whilst managers received high salaries. Preferably, farm worker equity share schemes should provide three sources of income for farm workers: monthly salaries, land rental income and dividends paid out (Greenberg, 2009).

Alternatively, it might seem odd not to pay land rental income because, if the landowner was not a shareholder, then the rental income would have to be paid to avoid being evicted. The situation is, however, totally different when one is a shareholder, as one cannot continue to receive rental income when the farm is struggling. A delayed additional income (land rental income) is better than the process that has to be followed to seek a bank loan and the subsequent payment of interest on it. Even if only financial benefits were of interest, one cannot ignore the total dividends and the number of farm workers who had to share the total amount. Therefore, if a fixed amount of money is considered, more workers would translate to fewer dividends per worker, and the converse is also true. The reality is that, besides possible obstacles experienced by some farms in paying out significant dividends, there are reported cases of farms not acting in good faith with regard to their workers (Deveroux & Solomon, 2010).

It is envisaged that this study will make a major contribution to the body of knowledge on farm worker equity share schemes in South Africa. It will also assist key role players in the industry, such as government and scheme administrators to ensure that it is more effectively managed.

RESEARCH OBJECTIVES

The primary objective of this study is to understand beneficiaries' perceptions of farm worker equity share schemes in South Africa with specific reference to the potential benefits it could offer. In order to achieve this, the following secondary objectives are identified:

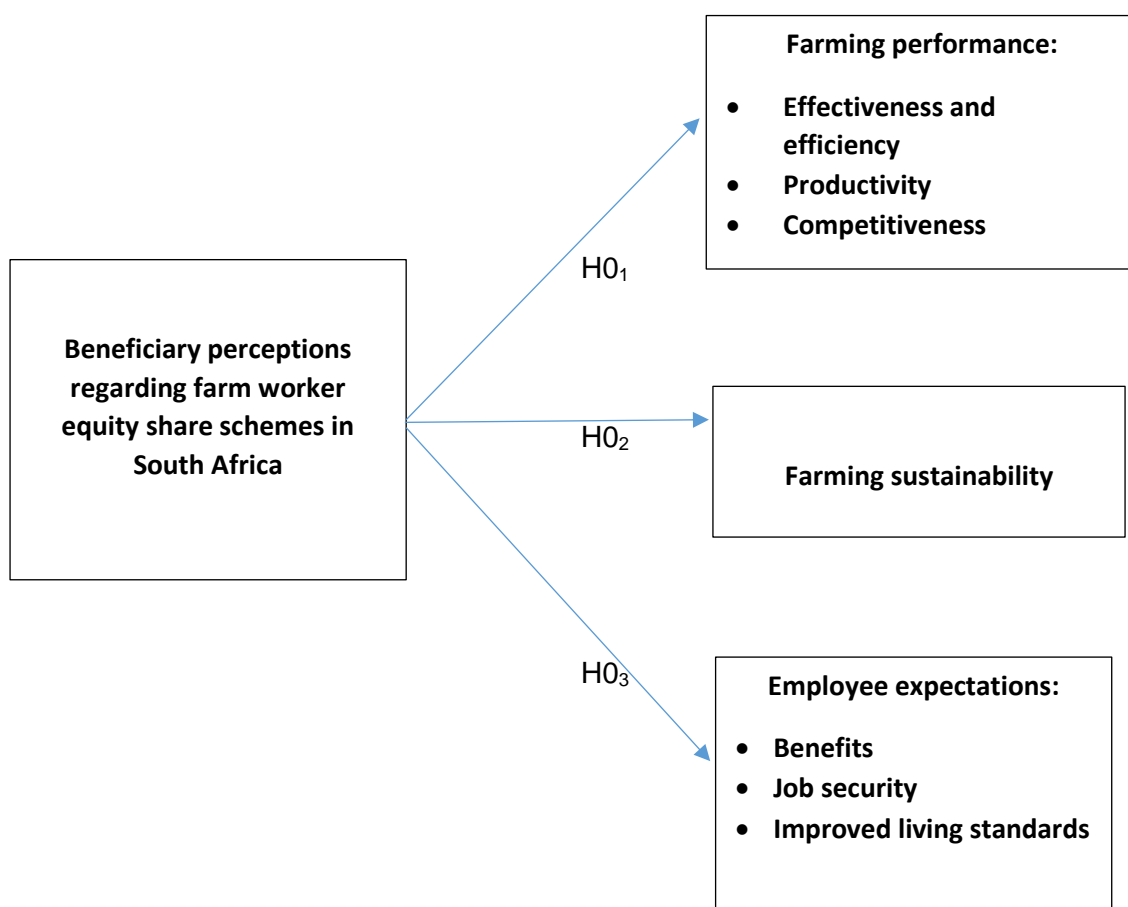
- To review the literature pertaining to farm worker equity share schemes and its benefits.
- To empirically assess beneficiaries' perceptions regarding farm worker equity share schemes in South Africa.
- Providing guidelines and making recommendations to promote the success of these schemes.

HYPOTHETICAL MODEL OF STUDY

Figure 1 outlines the hypothetical model to be tested in this paper.

FIGURE 1:

Hypothetical model of the study



Source: Author's own construction

The following three hypotheses will be tested in this paper:

- H0₁: There is no relationship between beneficiaries' perceptions regarding farm worker equity share schemes and *farming performance* (as measured by productivity; effectiveness and efficiency; and competitiveness).
- H0₂: There is no relationship between beneficiaries' perceptions regarding farm worker equity share schemes and *business sustainability*.
- H0₃: There is no relationship between beneficiaries' perceptions regarding farm worker equity share schemes and *employee expectations* (as measured by financial benefits, non-financial benefits, job security and improved living standards).

LITERATURE OVERVIEW

Equity share schemes

Palmer (2000) states that, in a farm equity share scheme, the participants (both land reform beneficiaries and private sector partners) purchase equity in the form of shares in an agricultural/natural resource-based enterprise (either a land and operating company or separate land and operating companies). Participants receive returns in the form of dividends and capital growth. Equity can be purchased directly through the grant or through interest received from a debenture issued by the enterprise to the participants. According to Tom (2006), ownership of equity focuses on who owns the productive assets of society and the manner in which ownership can be better distributed. Therefore, share ownership is a model that broadens capital ownership amongst workers. It creates access to productive credit for employees who would normally not have such access due to a lack of collateral. It allows employees to purchase shares without having to pay a deposit, as well as no salary deduction, no commitment of the employees' pension fund and no personal liability. This form of shared ownership traces its roots back to the concept of 'empowerment', which means giving power to people who are in a disadvantaged position within the organisation (Vaca, 2003).

Farming performance

Aluko (2003:172) defines performance as the accomplishment of work, tasks or goals according to a certain level of desired satisfaction. McNamara (2010) contends that organisational performance refers to the effectiveness of the organisation in fulfilling its purpose, and it is a key indicator for evaluating the operational efficiency of a business. Marimuthu, Arokiasamy and Ismail (2009:270) and Khan (2010:159) acknowledge that organisational performance could be measured using financial (profit, sales, and market share) and non-financial (customer or employee satisfaction, innovation, workflow improvement, skills development, productivity, quality, efficiency, and the attitudinal and behavioural measures, such as commitment, intention to quit, and satisfaction) metrics. This study will focus on the impact that farm worker equity share schemes have on productivity, effectiveness, efficiency, and competitiveness.

According to Eldridge and Price (2016:1), the productivity of workers indicates the effectiveness of converting labour inputs into outputs; in addition, it provides vital information for assessing the need for change in technology, labour share, living standards and competitiveness. Smit and de J Cronjé (2002:406) define productivity as the relationship between products and services (outputs) and the resources (input) used to generate those outputs, in an effort to provide an indication of the effectiveness with which the organisation's resources are being deployed. The degree of effectiveness describes the extent to which the fundamental objectives are achieved, whereas the degree of efficiency refers to the relation between the operationalised fundamental objectives and the resources used, as well as any

relevant positive and/or negative side effects (Clermont, 2016:1353). Competitiveness refers to the ability of an organisation or nation to offer products and services that meet the quality standards of local and world markets, at prices that are competitive and provide adequate returns on the resources employed or consumed in producing them (Clipa & Ifrim, 2016:104). Atkinson (2013:2) concurs that competitiveness refers to how an economy, nation or organisation manages the totality of its resources and competencies to increase prosperity.

Farming sustainability

Sriboonlue, Ussahawanitchakit and Raksong (2016:15) define firm sustainability as “the firm’s ability to meet and satisfy the direct and indirect stakeholder demands, without compromising its ability to meet the need of future stakeholders”. Business sustainability deals with economic, social and environmental factors but, in the past, there has been a tendency to focus only on economic matters, while neglecting the other two equally important factors (social and environment); it is however evident that things are changing, albeit that they have not changed that much (Buranapin & Rattawatankul, 2015:109). The emphasis here is placed on sustainability due to business activities, which are the root cause of many environmental and social problems (Schaltegger, Lüdeke-Freund & Hansen, 2016:266).

Mukute (2010:22) is of the view that concerns related to sustainability came about due to the challenges associated with industrialisation and its exploitation of natural resources at an unsustainable rate, which coincided with a period of relatively high population growth. The idea of sustainability in agricultural systems “incorporates concepts of both resilience (the capacity of systems to buffer shocks and stresses) and persistence (the capacity of systems to continue over long periods), and addresses many wider economic, social and environmental outcomes” (Pretty, 2008:447). This is supported by Tilman, Cassman, Matson, Naylor and Polasky (2002:672) who mention that, in agriculture, sustainability refers to the ability to maintain high yields during major shocks and agricultural practices that have acceptable environmental impacts. It is clear that agricultural researchers all over the world recognise the importance of sustainable agricultural production systems and the need to develop appropriate methods to measure sustainability (Pacini, Lazzerini, Vazzana, Giesen & Wossink, 2002:432). Schaltegger *et al.* (2016:265) distinguish between sustainable development and sustainability, by stating that sustainable development refers to a process and sustainability to an outcome. The concern about sustainability in agricultural systems lies in the importance of developing technologies and practices that do not affect environmental goods and services, and which are accessible to and effective for farmers, and which result in improvements in food productivity (Pretty, 2008:447).

Employee expectations

An expectation is a belief about what might happen in the future. The word is derived from the Latin word “expectationem”, which means an awaiting or a presumed degree of probability of an occurrence (Santos & Boote, 2003:142). Employees have certain expectations regarding their employer and job. Employees’ unmet job expectations could be related to various negative outcomes such as emotional exhaustion, reduced satisfaction and organisational commitment, and increased turnover intentions (Maden, Ozcelik & Karacay, 2016:5). This study will focus on expectations related to benefits, job security and living standards. Schlechter, Hung and Bussin (2014:1) mention that financial rewards include remuneration, employee benefits and variable pay, all of which are necessary to attract talent. Silverman (2004:3) regards non-financial rewards as work-life balance, development and career opportunities, as well as an array of other non-financial benefits that organisations offer employees. Salaries, dividends and rental income are financial benefits. In principle, non-financial benefits are divided into two categories: direct benefits and indirect benefits. To clarify this point, because farm workers participate in equity share schemes and are regarded as shareholders, items such as housing and training, which are categorised as non-financial

benefits, are regarded as direct benefits to them. Further, indirect non-financial benefits include items such as investing in machinery and building warehouses, and so forth, in order to improve performance and safeguard the quality of the stock that is set to go to market.

Bose and Sampath (2015:12) interpret job security as the organisational commitment, loyalty and trust of employees in emerging difficulties, which affect their roles and security in finding alternative employment in case of current job loss. According to Clark and Postel-Vinay (2005), it could also entail aspects such as security against arbitrary employment procedures, safety at work and safe working conditions, opportunities to gain and retain skills, scope and participation in decision-making processes, as well as the security of a stable income from a job. The World Bank (2016) states that standard of living refers to the level of wealth, comfort, material goods and necessities available to a certain socioeconomic class in a certain geographic area. Standard of living can also be characterised by a number of summated and special indicators, such as gross national income and real income of households; average and minimum wages of workers and level of pensions; level of household consumption of basic material goods; provision of housing; income and consumption inequality; life expectancy and level of education (Baikova & Vardiashvili, 2015:517).

RESEARCH DESIGN AND METHODOLOGY

Research paradigm

There are two basic research paradigms to be adopted in general: positivistic and phenomenological research. This study adopts a positivistic research design by means of quantitative research is used during the empirical study. This is achieved through a descriptive and exploratory research approach in order to assess beneficiaries' perceptions regarding farm worker equity share schemes in South Africa.

Population and sampling

The population of this study includes all farm worker equity share schemes operating in South Africa. At the commencement of the study, the Department of Rural Development and Land Reform (DRDLR) was contacted to obtain the most recent list of farm worker equity share schemes. Although the DRDLR could not assist in providing a database of the equity share schemes, it is likely that about 88 or more farm worker equity share schemes exist, as per the confidential report produced in 2010 (Hall & du Toit, 2014). The same figure of 88 farm worker equity share schemes is mentioned by Cousins (2016:8).

The sample for this study was guided by the analyses to be employed in the study, among which was factor analysis. Williams, Onsmann and Brown (2010:4) state that Tabachnick's rule of thumb suggests at least 300 cases. A total of 20 farms utilising worker equity share schemes were selected from the self-developed database. As the population was self-created and some information was outdated, the researcher opted to use non-probability sampling. Convenience and purposive sampling were used to select the 20 farms for participation in this study. It is noted that some farms were eliminated from the list because their contact details were not working and others had gone out of business, whilst a few did not want to participate in the study. Ideally, a total of 15 farm workers were targeted per farm, to whom the measuring instrument was to be administered. However, due to a variation in these farm worker equity share schemes, less than 15 workers were selected on some farms while more than 15 workers were selected in others; this resulted in a total sample size of 341 farm workers.

Data Collection

Wilson (2010:134) notes that there are two basic types of data, namely, secondary and primary data. Secondary sources for the literature review was obtained through desktop research using journal articles, textbooks and the Internet. The primary data for this study was obtained using the survey method by means of self-administered structured questionnaires. In this regard, the aim was to target 300 farm workers in South Africa, within which the farm worker equity share schemes operate. Ethical clearance was obtained from the Nelson Mandela University before the empirically study was conducted.

Questionnaire design

A questionnaire is a tool of data collection that comprises a set of questions designed to generate data suitable for achieving the objectives of a research project, and it has the capacity to collect vast quantities of data from a variety of respondents (Wilson, 2010:148). The questionnaire enables the collection of information in a standardised manner which, when gathered from a representative sample of a defined population, allows for the inference of results to the wider population (Ratray & Jones, 2007:235). Therefore, a questionnaire is used as the primary data collection method in this study. The questionnaire used in this study consists of three sections:

- Section A analyses beneficiaries' perceptions regarding farm worker equity share schemes in South Africa by means of a seven-point Likert-type ordinal scale.
- Section B analyses the impact of farm worker equity share schemes in South Africa on the dependent variables (outcomes) using a seven-point ordinal Likert-type scale.
- Section C consists of nominal-scaled questions meant to solicit background information from the respondents (biographical characteristics), such as their gender, age, ethnic group, educational background and employment level.

A seven-point scale, ranging from strongly agree, moderately agree, slightly agree, neutral, slightly disagree, moderately disagree, to strongly disagree were used for Sections A and B.

Data analysis

The data collected during this study was transferred to an Excel spreadsheet and was analysed using the Statistica computer programme. Various statistical methods are used in this study. The measuring instrument was assessed for validity and reliability. Exploratory factor analysis was used to assess construct validity through both convergent and discriminant validity. A cut-off point of 0.4 was used and at least three items were loaded per factor in order to be regarded as acceptable. The reliability of the measuring instrument refers to its internal consistency, that is, the extent to which a measuring device will produce the same result when applied more than once to the same person under similar conditions (Gill & Johnson, 2010:143). Cronbach's alpha coefficient was used to assess the internal reliability of the study variables. Regression and correlation analysis were used to test relationships between the dependent and independent variables, and to test the stated null-hypotheses of the study.

Reliability and validity of the measuring instrument

Cronbach's alpha is the most popular approach to determination of data reliability in behavioural sciences (Drost, 2011:111-112). It measures the internal consistency of a test or scale and produces a number between zero and one (Tavakol & Dennick, 2011:53). In this

study, Cronbach's alpha coefficient was used to measure internal consistency reliability. The internal consistency of each of the factors was assessed by calculating Cronbach's alpha: the value >0.6 was considered to represent a sufficient standard of reliability. The acceptance of a value >0.6 was in line with the value indicated by Maden and Köker (2013:574). Hazra and Gogtay (2017:19) equate validity to accuracy and state that it is the level of conformity of a measured or calculated quantity to its actual or true value. Validity ensures that the individual scores of an instrument are meaningful and, above that, enable the researcher to draw good conclusions from the sample population being studied (Mohamad, Sulaiman, Sern & Salleh, 2015:165). In this study, exploratory factor analysis was used through assessing discriminant validity. Face and content validity was also ensured through expert judgement of management researchers and a statistician, pilot study and a thorough literature study.

EMPIRICAL RESULTS

Demographical profile of respondents

The demographical results are depicted in Table 1 below.

TABLE 1:
The demographical composition of respondents

Demographics	Range	%
Gender	Male	57
	Female	41
	No answer given	2
Age (Years)	below 16	2
	16 – 20	7
	21 – 30	41
	31 – 40	20
	41 – 50	18
	51 – 60	8
	Above 60	2
	No answer given	2
Scheme benefits	Only Dividends	72
	Only Assets	9
	Dividends & Assets	14
	No answer given	5
Type of farming	Wine	24
	Dairy	2
	Summer Crops	12
	Winter Crops	1
	Oilseed Crops	1
	Sugar Cane	0
	Deciduous Fruit	0
	Subtropical Fruit	1
	Citrus Fruit	56
	Animal Production	1
	Dairy Production	0
	Vegetables	1
	Other	0
No answer given	3	
Employment contract	Full-Time	49
	Part-Time	8
	Seasonal	17
	Casual	1
	Other	22
	No answer given	3

Demographics	Range	%
Employment period (Years)	1 – 5	48
	6 – 10	17
	11 – 15	10
	16 – 20	10
	21 and more	12
	No answer given	3
Existence of scheme (Years)	1 – 4	23
	5 – 8	13
	9 – 12	35
	13 – 16	24
	17 and more	2
	No answer given	3
Member of scheme	Yes	43
	No	55
	No answer given	2

Source: Author's own illustration

Table 1 shows the demographic profile of the respondents according to eight characteristics.

Exploratory factor analysis results

Exploratory factor loadings are depicted in Table 2 below. Independent variables, beneficiary perceptions regarding farm worker equity share schemes and the dependent variables (outcomes) are presented. Factor loadings of greater than 0.4 were considered significant.

TABLE 2:

Empirical factor structure

Latent variable	Items
Perceptions of equity share schemes (ESS)	ESS1, ESS2, ESS3, ESS4, ESS5, ESS6, ESS8
Farming performance (FP)	FP1, FP2, FP3, FP4, EE5
Sustainability (SUS)	SUS1, SUS2, SUS4, SUS5
Employee expectations (EE)	EE1, EE2, EE3, EE4

Table 2 indicates that seven of the fifteen items (ESS1, ESS2, ESS3, ESS4, ESS5, ESS6 and ESS8) used to measure 'perceptions of farm worker equity share schemes' loaded onto factor one (1). This indicates that respondents viewed these items as measures of a single construct termed 'perceptions of farm worker equity share schemes'. Three items (ESS7, ESS9 and ESS13) cross-loaded and were not considered for further analysis. Four of the five items (FP1, FP2, FP3, FP4) expected to measure 'farming performance' and one item expected to measure 'employee expectations' (EE5) loaded on a single factor and were regarded as a measure of 'farming performance'. Table 2 also indicates that four of the five items expected to measure 'employee expectations' (EE1, EE2, EE3 and EE4) loaded onto a single factor. This means that respondents viewed these items as measures of a single construct termed 'employee expectations'. Table 2 further shows that four (SUS1, SUS2, SUS4 and SUS5) of the five items that are expected to measure 'sustainability' loaded on one factor. The respondents perceived these items as a measure of a single construct referred to as 'sustainability' in the empirical study results. One item (FP5) expected to measure 'farming performance' and one item (SUS3) expected to measure 'sustainability' cross-loaded. These items were deleted as they did not demonstrate sufficient discriminant validity. As a result of the discriminant validity assessment with the exploratory factor analysis, some items were deleted and new variables were formed; thus, the original theoretical model had to be adapted.

Reliability testing

Table 3 depicts the Cronbach's alpha values of the variables.

TABLE 3:

Cronbach's alpha values of measuring instruments: Theoretical model

Measuring instrument	Cronbach's alpha values
Equity share scheme (ESS)	0.87
Farming performance (FP)	0.80
Sustainability (SUS)	0.72
Employee expectations (EE)	0.69

The results presented in Table 3 indicate Cronbach's alpha values between 0.6 and 0.9. This means that all instruments have a fair degree of reliability of 0.60 (Maden & Köker, 2013:574). In this study, the internal reliability for the initial and final values remained the same because there was no need to remove any item during the analysis.

Descriptive statistics

Table 4 shows the descriptive statistics results.

TABLE 4:

Descriptive statistics

VARIABLE	MEAN	STANDARD DEVIATION
Perceptions of equity share schemes (ESS)	3.674	1.230
Farming performance (FP)	4.155	1.309
Sustainability (SUS)	4.206	1.238
Employee expectations (EE)	4.952	1.458

The results shows that respondents are neutral on whether farming performance (mean score 4.155) and farming sustainability (mean score of 4.206) play an important role in the success of equity share scheme. Table 4 further shows that respondents agree somewhat that farm workers have expectations (mean score of 4.952) when joining equity share schemes. This means that farm workers expect something for being part of the schemes, such as regular dividend pay-outs, improved housing or residential rights and acquiring land for farming purposes. It is noted that relatively high standard deviation scores are indicated for all the variables (scores > 1), indicating variability around the mean scores.

Regression analyses

Table 5 indicates the influence of farm worker equity share schemes on the dependent variables (outcomes).

TABLE 5:

Regression analysis: The influence of farm worker equity share schemes on dependent variables (outcomes)

REGRESSION SUMMARY FOR DEPENDENT VARIABLE: FARMING PERFORMANCE						
Parameter	Beta b*	Std. Error	B	Std Error	T value	P-value
Farm worker equity share scheme (ESS)	0.633	0.045	0.674	0.047	14.179	0.001***
R	R²	F	Std Error of estimate P			
63%	0.40124153	201.04	1.0147 p<0 .00000			
REGRESSION SUMMARY FOR DEPENDENT VARIABLE: SUSTAINABILITY						
Parameter	Beta b*	Std. Error	B	Std Error	T value	P-value
Farm worker equity share scheme (ESS)	0.493	0.050	0.500	0.051	9.821	0.001***
R	R²	F	Std Error of estimate P			
49%	0.24327970	96.448	1.0791 p<0 .00000			
REGRESSION SUMMARY FOR DEPENDENT VARIABLE: EMPLOYEE EXPECTATIONS						
Parameter	Beta b*	Std. Error	B	Std Error	T value	P-value
Farm worker equity share scheme (ESS)	0.128	0.057	0.152	0.068	2.237	0.03*
R	R²	F	Std Error of estimate P			
13%	0.01640690	5.0042	1.4480 p<0 .00000			
* = p < 0.05						
** = p < 0.01						
*** = p < 0.001						

Table 5 indicates that the R² of 0.401 indicates that 40% of the variability in the model is explained by the variable ‘farming performance’. This means that farming performance (b = 0.674, p < 0.001) has a positive relationship with farm worker equity share schemes. This means that when farm workers are aware that government is responsible for providing them with the grant to buy shares in the equity scheme, productivity increases and the profitability objectives of the farm are effectively used. Table 5 further shows that the R² of 0.243 indicates that 24% of the variability in the model is explained by the variable ‘sustainability’. This means that farming sustainability (b = 0.500, p < 0.001) has a positive relationship with farm worker equity share schemes. This implies that farm workers feel that the implementation of a long-term business plan and formal dispute resolution procedures regarding equity share scheme matters by farm owners, create stability in farming activities and in the farm worker equity share scheme. Table 5 also shows that the R² of 0.016 indicates that 2% of the variability in the model is explained by the variable ‘employee expectations’. This relationship is not strong. Although the employee expectations of farming (b = 0.152, p < 0.001) has a positive relationship with farm worker equity share schemes, government intervention can assist in ensuring that employees’ expectations are considered to some extent. Furthermore, farm workers expect that the power they exercise in decision-making should be at least equal to their share of equity in the scheme.

CONCLUSIONS AND RECOMMENDATIONS

Equity share schemes provide an opportunity for the farm owner and farm workers to learn from each other as opposed to the previous setting in which workers did not have shareholding rights and were, therefore, deprived of some opportunities. Farm workers join equity share schemes because they have certain perceptions regarding equity share schemes. It is important that everyone involved discusses beneficiaries’ perceptions so that everyone is well informed and aligned to the reality of the equity share schemes, what can be achieved and what they intend to achieve in future. Farm workers also have a duty to ensure that farm worker equity share schemes are not just established, but that they perform well. If the

schemes do not perform well, the farm workers cannot realise what they joined the equity share schemes for. The farm owner and farm workers have a duty to ensure that the established equity share scheme does not fail along the way. Plans must be in place to deal with a variety of issues such as the environmental, social and economic matters. It is normal for employees to have expectations; however, when the employees keep their expectations to themselves, it might be difficult for the farm owner to know what the employees' expectations are. It is important that the farm owner and farm workers have a thorough discussion regarding employee expectations and how they will be fulfilled, where possible.

The following empirical results were identified:

- It appears that there is a statistically significant relationship between *beneficiaries' perceptions regarding farm worker equity share schemes* and *farming performance* (H0₁ rejected). Farming performance should improve upon the participation of beneficiaries in equity share schemes through increased productivity, profitability and competitiveness.
- It was also validated that there is a significant relationship between *beneficiaries' perceptions regarding farm worker equity share schemes* and *farming sustainability* (H0₂ rejected). If properly implemented and managed these schemes should have economic, social and environmental benefits to farm owners, broader community and other stakeholders.
- The results also indicated a statistically significant relationship between *beneficiaries' perceptions regarding farm worker equity share schemes* and *employee expectations* (H0₃ rejected). The effective functioning of these schemes could directly impact on the expectations of farm workers regarding realistic financial benefits, non-financial benefits, job security and their improved living standards.

Table 6 highlights some recommendations regarding farm worker equity share schemes and its benefits or outcomes.

TABLE 6:

Recommendations regarding farm worker equity share schemes and its benefits or outcomes

No.	Recommendations regarding equity share schemes:
1	Farm workers should be offered dividends/assets by the equity share scheme.
2	There should be initial discussions between the provincial office/government, farm owner and workers regarding the establishment of the equity share scheme.
3	The equity share scheme should obtain legal services to form a legal entity (e.g. trust).
4	The government should be responsible for providing farm workers with a grant in order to buy shares in the equity scheme.
5	All stakeholders should agree that in the case of failure to pay the scheme, assets can be accepted as collateral.
6	Workers should be allowed to influence the financial/operational decisions of the equity scheme.
7	Shares received from the scheme should not be transferred to multiple heirs/outsideers.
	Recommendations regarding equity share schemes as to increase farming performance:
8	Employee effectiveness should improve based on participation in the equity scheme.
9	Productivity should increase since the formation of the equity scheme.
10	Profitability objectives should be achieved based on effective operation of the equity share scheme.
11	All resources on the farm should be optimally used.
12	Farms should strive to be cost effective leaders in the industry.
	Recommendations regarding equity share schemes as to ensure farming sustainability:

13	The equity share scheme should have a long-term business plan to be implemented by the owner/manager.
14	There should be well-functioning storage/ warehousing facilities to keep produce fresh on the farm.
15	There should be a continuous strive to make profit to sustain the farm's survival.
16	There should be engagement in social responsibility initiatives (e.g. donations to children's homes or schools).
17	Ensure strategies are available to mitigate, and adapt to, the potential harmful effects of climate change.
	Recommendations regarding equity share schemes as to create realistic expectations:
18	Farm workers should expect regular declarations of dividend payouts from the scheme.
19	The equity share scheme must negotiate the value of the equity to be purchased with all members.
20	Participation in the scheme should lead to improved housing or more secure residential rights.
21	Participation in the scheme should assist employees to acquire a piece of land for farming.
22	There should be a continuous assessment of farm management by the government/investor/bank.

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Employee views on organisational effectiveness of a Chinese organisation operating in Kenya

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RESEARCH CONTEXT

China is currently Kenya's largest trading partner with Chinese imports far exceeding what Kenya exports to Europe, the world's largest economy (Omondi, 2016:1). As the economic and diplomatic interactions increase between the two countries, Kenya has also shown an interest in developing association between the aviation industries (China Defence, 2013) and the manufacturing sector because of growth opportunities (Mulupi, 2015).

As asserted by Jackson, Louw and Zhao (2013:2-9) while there has been an abundance of research conducted at a macro level, mainly anecdotal knowledge on Chinese organisational values and management at a micro level exists. Consequently, the importance of this study is to explore employee views on the organisational effectiveness of a selected Chinese organisation operating in Kenya, with focus on Kenyan and Chinese employee viewpoints from different organisational levels. In this study the Burke-Litwin model (1992) was selected to assess organisational effectiveness of the selected Chinese organisation. Furthermore, this model is the most appropriate model for this study because it outlines the relationship between the internal and external environment and the 12 organisational dimensions that are crucial for organisational effectiveness and change (Burke-Litwin, 1992).

GOALS OF RESEARCH

The main purpose of this study is to explore employees' views on organisational effectiveness in a cross-cultural research setting of a privately owned Chinese organisation operating in Kenya, using the Burke-Litwin model (1992). The Burke-Litwin model consist of two main dimensions, transformational and transactional. Transformational dimensions include the external environment, vision, mission and strategy, leadership, organisational culture and individual and organisational performance (Burke-Litwin, 1992). While the

transactional dimensions include structure, management practices, systems, work climate, task requirements, individual needs and values and motivation.

METHODOLOGY

This study is part of comprehensive international qualitative research project entitled “Chinese organisations in sub-Saharan Africa: New dynamics, new synergies”. As such, this study is based on the data collected in Kenya as part of the comprehensive project.

In this study an interpretivist research paradigm was adopted. Data was collected by means of in- depth semi structured interviews by two Chinese research assistants. Both interviewers are bilingual Chinese nationals, and both proficient in both Mandarin and English and associated with the international research project. In this respect, Chinese research participants who were not proficient in English were interviewed in Mandarin and Kenyan research participants were interviewed in English. Two comprehensive interview guides were used to collect the data. One for operational employees and one for employees in managerial positions.

CONCLUSION

This paper will provide insights into the employee’s views on the organisation effectiveness of the selected organisation in Kenya from the perspectives of both the Chinese and Kenyan employees. Chinese employees have created employment and contributed positively towards the Kenyan economy. Kenyan and Chinese employees share different views. Chinese employees value time and productivity, whilst Kenyan employees value their culture and work climate. Moreover communication is still a huge barrier for both Kenyan and Chinese employees which has resulted in organisational ineffectiveness. Both Kenyan and Chinese employees’ work ethic and organisational performance is governed by their culture and external environment setting.

The findings will assist in better understanding the Chinese and Kenyan employees’ viewpoints pertaining to the similarities and differences in achieving organisational effectiveness in the selected Chinese organisation.

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Organisational structure and management style: Perceived effects on employee productivity at an urban university

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ABSTRACT

Cost pressures at universities, brought on by declining levels of subsidies in real terms, above inflation wage increases, as well as a volatile rand-dollar exchange rate, have resulted in a renewed quest for efficiency gains. While various cost containment measures have been pursued by universities, employee productivity has not received the same level of attention. Despite a number of studies having investigated the effects of an organisational structure and management style on employee productivity, a gap in literature exists in the context of South African universities. This holds especially true for the administrative, non-academic, part of universities.

This study was qualitative in nature, taking the form of a case study, utilising semi-structured face-to-face interviews and direct observation. Twenty-five interviews were conducted at a Student Enrolment Centre at an urban university in Gauteng. Data was analysed by means of content analysis. Results indicated that the prevailing centralised structure and autocratic management style is perceived to negatively affect employee productivity, due to a lack of communication and low motivational levels. The findings assist universities and industry to improve employee productivity by making changes to structure and managerial style.

INTRODUCTION

Tertiary education plays an ever increasingly important role in countries, particularly in emerging economies such as South Africa. It provides a foundation to alleviate poverty, create employment opportunities and reduce socio-economic inequalities (KPMG, 2016). These socio-economic ills are particularly evident in South Africa, owing to its history of exclusion and Apartheid-era policies. In recent times, funding for higher education institutions has received increasing attention in South Africa, mainly due to the #FeesMustFall movement. A report by commission of enquiry into the feasibility of higher education and fee-free training, released by the Presidency, highlights the lack of funding for universities. The report indicates that while a doubling of student numbers has occurred, from 495,356 in 1994 to 983,698 in 2013, relative increases in funding have not materialised. As a result, many South African universities are facing immense cost pressures, resulting in budget deficits which are

unsustainable over the long term (Commission of Enquiry into Higher Education and Training, 2017). As a consequence, universities have sought to reduce capital expenditure, improve internal efficiencies and delay maintenance. In particular, reduction in costs and improvement in efficiencies in administrative and support functions has been touted as one of the avenues to reduce the risk of ballooning budget deficits (KPMG, 2016; Commission of Enquiry into Higher Education and Training, 2017).

While the delay and reduction in maintenance and capital expenditure is a relatively simple method to reduce costs, more intricate initiatives are needed to lift efficiencies and reduce costs. One such initiative, or focus area, is employee productivity. Employee productivity plays an important role in the smooth operation of an organisation. Employee productivity can be best described as “the output in relation to people employed and/or hours worked. Employee productivity could be measured at the individual level (for example, number of calls answered per shift in a call centre) or at a team level” (South African Board for People Practices, 2016:4). Employee productivity has a direct relationship to organisational competitiveness, success and growth (Korkomaz & Korkomaz, 2017). While employee productivity is influenced by a wide array of factors, such as technology, education and training, some studies have linked the structure of an organisation, as well as management style to employee productivity (Iqbal, 2009; Tabari & Reza, 2012). This study therefore aims to explore the effects of organisational structure and management style on employee productivity, as perceived by employees themselves.

This paper is structured as follows. The following section provides a theoretical overview of the concepts of organisational structure, management style and employee productivity. This discussion is followed by an overview of the status quo of South African universities in terms of funding. Next, the methodology employees in this study is described. This section is followed by a presentation and discussion of the findings, together with recommendations for universities and industry. Lastly, limitations to the study together with a conclusion are presented.

LITERATURE REVIEW

The objective of literature review is to present the relevant theoretical approaches and linkages regarding organisational structure, management style, employee productivity, as well as outline the status quo of South African universities.

Organisational structure

According to Daft (2004:11) “organisations are defined as social entities that are goal-directed, are designed as deliberately structured and coordinated activity systems and are linked to the external environment”. From the definition, it becomes apparent that an organisation incorporates a multitude of elements, forming a complex whole. Key to the definition are the elements of structure and management. Prominent managerial scholars such as Frederick Taylor, Max Webber and Henri Fayol were in consensus in that management usually refers to coordinating activities, people, processes and material flows to achieve specific goals in an effective and efficient manner (Steers, Sanchez-Runde & Nardon, 2010). According to Langton and Robbins (2007:475) “organisational structure defines how tasks are formally divided, grouped, and coordinated”. In essence, organisational structure formally describes the operational process of an organisation, i.e. the manner in which work is going to be done. Further, organisational structure has been defined as “the outline of a company’s framework and guidelines for managing business operations for creating their companies’ organisational structure, which is usually an extension of the owner’s personality” (Vitez, 2012:2). This indicates that the structure of an organisation, as well as the management of it, are organically intertwined, the manifestation of which emerges in day-to-day activities.

As organisations can be structured in a variety of ways, depending on requirements and managerial preference, some authors suggest that organisational structure is merely the linking of departments and jobs within an organisation (Nelson and Quick, 2000:498). While a multitude of different structures exist, Langton and Robbins (2007:480) suggest six common types of organisational structures which an organisation can choose to follow, namely i) bureaucratic, ii) functional; iii) divisional; iv) matrix; v) centralisation; and vi) decentralisation.

Bureaucratic structures are characterised by the existence of clearly defined, processes, procedures and multiple levels of management. While benefits for bureaucratic structures include increased efficiencies and consistency, bureaucracies tend to introduce red tape, rigid rules, slow-decision-making and aversiveness to change (Hellriegel, Slocum & Jackson, 2013). **Functional** structures are traditionally regarded as the preferred organisational structure as areas of specialisation are grouped according to function and process (Thompson, Strickland & Gamble, 2007). **Divisional** structures are characterised by “divisional units performing one or more of the major processing steps along a value chain”, thereby creating its own profit and loss centre that can be optimised for its specific purpose (Thompson, Strickland & Gamble, 2007:377). **Matrix** structures are said to combine the benefits of functional and product-based structures by forming project teams which exist to serve a pre-defined project and are led by a matrix manager, who yields control over both functional and product managers. Matrix structures are often more cost efficient by eliminating duplication of activities and creation of flexibility. However, matrix structures are often complicated by a need for multi-skilled matrix managers, a need for effective communication and dual reporting structures (Hellriegel, Slocum & Jackson, 2013). Langton and Robbins (2007:483) define **centralisation** as “the degree to which decision making is concentrated at a single point in the organisation”. Hodge, Anthony, and Gales (2002:39) define centralisation as “the type of management style where decision-making is vested in top management. This concept includes only formal authority, that is, the rights inherent in one’s position”. This implies that centralisation is experienced when decision-making rests in top management with little or no input from lower-level employees, thereby being reminiscent of an autocratic management style (Langton & Robbins, 2007). Centralisation is often practiced as it allows for efficiency in decision-making. On the downside, however, is that bureaucracy is introduced, slowing down decision-making over time and causing an organisation to be reactive to external factors, negatively affecting competitive advantage (Vitez, 2012). Conversely, **decentralisation** refers to the degree to which “decision-making authority is vested in lower-level employees” (Hodge, Anthony & Gales, 2002:39). Decentralised organisations are often more flexible and responsive to environmental changes and tend to introduce a management style that is more democratic, favouring open-door policies (Iqbal, 2009). Decision-making is however often complicated due to differences in understanding and viewpoints (Langton & Robbins, 2007). Ackroyd (2002:55) “defines **bureaucracy** as an organisational type with a high proportion of officials whose sole task is coordination and who use authority to secure uniformity of practice”. Max Webber developed the concept of a bureaucracy as a way to improve the operation of organisations in his book *The Theory of Social and Economic Organisation* (Hodge and Anthony, 1991:327).

Management style

Management style can be regarded as the conduct of managers in their role to enhance and achieve optimal performance from employees (Walker, 1996; Prasetya & Kato, 2011). In terms of the four managerial functions, management best relates to the leading and controlling aspects of the operational process. It should however be noted that management and leadership are often viewed as fundamentally different, as management concerns itself with effective structuring and allocation of tasks and resources, while leadership is concerned with connecting goals to people by means of positive influence (Daft & Benson, 2016). Daft and Noe (2001:379) best capture the essence of management style, who state that “leadership is an influence relationship among leaders and followers who intend real changes that reflect

their shared purposes". It should however be noted that management style is a multidimensional construct, complex in nature and has a significant effect on employee and organisational performance (Kanyabi & Devi, 2011). While a multitude of management styles exist, four main styles are said to best capture conduct in practice. These include management styles commonly referred to as i) autocratic, ii) democratic, iii) paternalistic and iv) laissez-faire.

Nelson and Quick (2000:392) defines an **autocratic** management style as "a style of leadership in which the leader uses strong, directive, controlling actions to enforce the rules, regulations, activities, and relationships in the work environment". This implies that autocratic managers tend to be transactional in nature and are more concerned with achievement of goals, rather than employee welfare. Ekaterini (2010:14) argues that older, more mature managers tend to be more autocratic in their managerial style, as compared to younger managers. This can be attributed to a more transactional leadership style that values financial achievements of the organisation. Conversely, younger managers correlate more with the democratic style of leadership. This is due to the fact they are more of transformational leaders and believe in the welfare of the employees; as such they tend to depict a more **democratic** managerial style (Ekaterini, 2010). According to Nelson and Quick (2000:392), a "democratic management style is a style of leadership in which the leader takes collaborative, reciprocal, interactive actions with followers concerning the work and work environment". Daft and Noe (2001:385) view the democratic manager as "a leader who delegates authority to others, encourages participation, relies on subordinates' knowledge for completion of tasks, and depends on subordinates' appreciation and respect for influence". This implies that greater value is placed on employee input. A **paternalistic** management style shares a similar philosophy, as the manager "takes into account the best interest of the employees as well as that of the business", although "communication is downward, feedback and questioning authority are absent as a respect to superior and group harmony" (Okon & Isong, 2016:52). Lastly, the **laissez-faire** management style is characterised by style in which "the manager hands-off and allows group members to make the decisions. Employees are empowered to determine their own objectives, solve their own problem and make their own decision with little or no interference" (Okon & Isong, 2016:53). This implies that management places trust in effective employee decision-making, empowering employees to act in the most effective manner as perceived by each individual employee.

Employee productivity

Paton, Clegg, Hsuan and Pilkington (2011:389) describe productivity as "the relationship between results and the time it takes to accomplish them", which is expressed "usually in the form of a ratio or a percentage, which is calculated by taking the outputs and divided by the inputs". The only two ways in which productivity enhancements can be achieved are therefore to either decrease inputs or increase outputs. Productivity related to employee activity, the aim would be to increase outputs by raising efficiencies. It is therefore imperative that managers manage in a style which improves productivity, mainly by means of effective goal setting, motivation and communication (Jones & Robinson, 2012). While the management of an employee is not the only factor in their productivity, with other factors such as capability, incentives and motivation also playing a role, employee productivity is an indicative measure of internal efficiencies and how well an organisation functions (Okoye & Ezejiogor, 2013; Oloke, Oni, Babalola & Ojelabi, 2017). Employees, or human capital, which are adequately trained, motivated and managed often lead to productivity enhancements, resulting in improved service delivery, an increase in organisational competitiveness, as well as positively affecting longevity of an organisation (Arraya & Pellissier, 2013).

Impact of organisational structure and management style on employee commitment

A number of studies have attempted to draw a link between organisational structure, management style and employee commitment. Al-Qatawneh (2014) suggests that a direct correlation exists between organisational structure and employee commitment, both in the public and private sector. It is suggested that forms of formalisation exhibit the largest correlation with commitment in the public sector, while in the private sector participation has the largest correlation with commitment. These findings are supported by authors such as Holagh, Noubar and Bahador (2014), who argue that deeper research into the underlying reasons connecting structure and commitment is warranted. This view is suggested by Sano (1999), while Carson, Carson, Birkenmeier and Phillip (1999) suggest that organisations increasingly rely less on formal structures, thereby suggesting a paradigm shift in the views of structure and commitment.

In terms of the effects of management style and employee commitment, authors including Eby, Adams, Russel and Gaby (2000) suggest that managerial style manifests itself in day-to-day work practices such as decision-making, feedback, support and reward systems. These managerial practices have a direct effect on the individual employee's commitment and motivation, as managers therefore have the propensity to increase the individual employee's levels of intrinsic motivation, thereby ensuring job satisfaction (Thomas & Velthouse, 1990).

Status quo of South African universities

South African universities have long found themselves in a situation in which government subsidies have been declining in real terms, thereby placing increased pressure on operating budgets. As a result, universities have sought to reduce costs, improve efficiencies and find other sources of income. The effects of this precarious situation have resulted in above inflation tuition fee increases, as well as increased reliance on third stream income. The sector has received significant attention in the media due to the emergence of the #FeesMustFall campaign. (KPMG, 2016). While the greatest cost driver for universities are salaries, austerity measures have already been introduced, mainly in the form of reduction on infrastructure and maintenance spend, reduction in library budgets, as well as a freeze on administrative posts (Commission of Enquiry into Higher Education and Training, 2017). This has added additional complexity to the management of universities and departments within universities, as austerity has forced institutions of higher learning to rethink their approaches to management (Winberg, 2016). An improvement in administration is required, with cost and productivity efficiencies needed to adapt to the changing status quo of reduced funding. This necessitates the need to reduce complexity and thereby improve productivity (Commission of Enquiry into Higher Education and Training, 2017). While some studies have been conducted on employee productivity in South African universities (Tchapchet, Iwu & Allen-Ile, 2014), a gap in literature still exists with regards to the management and structuring of administrative sections in universities, and their effects on labour productivity. This gap specifically relates to the administrative portion of university function.

RESEARCH PROBLEM AND OBJECTIVES

The rise of the #FeesMustFall movement, declining levels of government subsidy, above inflation wage increases and cap on tuition fee increases have forced South African universities to reduce spending and improve internal efficiencies. While issues of management style, organisational structure and employee productivity have been covered in depth in literature, a gap in literature exists with reference to South African universities. The aim of this research is therefore to explore the effects of management style and organisational structure on employee productivity at a student enrolment centre (SEC) within an urban university in Gauteng. This research will help in understanding to what extent does organisational structure and management style contribute to employee productivity in the SEC department. The study

aims is to provide high level managers with information on how best to make use of organisational structures and management style which will positively influence employee productivity. It also aims to provide line managers with possible management styles that can be used in order to influence the productivity of the employees

The objective of this paper is therefore to explore the perceived effects an organisational structure and management style has on employee productivity.

METHODOLOGY

Research design

This study followed a qualitative research approach. Qualitative research makes use of a naturalistic approach and seeks to understand phenomena in context-specific settings (Golafshani, 2003:600). This research approach was used in seeking to understand the viewpoint of employees on the management style and organisational structure and how they are perceived to affect productivity (Creswell, 2007). This study takes the form of case study design. Yin (1989:23) defines case study research “as an empirical inquiry that investigates a contemporary phenomenon within its real-life context when the boundaries between phenomenon and context are not clearly evident and in which multiple sources of evidence are used”. A case study therefore has the aim of understanding the views and sense-making process of participants in a specific context, relative to a particular phenomenon. According to Nieuwenhuis (2007:294) the case study design is “useful for learning about situations which might be poorly understood or about which not much is known”.

The case

The specific case study will be an instrumental case study design, because this is aimed at illuminating a particular issue (Creswell, 2007). The research aims to obtain a deeper understanding of the effect of organisational structure and management style on employee productivity within a particular context (an urban university in Gauteng) and within a particular environment (a Student Enrolment Centre) (Hancock and Algozzine, 2006). These choices of design enable the researchers to investigate the effect of organisational structure and management style on employee productivity levels.

A challenge of case study design is the lower sample numbers inherent in the design. Participants were selected on the basis of convenience and limitations to scope of the study and might therefore not expand variability and be representative of the natural population. However the aim of this study is not generalise, but rather to obtain a deeper understanding of the influence of organisational structure and management style on employee productivity in a specific context (Lincoln & Guba, 2000). This possibility of tendencies identified in this case study being observable to similar department does exist, as other departments in the university might display similar characteristics.

Participation in the study was voluntary. Participants in the study were informed of their anonymity and their right not to participate. Participants were informed of the purpose of the study in an introductory letter. The researchers obtained ethical clearance from the university in question. No follow-up interviews were conducted.

Population and sampling

The target population in this research are permanent and contract employees located within a Student Enrolment Centre (SEC) at an urban university in Gauteng. The selected SEC is characterised by some flexibility in the job environment, however as the processes are set

according to central university rules, regulations and processes, limited flexibility exists in terms of the discretion at the hands of employees.

The sample frame includes employees of the Student Enrolment Centre who are call centre, biographics, selection and information management employees. These employee groups comprise all permanent and contract employees at the SEC. A nonprobability sampling approach was used in this study. According to Zikmund, Babin, Carr, and Griffin (2010:394) “nonprobability sampling is when the units of a sample are chosen so that each unit in the population does not have a calculable non-zero probability of being selected in the sample”. This is “a sampling technique in which units of the sample are selected on the basis of personal judgment or convenience” (Zikmund, Babin, Carr, and Griffin 2010:395). According to Sekaran and Bougie (2009:263) “sampling unit is the element that is available for selection in some stage of the sampling process”. The sampling unit will consist of all the permanent and contract employees in the SEC. Student assistants were excluded from the sampling frame. Thirty-seven employees form part of the SEC, with 25 of the employees selected for interviewing. Employees were selected by means of convenience sampling, as only some employees could be accessed due to time constraints on the part of participants.

As a second data collection technique, direct observation, was used. According to Creswell (2007:221) “observation is the process of gathering open-ended, first, hand information by observing people and places at a research site”. As observations can add richness to the findings of other data collection techniques, understanding of a phenomenon can be enhanced. In this research, observation supplements the interview findings.

Data analysis

The primary data analysis technique was content analysis, which is a “systematic approach to qualitative data analysis that identifies and summarises message content” (Nieuwenhuis, 2007:101). Content analysis involves looking at data from differing perspectives to identify common themes to aid understanding of information generated from transcripts, documents and other media (Nieuwenhuis, 2007:105). After each interview, the researchers reviewed the data collected to become immersed in it. Once acquainted and familiar with it, the researchers generated preliminary codes and code headings through which to categorise the data (Creswell, 2007:225).

Ethics

Prior to the interviews, interviewees were informed of their right not to partake in the study, the right to withdraw at any time, as well as the right to anonymity. No personal and identifiable information of interview participants was collected, thereby ensuring anonymity. Due to potential sensitive information emanating from the interviews, no demographic information was collected from participants.

Trustworthiness

In terms of transferability of the results of this study, it should be noted that as a case study was chosen, the results should be seen as context-bound and are therefore not generalisable to other South African universities. An experienced academic and researcher inspected the interview schedule prior to interviews taking place, thereby addressing the concerns of content and face validity. The interview schedule was guided by the primary objective by unpacking the topics of organisational structure, management style and productivity, thereby addressing the criterion of credibility. Also, interview results can be seen to be triangulated by means of undertaking observation.

FINDINGS AND DISCUSSION

The purpose of this study was to explore the perceived effects of management style and organisational structure on employee productivity. The findings are structured according to the key topics of the study, namely, organisational structure and management style, with additional key themes as discovered during the data collection process.

Organisational structure

All participants indicated the SEC to possess a centralised organisational structure. The structure was described as decision-making power and influence being concentrated in a small number of top managers. Decisions were reported as merely being implemented, rather than a consultative process being followed. In addition, 88% of participants indicated the structure being unsuitable for the prevailing environment, negatively affecting productivity. As a result, employees in the SEC reported feeling unfairly treated and having low confidence in management, with one interviewee stating:

“Top management knows nothing of what goes on. They take decisions without asking for commentary and it is killing the department.”

According to Langton and Robins (2007:483), a “typical centralised organisational structure is experienced when top management makes the organisation’s top decisions with little or no input from lower-level employees”. As the SEC displayed signs of a centralised organisational structure, it naturally emanated that participants indicated that input is usually not solicited on the part of management, with no employee being informed of the decision to change the structure of the department to a centralised organisational structure. This means that little to no consultation takes place due to the organisational structure. Interviewees indicated that some years prior, the SEC was restructured and better aligned with organisational priorities. These changes resulted in significant changes to the work environment, structure, policies and processes within the SEC. Decision-making and processes were centralised at the primary campus. The effects of the change in structure, some years back, still resonated with some participants, with one interviewee describing the changes as “making employees at other campuses to feel useless and unappreciated, while on the other hand, employees at the main campus feel they are being overloaded with work and other staff members on other campuses do little”. Participants indicated that these predicaments eventually lead to demoralisation and demotivation of employees, which then leads to low productivity levels.

Management style

24 participants (95%) described the SEC as having an autocratic management style. The prevailing management style was viewed as inappropriate and was flagged as a factor contributing to low productivity levels. Two interviewees described the management style as follows:

“[An] Autocratic management style does not allow employees to be creative.”

“Employees are not given enough freedom to express themselves”

Participants indicated feeling restricted in performing their duties which eventually lead to low productivity because of the restrictions that management impose on them. This negatively impacted items such as creativity, communication and team-work. The lack of these elements

was indicated as negatively affecting productivity, as well as negatively impacting potential productivity improvements. This view is supported by Nelson and Quick (2000:392), who define an autocratic management style as “a style of leadership in which the leader uses strong, directive, controlling actions to enforce the rules, regulations, activities, and relationships in the work environment”. Participants indicated that lack of creativity in a job can lead to routine, which eventually leads to low productivity levels. Additionally, the lack of employee welfare in the SEC was perceived to affect the productivity level of employees.

Communication between management and employees

An additional factor, created by the autocratic management style and centralised structure, is the lack of communication between management and employees. Besides the organisational structure that is in place, participants perceived, unanimously, that management does not involve them in any of the decisions they take that directly affect their work, with one participant stating the following:

“Management make decisions without proper consultation of employees and they like to be in control of every situation”

The autocratic management style and the centralised organisational structure were perceived to be the root cause of a lack of communication between managers and employees, which participants indicated should be more open and frequent. Unlike with a more democratic management style, which tends to value employee participation and empowers employees to make decision, use their knowledge to complete tasks and places reliance on employee appreciation (Daft & Noe, 2001), an autocratic management style does not give employees freedom to perform any task without prior approval of management, thereby stifling potential employee productivity improvements.

Observation results

During the observation process, it was noted that employees appeared very conservative in day-to-day decision making and not forthcoming in disclosing true feelings about the management style and organisation structure currently in use. Conservatism in decision-making and lack of proactive engagement therefore seem to be the result of prevailing structures and processes. It was further observed that employees did not share information on their true feelings to avoid being regarded by management as negative. The lack of sharing of information hints at a more widespread problem in terms of effective internal communication. The researchers further noted patterns of behaviour of employees appearing afraid to address issues with management. These patterns can have negative effects on motivation, productivity and day-to-day performance as processes can not be improved due to a lack of communication.

CONCLUSION AND RECOMMENDATIONS

The purpose of this study was to explore the perceived effects of management style and organisational structure on employee productivity. The study was framed as part of a case study of an SEC at an urban university in Gauteng. The literature behind the key concepts indicated that that productivity levels of employees are a function of many variables other than the work itself. From the literature review to the field work of this research; it is evident that employee productivity levels are influenced by a balance of management style, organisational structure and employees’ motivation levels. An autocratic management style and deeply centralised structures seem to have a negative influence on employee productivity levels. This can be attributed to a lack of flexibility and empowerment.

Management of employees however was shown to be key to perceived productivity levels. The structure of the department and organisation that management sets, in this case a centralised one, coupled with the prevailing autocratic management style, hold the potential to negatively affect employee productivity levels. This indicates that employee productivity, while not purely a product of structure and management style, can be influenced the prevailing climate in an organisation, thereby creating scope for low-cost efficiency and productivity improvements.

The findings of this study suggest that the organisational structure that SEC is using is inappropriate in its current form. The management style in use is also deemed inappropriate, which eventually lead to the low productivity level of employees. In lights of these findings, firstly it is recommended that management review their management style. Instead of using the autocratic management style, it is suggested that they use an alternative management style which will allows employees to exhibit more freedom in doing their work, participate in decision making and improve internal levels of communication. Secondly, it is recommended that the organisational structure be changed from centralised structure to a more decentralised structure. This will allow employees in campuses other than the main campus to feel equally important and allow for more equitable distribution of work. This will improve the work relation of employees and their motivational levels, which will eventually could lead to improved productivity level. Lastly, communication between management and employees needs to be strengthened. This will help in addressing issues that cannot be solved by changing organisational structure or management style. Issues of trust and moral support between management and employees can be addressed more easily when there is a good communication between management and employees.

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An exploratory case study of NPO risk assessment

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ABSTRACT

In South Africa, Non-Profit Organisations are governed by Codes of Good Practice, hence, strong governance supported by effective risk management is foundational to a non-profit organisation's ability to anticipate and effectively respond to complex challenges. The downfall to this is that the management of risks in the non-profit sector have not received adequate attention. Yet organisations are expected to set higher standards through self-regulation mechanisms and abide by norms of good governance to improve their own transparency and accountabilities.

Effective risk assessment can improve the proper functioning of any organisation these range from having financial stability, good governance, effective risk response strategies, the ability to make informed decisions, improved planning and performance, and the creation of a positive organisational structure.

The objective of this study was to give insights into the risk assessment practices of a Non-Profit Organisation in the Environmental Sector. To achieve this, the study utilised the research questions: "how does a non-profit organisation identify an effective risk assessment process that can mitigate risks?", "why is risk assessment important to the non-profit organisation?" and "what are the challenges of risk assessment that are common among non-profit organisations within the environmental sector?"

The research was conducted in one of the leading environmental and conservation NPOs in South Africa. The target population for the study included top management of the organisation. Eighteen responded to the semi-structured interviews and sixteen responded to the questionnaire. The study used semi-structured interviews and questionnaires to collect data. Data collected was analysed using thematic analysis and descriptive analysis.

The key findings of this study suggested that a non-profit organisation is complex. On the basis of this, it faces unique challenges of growth, people, capacity, and reactivity when conducting risk assessment. Despite carrying a non-profit status, results indicate that non-profit organisation management viewed risk assessment as an important exercise to execute and it must be a self-assessment controlled internally. The establishment of Risk Audit and

Compliance Sub-Committee (RAC), Risk Register, Internal Controls, and Risk Awareness are strategic processes implemented to effectively respond to risks.

Introduction

Management of risk in the non-profit sector has not received adequate attention. Yet according to (Social Development, 2012:27), “NPOs are expected to establish higher standards through self-regulation and abide by norms of good governance to improve their own transparency and accountability”. The Enterprise Risk Management (ERM) integrated framework provides principles for management to effectively assess uncertainty of associated risk and opportunity to maximise value (Faris, Gilbert & LeBlanc, 2013). According to Okhahlamba Local Municipality (2013:4), “value is maximised when management sets objectives to strike an optimal balance between growth and related risks, and effectively deploys resources in pursuit of the institution’s objectives”. ERM is an important practice in the overall governance of an organisation. Given that organisations, including non-profits must assume risks, forces executives to see the value of being well informed about risks (Matan & Hartnett, 2011:3). Hence, it is not possible for an NPO to survive without considering this dynamic phenomenon and NPOs must increasingly consider the steps necessary to achieve effective risk management. Okhahlamba Local Municipality Report (2013) indicated that risks are dynamic and highly interdependent, therefore, to achieve effective risk management risks must not to be considered and managed in isolation. Having a clear understanding of the principles and processes for effective risk assessment will help organisation leaders make sound decisions (Global Risk Alliance and Department of State and Regional Development, 2005). The purpose of this study is to give an insight into the risk assessment of an NPO in the environmental sector. At the same time, the purpose is to highlight the existing strategies that make this type of organisation flourish and protect itself from unforeseeable risks.

Background

The SA non-profit sector is made up of different types of organisations ranging from traditional, charity, faith-based, and community-based organisations. These organisations are characterised by a wide variety of structures and sizes across the socio-political spectra. According to Social Development (2012:4), an “NPO is a trust or association of persons established for a public purpose and the income and property of which are not distributable to its members or office bearers, except as reasonable compensation for services rendered”.

The State of the South African NPO Register in May 2013, reported that, “there has been a significant increase in the number of new NPOs registered in SA” (Social Development, 2013:13). This makes the NPO sector a highly competitive playing field.

ERM is a business function that has been recognised in the insurance, finance, and operation sectors. Traditionally, ERM focused mostly on hazardous risks such as physical hazards, psychological hazards, environmental hazards, and toxic chemical hazards (Fortress Learning, 2017). According to Dionne (2013:2), “modern risk management emerged after 1955 and since the early 1970s, the concept of risk management evolved considerably, and today risk management has become less limited to market insurance coverage”.

In the South African context, “risk management started to develop in the 1970s, where most of the broking houses including Alexander Forbes, First Bowring, and Glen Rand MIB, were involved in this development, as were major industrial companies” (Dionne, 2013:3). In 1986, major SA companies formed the South African Risk and Insurance Management Association (SARIMA), membership of which is on a corporate basis (Dionne, 2013). Today risk management is taught and practised at formal and informal levels by various professional and educational institutions in SA (Valsamakias, Vivian & Du Toit, 2010).

Non-Profit Organisations

According to Social Development (2005), “a non-profit organisation is a self-governing, voluntary, non-profit distributing organisation, operating not for commercial purposes but in the public interest, for the promotion of social welfare and development, religion, charity, education, and research”. In general terms, this simply means, NPOs are organisations that do not exist to generate profit and they not primarily guided by commercial goals and considerations (Statistics South Africa, 2012).

NPOs in SA are vulnerable and susceptible to the “winds of change which blow from all sides” (Hussain, 2015:1). These organisations function in a context characterised by hopelessness, poverty, crime, ill-health, and multiple disaster risk stressors. They experience tremendous frustrations due to the lack of resources and finances (Holtzhausen, 2013).

Risk Management

According to Choi (2013:4), “risk management is not something new, but the global financial crisis and corporate failures in recent years have put risk management in the spotlight”. In the organisational field, “risk management has only recently featured in executives’ agendas, changing the perception in the process that this discipline is restricted to insurance experts” (Di Serio, de Oliveira & Schuch, 2011:231).

According to Stiller and Joehnk (2014:84), “risk management is the process of mitigating all opportunities and risks arising from business processes along the value creation chain to avoid or reduce risks”. The primary objective of risk management is to ensure the sustainability of the organisation. To meet this goal, risk management must be a process that is integrated into all business processes and derives from companies’ objectives. The risk management process begins with a clear understanding of what is the ultimate objective of risk management. This is followed by risk identification, risk assessment, and the ability to monitor the controls put in place to respond to risks (Young, 2014). This process allows an organisation to have a comprehensive view of risk management, which is often referred to as ERM.

Berg (2010:79) defines risk management “as an activity which integrates recognition of risk, risk assessment, developing strategies to manage it, and mitigation of risk using managerial resources”. Young (2014:3) defines it as “as the process of managing risk exposures with the objective of preventing a loss from occurring or minimising the effect should such a loss occur”. In simple terms, risk management refers to defined methodologies for managing risks effectively, and the application of these methodologies to risks (University of Adelaide, 2016).

Authors such as Di Serio, de Oliveira and Schuch (2011) define risk management as a decision-making process, excluding the identification and assessment of risk. Whereas, authors similar to Berg (2010:80) define risk management as a “complete process including risk identification, assessment, and decisions around risk issues”. The study follows Berg’s definition, where risk management is a complete process that incorporates risk identification, assessment, and decisions.

Based on the ISO 31000:2009, the success of risk management will depend on the effectiveness of the management framework, providing the foundations and arrangements that will embed it throughout the organisation at all levels. Moreover, an effective risk management system requires management commitment, adequate resources, and monitoring and evaluation (DQS Management Solutions, 2014).

For-Profit Risk Management

Private companies have acknowledged risk for a while. This is shown by the literature available in the fields of business management, economics, strategy, and finance (Di Serio et al., 2011). PricewaterhouseCoopers survey report issued in 2014 indicated that risk management remains a top priority for investors (Lipton, Niles & Miller, 2015:2). Whilst a 2014–2015 National Association of Corporate Directors (NACD) survey revealed that risk

oversight was one of the top five issues discussed with institutional investors (Lipton, Niles & Miller, 2015). The above clearly shows that risk management is well documented and profiled in the for-profit environment.

Within the private sector, the Financial Services Industry (FSI) is more likely to have board-level risk committees than non-FSI companies (Deloitte, 2014). Deloitte conducted a study across the globe in the top fifty (50) for-profit organisations per country and the findings revealed the following:

“Boards must fulfil their risk-related roles and responsibilities as effectively as possible. Although those roles and responsibilities vary. They typically include advising senior executives regarding risk and risk management. Being informed of risk exposures of specified magnitudes, and obtaining assurance that management has established risk monitoring and mitigation mechanisms equal to the risks the organisation faces. Other activities may include involvement in setting the organisation’s risk appetite, disclosing risk exposures and influencing the risk culture” (Deloitte, 2014:17).

Non-Profit Risk Management

It is true that non-profits are not well equipped to address risk issues (Bilich, 2016) because risks often require significant resources, which non-profits do not have, as their for-profit peers do. Yet, these organisations play a pivotal role in the economy and exert a vital influence in our daily lives (Chen, Wu & Zhanga, 2012). The turmoil of contemporary business events emphasizes the importance of effective ERM procedures (Ranong & Phuenngam, 2009). Hence, it is not possible for any non-profit to survive without considering risk management.

However, “risk management does not guarantee survival. Consolidation, mergers and acquisitions, divestments, and orderly wind-downs are part of a vibrant non-profit sector” (Roberts et al., 2016: 8). Roberts et al. (2016:1) believe that “the non-profit sector can make dramatic improvements in risk management over the next few years”.

The non-profit leadership literature recommends that every NPO must have a comprehensive crisis management plan, but it has little focus on risk (Fram, 2014). On the other hand, academic literature suggests that risk must be the responsibility of the whole board prepared by the audit committee (Marks, 2011). According to Matan and Harnett (2011), “executives are now seeing the strategic value of being more informed about risks that might positively or negatively affect their mission goals and objectives”.

Problem Statement

According to the policy framework of NPO law, management of risk in the non-profit sector has not received adequate attention, yet organisations are expected to set higher standards through self-regulation mechanisms and abide by norms of good governance to improve their own transparency and accountabilities (Social Development, 2012:27). Hence, strong governance supported by effective risk management is foundational to the NPO’s ability to anticipate and effectively respond to complex challenges (KPMG, 2015). Sunjka and Emwanu’s (2015) research has revealed similar results to KPMG, that risk management in the non-profit sector has received limited attention in academic literature and has been viewed as a deficiency in these organisations.

Mintz (2012) highlights three connected reasons why NPOs are reluctant to perform risk assessment:

- Certain NPOs do not appreciate the competitive advantage that comes with risk assessment.
- Other NPOs believe they adequately understand their risk profiles.
- Some NPOs indicate that they lack the resources and skills needed to adequately perform risk assessment.

This reluctance is also corroborated by Young (2014), who states that NPOs have taken minimum steps to endorse risk management, and less attention has been paid to the strategic assessment of risks. Furthermore, the Oliver Wyman 2016 report revealed that very few non-profits have processes in place to address issues of risk management (Roberts, Morris, MacIntosh & Millenson, 2016).

The key challenge is that some NPOs treat risk management as an ad-hoc and informal activity, thus leaving the executives with an incomplete view of the entity's risk exposures (Beasley, Hancock & Branson, 2009). Spencer and Hyman (2012) provide three reasons why NPOs treat risk management as an ad-hoc activity. These reasons are that it is too costly, it may be unnecessary, and it is not a culture wherein risk is routinely examined and managed simply as part of doing good business. Furthermore, critical decisions related to risk assessment in the non-profit sector are left to volunteer management such as the board members and the paid workforce (Matan & Hartnett, 2011), unlike the commercial world where company owners and chief executive officers (CEOs) determine policies.

Another critical challenge is that it is not easy to strike a balance on how far NPOs should correct market failures (Health and Safety Executive, 2016), thereby creating a challenge to quantify the risk impact. Meanwhile, existing research and concepts developed by management sciences internationally have not fully addressed the needs of managers in non-profit organisations (Domanski, 2016:240).

The problem that warranted this research is the lack of knowledge and the significant gap in the fields of risk management in the non-profit sector. Numerous research approaches have been conducted on private/public risk assessment. However, it appears that a comprehensive risk assessment literature in the non-profit sector is limited.

Significance of the Study

There is a significant gap in the area of risk management in the non-profit sector (Matan & Hartnett, 2011). According to Trefry (2014), the gap is between the extent of the risk non-profits face and what they are doing to prepare for it, particularly when it comes to liability. The survey conducted by Open Road Alliance indicates that risk management is absent as a common practice and topic within the non-profit industry (Michaels & Rodin, 2017). The belief that there is a research gap in this field is also shared by researchers such as West and Sargeant and they propose replicating existing risk management theory from the commercial sector to non-profit organisations (Domanski, 2016). According to Domanski (2016:240), "previous studies have concentrated on identifying ways on how non-profits can minimise the risks that they face, rather than on how they can be managed". Research in the non-profit field is a pioneering effort (Young, 2009). Singh (2014) also highlighted a broad gap within the non-profit sector, where it was found that even though the sector contributes a great deal to the economy of SA, there has not been enough research conducted. These limitations motivated the study.

To address these gaps, the study offers insights on how an NPO in the environmental sector can mitigate risks. This is achieved by highlighting existing processes used by non-profits to mitigate risks, by identifying key challenges that hinder effective risk assessment, and, lastly, by investigating why risk assessment is important.

The study is important because it gives insight into how a non-profit organisation comprehends risk assessment and how this is implemented within the organisation. Furthermore, the intention of this study is to create awareness among non-profit leaders so that they can start to measure, prioritise, and manage risks within defined tolerance thresholds in their respective roles.

Research Methodology

The research design for this study was an exploratory case study. A case study approach was utilised because it allows the "in-depth exploration of multifaceted issues in real-life

settings and the case study approach is well recognised in the fields of business management” (Crowe, Cresswell, Roberston, Huby, Avery & Sheikh, 2011:1). This method was chosen in support of Williams (2007:68), who outlined that, “data collection for a case study is extensive and draws from multiple sources such as direct or participant observations, interviews, archival records or documents, physical artefacts, and audio-visual materials”.

This research is exploratory because it seeks to understand the limited body of knowledge of risk assessment for NPOs. According to Sekaran and Bougie (2010: 103), “an exploratory study is undertaken when not much is known about the situation at hand, or no information is available on how similar problems or research issues have been solved in the past”.

The study used mixed methods research approach, this being a combination of quantitative and qualitative techniques, adopting a triangulation design. This approach was chosen in support of Yeasmin and Rahman (2012:157), who outline that a triangulation design “increases credibility and validity of results by incorporating several viewpoints and methods”.

The target population for the study was the top management of the non profit organisation. The study used a census technique, where all participants who were willing to participate in the study were selected. Data collected were analysed, using thematic analysis and descriptive analysis

Findings and Discussions

The management team expressed the importance of risk assessment as vital, critical, very important, and extremely important. From the qualitative findings gathered, it can be noted that risk assessment is very important for the organisation. Forty-seven percent (47%) of the respondents felt that risk assessment is very important for the organisation, while (20%) went further and said extremely important and (13%) and (20%) said it is critical and vital respectively. It can be argued that indeed risk assessment, or, rather risk management, is vital for the organisation, considering the dynamics the organisation is facing. Data collected through questionnaires also revealed the same results: 68.75% of the respondents disagreed that risk assessment is time-consuming, which is an indication that management viewed risk assessment as an important task to carry.

Quantitative findings revealed that risk assessment is important to the organisation for distinct reasons. Firstly, this was shown by all the respondents agreeing that, through risk assessment, the organisation can achieve public accountability and transparency. As established previously, the management team has a mandate to manage funds that are being donated to the organisation’s mission and vision. Additionally, other stakeholders have certain expectations about the organisation. Hence, the literature revealed that public accountability and transparency are key benefits for securing additional funding, from a non-profit point of view. Additionally, funders need to know how their money is being spent, feedback on the activities must be given, and trust needs to be created between donors and the organisation. Hence, it is harder for criminals to commit fraud or abuse the system if the organisation is fully accountable (Charity Commission, 2010).

Secondly, it is vital because it can serve as a strategic guide to the sub-committee when assessing the risk status of the organisation, and a large majority of the respondents (50%) validated this. According to Willis (2010), risk assessment is crucial because, clearly, the the board cannot manage all operational risks, which means, employees must be responsible for taking steps in ensuring that control measures are put in place to assess and respond to risks.

Furthermore, risk assessment is critical because the organisation can guard against poor decision- making. This was validated by all the participants agreeing and strongly agreeing that risk assessment can eliminate poor decision-making. At the same time, the literature revealed a similar idea, that through risk assessment, non-profit leaders can make informed decisions and make appropriate risk responses (Okhahlamba Local Municipality, 2013).

It can also be argued that risk assessment is beyond important because the organisation can protect itself against disastrous outcomes that could threaten its survival. According to the Agile Strategy Institute (2010), the value proposition of risk assessment is for the organisation to attract new and existing stakeholders henceforth, because, once you have reduced risks, you can increase productivity, increase income, and you can compare yourself to international NPOs and you will have happier staff, thus, allowing the organisation to retain its crucial stakeholders (donors and personnel).

Lastly, risk assessment is critical because participants felt that the organisation is not doing enough regarding risk assessment and no organisation can effectively run without a strategy to mitigate risks. Furthermore, results indicated that the lack of a proper risk assessment can make or break the organisation. Therefore, pursuing a risk management strategy across the board, will create a risk-focused culture, which will force risk discussions, allow risks to be considered more openly, and break down silos in respect to how risks are currently managed. According to Kreiser (2013), organisations that have implemented ERM witnessed a rising interest in risk at senior levels, which ultimately resulted in more discussion of risk at all levels.

In summary, based on the qualitative and quantitative results, it can be argued that in the near future, there will be a limited gap between non-profit and for-profit organisations in terms of risk management. Given that the majority (69%) of the respondent's perception is that risk assessment is not time-consuming and 87.50% of the participants did not think that risk assessment is an unnecessary exercise to execute.

Conclusion

Results indicated that risk assessment is vital for the organisation, despite it being an NPO. As much as participants knew that non-profits have limitations in terms of capacity and funding, they still emphasized the importance of risk assessment. Authors such as Mancuso shared the same sentiment that non-profits should address risk management, regardless of the size of the organisation (Muncuso, 2012). However, results showed that the organisation is not doing enough regarding risk assessment, thus, making it a necessity for the organisation.

Risk assessment is also vital because the organisation can achieve public accountability and transparency. Board members can get a full picture of what is happening within the organisation and management can guard against poor decisions and disastrous outcomes.

Based on the findings, it can be concluded that risk assessment is indeed important for the NPO. Results demonstrated that in the near future, there will be a limited gap between non-profit and for-profit risk management.

Managerial Implications

To build an effective risk management strategy in the future, it is suggested that the organisation should focus on the following seven aspects:

Developing the Risk Management Philosophy

Results revealed that the organisation is taking necessary steps to develop a risk management philosophy. However, this is happening at a slow pace. Therefore, the organisation is advised to develop principles and values that govern the organisation's risk management profile. These values and principles must speak to every employee, department, and the organisation.

Raising Awareness

Awareness is a key ingredient to success. Taking a robust view of sources of risks across the organisation must be a matter of urgency. According to Herman et al (2010:10), "conducting a self-risk assessment is an excellent first step in broadening awareness about risk and risk management within the organisation".

Raising awareness requires some form of training. Therefore, offering risk management and risk assessment training is critical and this must be in a for-profit as well as a non-profit context. Additionally, changing the word risk assessment to success assessment can play a huge role, because employees often associate the word “risk” with prejudice or something that is always negative. It is worth noting that this recommendation is under way.

Making Risk a Main Agenda

The organisation must include risk management, risk assessment, and risk response strategies as the main item on the agenda in meetings, reviews, and workshops. This will promote a risk discussion and force strategic thinking in mitigation plans. Hence, this can assist in enabling the organisation to fast track its reactivity in risk management.

Establish Management Accountabilities

The organisation must establish a risk accountability measure so that managers can be accountable for risks occurring in their respective departments and roles. This was also validated by 44% of the participants stating that, “Managers must be responsible for [the] organisation’s risk assessment”. If the management team is not held accountable, they are likely to expose the organisation to vulnerable areas.

Self-risk Assessment

Conducting a self-risk assessment is recommended with the findings revealing the same. A self-risk assessment is crucial for the organisation because the sector is complex and the organisation itself has its own dynamics. Moreover, self-risk assessment is an excellent first step in broadening awareness about risk and risk management within the organisation.

The potential downside to this is that, the organisation may not have the luxury of assigning the risk, as most personnel fulfil multiple roles, and the assessment conducted by insiders may not be as effective in spotting the wide range of issues affecting the organisation as an outside objective person. However, this can be mitigated by an expert in-house who highlights areas what should be considered when assessing the risks.

Committee of Sponsoring Organisations of the Treadway Commission

Curtis and Carey (2012), COSO (2018) and Faris et al. (2013), reveal an ERM framework called the COSO. It is an integrated framework that outlines seven (7) steps an organisation needs to follow when embarking on a risk management journey:

1. Understanding the internal environment;
2. Goals and objectives of risk management;
3. Event identification;
4. Risk assessment;
5. Risk response strategies;
6. Control activities; and
7. Monitoring.

Committing to the King IV Code’s Principles and Practices

The code provides high-level guidance and direction on how the King IV Code should be suggested that the organisation commit itself to the King IV Code principles and practices. This is crucial from an executive point of view to understand the code and its strategic value. Furthermore, committing to the code will ensure the effective management of ethics, risks, fraud, and corruption within the organisation. The code concurs with international best practices and makes it clear that organisations must not tolerate acts of bribery or fraud by the employees, contractors, suppliers, joint venture partners, and other business partners.

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Exploring the internal service quality of a South African corporate bank

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ABSTRACT

Excellent customer service quality is considered a key success factor for organisations to be profitable and sustainable requiring strategies that drive internal service quality for frontline managers, who interact with the external corporate customers. This research was requested by a South African corporate bank (Bank X). The purpose was to explore frontline managers' perceptions of internal service quality to determine if it was necessary to do further research to guide strategic internal service quality system improvements. Descriptive research was conducted to collect data from frontline managers via a self-administered, quantitative, online survey. The survey indicates that managers perceive gaps in support staff responsiveness in terms of timing of information communication. This study suggests that it would be worthwhile for the bank to further explore the current situation to establish exactly where improvements in internal service quality can be made.

INTRODUCTION

The competitive business environment has changed drastically over the past years, with the South African corporate and investment banking industry not being an exception. Competition does not only come from banks within a country. Banks have to compete internationally with bankers situated in United States America, China, United Kingdom and Australia to name a few. Ghobadian, Speller and Jones (1994) assert that service quality is a critical determinant of competitiveness, which can help organisations to differentiate themselves and that in turn creates a sustainable competitive advantage over similar others. In the long-term, this leads to profitability. Banking executives need to have robust strategies in place to gain more of the banking spend of their customers and retain their market position sustainably. Due to the increased pace of globalisation and concentrated competition in the financial services industry, corporate bankers have prioritised innovation of services in order to remain competitive (Andaleeb, Rashid & Rahman, 2016). According to Abdullah, Suhaimi, Saban and Hamali (2011) banks that provide excellent service quality can have a competitive marketing edge because improved service quality is linked to higher income, increased cross-selling and increased customer retention as well as improved market share. The question arises as to what are frontline bank managers' perceptions in terms of service quality from other

departments and these staff within the bank that support their role in providing external customer service?

LITERATURE REVIEW

The role of corporate and investment banking (CIB) is of strategic importance throughout the lifecycle of every large local corporate company, multi-national corporate, financial institution and state owned company, since these bankers enable the latter to do business across the globe. Schnarr and Pfeiffer's (2015:5) definition of corporate banking covers "the business in which banks provide funding (e.g. lending products and liquidity lines), transaction services (e.g. payments, cash management and trade finance), risk management products (e.g. interest rate swaps, foreign exchange or commodities) and corporate finance services (e.g. intermediation to markets and investors for equity capital market, debt capital market products) and, mergers and acquisitions". These bankers supply financial solutions for these businesses not limited to cash management, providing trade and working capital, arranging local and international payment platforms, supplying general corporate finance and debt management capital markets. PricewaterhouseCoopers (2013) indicates that corporate banking in South Africa is regarded as the most important wholesale market for domestic banks. Andaleeb et al. (2016) assert that large businesses or corporate companies rely on corporate banks to offer them a multitude of financial services, and they offer better financial returns and benefits to their bankers. The Centre for research on Multinational Corporations (2016:1-2) states that "corporate banking typically refers to financial services offered to large clients ('wholesale clients'), these include large corporations, pension funds, governments and semi-public entities". Schnarr and Pfeiffer (2015) argue that corporate banking is a key activity for banks globally and it plays a very important role for the economies in which they operate. These authors claim that CIB activities are often regarded as the cornerstone of economies. O'Donnell, Durkin and McCartan-Quinn (2002) highlight the importance of managing these customer relationships because the corporate banking market is so much more valuable and complex in comparison to the retail banking market. Makori and Mwirigi (2013:144) emphasise that "corporate banking is termed as business to business relationship", which is considered to be complex because of the relationship that involves corporate firms and financial institutions. According to the centre for research on multinational corporations (Centre for research on Multinational Corporations, 2016:2), "corporate banking is a very profitable division for banks, far more profitable than retail banking, which is aimed towards households and small and medium enterprises".

The focus on the importance of managing relationships between banks and corporate clients gained momentum from the 1980s. According to Pantouvakis (2011), and, Anosike and Eid (2011) literature on managing internal service quality as an operational efficiency has gained momentum amongst managers and experts as a result of the increasing understanding that high-performing organisations owe their success to looking inwards. Sangeetha and Mahalingam (2011) assert that organisations have changed focus areas from profit maximisation without genuine cognisance of customer satisfaction to maximising profits through increased customer satisfaction. Competitive factors have led companies to go beyond just looking at processes, but to also focus on how the services are delivered. Sharma, Tak, Kong and Kingshott (2016) posit employees who experience themselves as offering internal service quality tend to be more satisfied with their work, they are motivated with high employee morale and very productive at work. These authors argue that a customer-orientated internal service quality management system by satisfying the needs of the internal customers does not only help organisations to be competitive but also contributes to high overall organisational performance and reduced operating costs and wastage. The service delivery of an employee is dependent "on the quality of internal processes, available resources and recognition. This impacts the job satisfaction of the employee, the willingness to remain with the organisation and also the quality of provided services, which influences the satisfaction of external customers" (Bouranta, Chitiris & Paravantis, 2009). The concept

identified that every employee or department within an organisation has customers, external as well as internal and employees need to provide services that meet their customers' (internal and external) expectations. In many aspects, internal customer and external customer needs are similar such as for example consumption of services, however a differentiating factor between them is that internal customers don't have a choice about where to do business versus external business who can take their business elsewhere if they are not satisfied with the quality (O'Donnell et al., 2002; Marshal, Baker & Finn, 1998). Jooste, Strydom, Berndt and Du Plessis (2012) assert relationship marketing is about maintaining relationships, since associated parties will not stay with each other unless they are satisfied with the service they have received. Pantouvakis (2011) supports that the human capital aspect in customer satisfaction plays a major role in creating good financial performance, production excellence and sustainable competitive advantage. Thompson and Martin (2005) posit that people driven processes are in fact the key to sustainable competitive advantage, because it is these which are most difficult for competitors to copy.

Customers want to build relationships with organisations that provide them excellent service (Jooste et al., 2012; Abdullah et al., 2011; Shahin and Samea, 2010; Kim & Kleiner, 1999). Customer relationships are sought by CIBs that are frequently long term and involve a complex pattern of trust arising from the interactions between each party (Schnarr & Pfeiffer, 2015; Guo, Holland & Kreander, 2014; Zineldin, 1996). According to the South African Customer Satisfaction Index (2016), corporate managers need to be aware of how to improve their company's company position through appropriate allocation of resources in such a way that they achieve a competitive advantage, strengthen customer relationships and, drive customer loyalty.

PROBLEM INVESTIGATED

This study focused on Bank X (CIB) which is a division of one of the largest banks in Africa. The bank has a number of operations in Africa and it operates in five main business hubs in South Africa, these being Durban, Port Elizabeth, Cape Town, Pretoria and Sandton. The bank offers a range of corporate and investment banking solutions to customers serviced by Bank X CIB employees, who are approximately 3000 people in various business units serving 130 frontline managers. The frontline managers are the first and main point of contact for corporate clients. Their role is to co-ordinate the client interaction with other internal departments of the bank such as debt management, investment banking and equity capital markets. Yet, irrespective of the benefits that can be gained from an internal customer focus as suggested by literature, Bank X CIB has not focused on monitoring its own internal service quality. Bank X focus to-date has been only on the external customer experience measurement (CEM). The lack of formalised internal quality systems plus processes for measuring internal service quality, could lead to dissatisfied customers internally and externally. The objective of the research was to explore frontline managers' perceptions of internal service quality at Bank X CIB, highlighting if further research is needed to guide strategic interventions to improve internal service quality.

RESEARCH METHODOLOGY

According to Zikmund (2003:8), business research is defined as "the systematic and objective process of gathering, recording and analysing of data to assist with business decision making". Greener (2008:10) suggests that "research methodology is likely concerned about your attitude and understanding of research and the strategy which you choose" for answering your question. Saunders, Lewis and Thornhill (2009) explain research philosophy as "relating to the development of knowledge and the nature of that knowledge ensuring important assumptions about the way the researcher views the world. A positivist philosophy approach was adopted to conduct a quantitative research study to explore the perceptions of frontline employees of Bank X, CIB with regards to understanding the current CIB internal service

quality. This methodology was deemed appropriate because it used “quantitative method to test deductive generalisations, which search for causal explanations and fundamental laws, reducing entire features to simplified points in order to facilitate the inquiry” (Amarantunga Amarantunga, Baldry, Sarshar & Newton, 2002:18). Choice of a deductive approach was supported theoretically as the topic has a wealth of empirical literature even though it is generally derived for external customer retail banking research (Saunders et al., 2009; Greener, 2008). These propositions underpin the decision to use a survey strategy to collect quantitative data to conduct a preliminary analysis on behalf of Bank X to get a snapshot as insight into how their CIB service managers regard service quality as internal customers (Amarantunga et al., 2002; Creswell, 1994). Based on the snapshot using 4 groups of questions to establish central tendency about internal service quality as part of Bank X annual employee feedback, the bank would then make a decision whether to carry out more in-depth research looking for causal relationships of variables within the CIB internal service quality process. Saunders et al., (2016:711) note that central tendency “provide an impression of those variables that are common, middling or average”. Central tendency are descriptive statistics that allows the “relative extent to which data values differ, to be compared” indicating variance with the standard deviation. The measures of central tendency being the mode (value that occurs most frequently), the median (midpoint of the ranked data) and, the arithmetic mean (the average of all data points).

A survey strategy collects quantitative data, analysable using descriptive statistics (Cooper & Schindler, 2014; Creswell, 2014; Milliken, 2001; Saunders et al., 2009). In support of this research, Bank X CIB offered the bank’s online survey generating software (ClickTools™) to design and collect online survey responses from the relationship and service frontline service managers. Cooper and Schindler (2014:226) remark that “computer-delivered, self-administered questionnaires may use organisational intranets, the Internet or online services” to reach respondents. An online survey link for this intranet survey was sent via internal email to all 130 frontline managers - this representing the total population of CIB South Africa frontline managers who deal directly with corporate customers. Bank X CIB gave approval for the internal mailing list to be used to contact these managers. The email invitation contained a covering letter describing the ethics and purpose of the survey and, the web survey link. In order to adhere to ethical values (Saunders et al., 2009; Greener, 2008) the researcher adhered to the code of conduct of the university through which the study was undertaken. Approval to conduct the study was also sought from bank management to approach the frontline employees. It was made clear to the respondents at the beginning of the online survey and in the contact email that their participation was voluntarily and they could opt out at any point. The purpose of the study was articulated to them with an assurance that all their responses would be reported anonymous.

The respondents were all frontline employees that deal directly with corporate customers of Bank X CIB, service managers (70) and relationship managers (60). This is the total population for the South African Bank X of corporate customer managers. These managers were situated in five regional offices in South Africa - Gauteng Sandton, Gauteng Pretoria, Western Cape - Cape Town, Eastern Cape - Port Elizabeth and KwaZulu Natal – Durban. Parasuraman, Zeithaml and Berry (1985:46), note that “regardless of the type of service, consumers basically use the same criteria to assess quality”. Service quality is an opinion the bank’s customer, be it the internal managers or the external customer, forms regarding their experience of service. Lovelock and Wirtz, (2007:66-89) argue that the four service dimensions are critically important in service delivery:

- “Reliability: it can be explained as the reliability of the service provider in providing the services. Can they deliver as per their promise?”
- “Security: employees should be reliable, well versed and also knowledgeable to provide a service”.

- “Responsibility: the skilfulness of employees in providing the prompt service and their helpfulness? “It is responsible for measuring company and employee receptiveness towards clients.”
- “Empathy: how do employees relate to clients; are they able to providing a personalised attention”?

These four dimensions are assessed in the survey by the managers.

An attitudinal question style was chosen for the survey because these types of questions seek to uncover what people think of something, their image and rating of things (B2B International, 2016). Saunders et al. (2009) and Rowley (2014) assert that adapting or adopting questions may be necessary if the researcher intends on replicating or relating their findings with another study. Further adopting or adapting can easily “allow reliability to be assessed and is regarded as more efficient than developing your own questions”. The survey questionnaire instrument used was designed by adapting a questionnaire based on modified SERVQUAL items by Kang, James and Alexandris (2002) and by adopting questions from Bank X’s employee satisfaction survey questionnaire which was developed by Zarca Interactive (2016). Schrauf and Navarro (2005) advocate using existing scales especially if they have been used in similar contexts. As stated, external service quality for many industries (dealing with the external customer) have been extensively studied but internal service quality for a bank has limited research to-date. Adoption of existing scales used in external customer satisfaction measurement is argued for this exploratory research as appropriate. The bank employee annual questionnaire had three sections: the first section focused on respondent demographics; the next on employee satisfaction with department, role and line management; the third section concluded with questions on service quality dimensions (reliability, security, responsibility and empathy). The participants were asked to rate their perceptions of internal service quality using a 7-point bipolar Likert scale ranging from (1 = disagree completely; mostly disagree; somewhat disagree; neither agree nor disagree; somewhat agree; mostly agree; 7 = strongly agree). The questionnaire consisted of a combination of closed questions and open-ended questions and selected parts of the survey that were not confidential and related to internal service quality items are reported here. Descriptive data analysis was performed from the data that was collected in an Excel™ spreadsheet from survey responses to understand and interpret the data (Zikmund, 2003).

Findings

One hundred and thirty frontline employees were invited to participate in the survey. Eighty-six responded but 12 responses had some unanswered questions and were disregarded for analysis, resulting in 74 complete surveys (55% of the anticipated 130 responses). Every study has its own limitations and according to De Beuckelaer and Wagner, (2012:619) “caution should be taken when conducting small sample studies, because they are deemed to lack statistical power since they tend to have a high probability of failing to detect significant differences at population level”. This may lead to a risk of drawing false conclusions (De Beuckelaer & Wagner, 2012). This study had only 74 useable responses and although the survey items were drawn from two well established instruments for the four attitudinal measurements, a further qualitative study with selected key knowledgeable stakeholders and a much larger quantitative sample of both support employees and relationship managers as sampled populations could discover aspects that are important in understanding elements of internal service quality for Bank X.

Analysis of the collected data indicated that 45% of participants were aged between 31 and 40; 26% aged 41 to 50; 22% aged 21 to 30; 7% aged 51 to 65. Out of the 74 respondents, 44 were female and 30 were male. As to geographic representation: Sandton (69%; 50=n); Pretoria (17%; 12=n); Durban (7%; 5=n); Cape Town (6%; 4=n) respondents; and Port

Elizabeth (2%; 2=n). The majority of the respondents were service managers (62%; 46=n) while relationship managers made up (37.8%; 28=n) of respondents. Next, the descriptive statistics of central tendency are presented as these can be used in management to identify further research digging down statistically into root causes to inform future management strategy to ensure internal service quality delivery. Table 1 presents the descriptive statistics of managers of their perceptions of the reliability of support staff for internal service support for external customer service.

TABLE 1:
Managers' perceptions of the reliability of support staff

	N		Mean	Median	Mode	Std. Deviation
	Valid	Missing				
Q12.1 I always receive the service from supporting areas on time as promised	73	1	3.62	3.00	3	1.604
Q12.2 I can depend on support teams to handle my client query.	73	1	3.96	4.00	3	1.585
Q12.3 Support Staff perform services right the first time, to avoid having to make corrections later.	73	1	3.59	3.00	3	1.606
Q12.4 I always receive accurate data from support areas of the bank.	73	1	3.68	3.00	3	1.544
Q12.5 Support Staff provide correct and relevant information	73	1	4.00	4.00	3	1.491
Q12.6 Support Staff is reliable	73	1	3.79	3.00	3	1.554

Source: Researcher's own compilation, 2016

Managers indicated in all six statements that they disagree that support staff are reliable in terms of internal service support. Reliability was confirmed using a Cronbach Alpha, a test in order to ensure the reliability of the study. Pallant (2011) posits that Cronbach Alpha is an indicator used to test the internal consistency of a scale, which is the degree to which the items make the scale. This scale can range between 0 and 1 and the acceptable Cronbach Alpha coefficient should be 0.7 and greater. The researcher used Cronbach Alpha because of its credibility and extensive use within research studies. Cooper and Schindler (2014:260) comments that reliable instruments can be assertively used knowing that temporary and situational factors are not interfering; these work well under different conditions. Cronbach's Alpha for reliability: .962; standardised items for Cronbach's Alpha .962; number of items 6. Pallant (2011:185) states that in order for a correlation matrix to be considered suitable for factor analysis, the correlation matrix should indicate some correlations of .3 or greater. The correlation of the items in Table 1 ranged between 0.743 and 0.887, indicating a strong positive correlation between the items relating to the reliability construct. This indicates there are relationships between these variables. Respondents indicated their strongest level of disagreement on the statement: 'Support staff performs services right the first time, to avoid having to make corrections later' (Mean=3.59; Median/Mode=3; Std. Deviation = 1.606). This suggests that managers do not feel that they always receive reliable data the first time they ask for it, or when teams of support are involved, or as quickly as they need it. This may be tied to an issue of how fast the manager requires support to deal with external customer needs from information provided by the support staff. This in turn can affect their ability to serve their external customer and in turn may detrimentally affect the relationship between bank and external customer. This time element needs further investigation because overall, Table 2, suggests that managers do feel they can rely on support staff in terms of the latter's individual knowledge and personal abilities to deliver to internal service quality aspects.

Table 2 reflects the responses to statements which measured the respondent's level of agreement relating to the support staff assuring managers of the quality of their abilities and knowledge (security/ assurance) in respect of service quality delivery. Cronbach's Alpha for security/assurance .891; Cronbach's Alpha based on standardised items for .890; number of items 4. The correlation of Table 2 items ranged between 0.531 and 0.799, indicating a strong positive correlation between the items relating to assurance construct. The means for assurance construct ranged between 4.29 and 4.77, median was 5, mode was between 5 and 6 and standard deviations ranged between 1.250 and 1.383.

TABLE 2:

Managers' perceptions of support staff security issues (support knowledge and ability)

	N		Mean	Median	Mode	Std. Deviation
	Valid	Missing				
Q13.1 I trust the information supplied by my support staff	72	2	4.29	5.00	5	1.250
Q13.2 I feel confident in dealings with support staff	73	1	4.40	5.00	5	1.310
Q13.3 Support Staff are polite	73	1	4.77	5.00	6	1.297
Q13.4 Support Staff are knowledgeable in the matters I require support on	71	3	4.27	5.00	5	1.383

Source: Researcher's own compilation, 2016

Table 3 of responsiveness Cronbach's Alpha .911; Cronbach's Alpha on standardised items .912; number of items 4. The correlations between the items ranged from 0.574 to 0.846, which indicated a strong positive correlation between the items. Table 1 and 2 when considered together indicate that to develop strategy to optimise internal service quality, further statistical research is required to find answers that conclusively guide future service delivery strategic change. This is because frontline managers rely on many different types of support staff for information to satisfy external customers so 'team' influences would be an aspect of support staff management to explore. Table 3 highlights respondent's level of agreement with statements about the responsiveness (prompt service and helpfulness) of support staff to managers' needs. Managers agreed that support staff generally tried to give prompt responses to queries trying to help answer external customer queries and accommodate special requests outside of the ordinary routines.

TABLE 3:**Managers perceptions of responsiveness from support staff**

	N		Mean	Median	Mode	Std. Deviation
	Valid	Missing				
Q16.1 My communication from support staff is accurate,	71	3	4.76	5.00	5	1.177
Q16.2 I receive prompt and efficient response to my request from support staff	71	3	4.23	4.00	5	1.456
Q16.3 I find that support staff always willing to help me with client queries.	71	3	4.65	5.00	5	1.288
Q16.4 Support Staff are willing to accommodate special requests and needs.	71	3	4.49	5.00	5	1.403

Source: Researcher's own compilation, 2016

Cronbach's Alpha for empathy .891; Cronbach's Alpha on standardised items .890; number of items 6. The correlations between the items ranged from 0.574 to 0.846, which indicated a strong positive correlation between the items. The empathy construct (Table 4) was measured with six items to explore if support staff are perceived as providing personalised attention to their frontline managers. The means for the empathy construct ranged between 4.46 and 5.46, median and mode ranged between 5 and 6 of the statements and the standard deviation ranged between 1.151 and 1.348. The

TABLE 4:**Managers perceptions of empathy from support staff**

	N		Mean	Median	Mode	Std. Deviation
	Valid	Missing				
Q15.1 Support Staff are sincerely concerned about dealing with query issues	70	4	4.46	5.00	5	1.348
Q15.2 I have convenient working hours	70	4	5.46	6.00	6	1.151
Q15.3 I receive individual attention from Support Staff	70	4	4.70	5.00	5	1.255
Q15.4 I believe the support staff understands my expectations from them.	70	4	4.83	5.00	5	1.191
Q15.5 Support Staff are sensitive to my work related needs	70	4	4.47	5.00	5	1.293
Q15.6 Support Staff have the business best interests in mind.	69	5	4.58	5.00	5	1.299

Source: Researcher's own compilation, 2016

The correlation results of the items of the empathy construct, which ranged between 0.330 and 0.738, indicating a weak to strong positive relationship between the items relating to the empathy construct. Table 4 suggests that managers believe that indeed their support staff do try to provide empathy for the managers' work and in so doing helping to deliver to external customer service expectations. Managers felt that they are dealt with as individuals and that support staff understand the need of the Bank for them to develop and maintain relationships with service and relationship managers. Yavas and Babakus, (2010) advocate training programmes to be able to deal with the complex needs of customers and this would indeed provide an opportunity to specifically address gaps in the understanding (presented in Table 1) of what managers want from their support staff. According to Pallant (2011), there are two statistical measures which could be generated by SPSS that assist with the assessment of the factorability of data namely Bartlett's test of sphericity and Kaiser-Meyer-Olkin (KMO). For factor analysis to be considered acceptable in Bartlett's test sphericity it should be significant ($p < .05$). For KMO to be considered for good factor analysis the index ranges should be from 0 to 1 and the minimum value should be 0.6. Both Bartlett's test of sphericity and the KMO measure of sampling adequacy was conducted on the data in order to confirm suitability of the data for factor analysis. Table 5 provides a summary of these results.

TABLE 5:
Assessment of the factorability of data

Reliability: Kaiser-Meyer-Olkin (KMO) measure of sampling	.925
Bartlett's test of sphericity Approx. Chi- square	490.97
Degrees of freedom	15
Significance	000
Assurance: Kaiser-Meyer-Olkin (KMO) measure of sampling	.758
Bartlett's test of sphericity Approx. Chi- square	170.970
Degrees of freedom	6
Significance	0
Empathy: Kaiser-Meyer-Olkin (KMO) measure of sampling	.850
Bartlett's test of sphericity Approx. Chi- square	272.145
Degrees of freedom	5
Significance	000
Responsiveness: Kaiser-Meyer-Olkin (KMO) measure of sampling	.800
Bartlett's test of sphericity Approx. Chi- square	216.822
Degrees of freedom	5
Significance	000

Source: Researcher's own compilation, 2016

The results of Bartlett's test of sphericity indicate a score of 0.000 for all the constructs. The KMO score indicate a range between 0.761 and 0.925. Both results meet the required threshold to be considered appropriate for factor analysis (KMO < 0.05 and Bartlett's should be equal or greater than 0.6).

PRACTICAL MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

Empirical results show that support staff to frontline managers plays a very important role in allowing them to be able to provide service delivery. This supports the view of Bouranta et al. (2009) that the service delivery of an employee is dependent on the quality of internal processes and resources. Sangeetha and Mahalingam (2011:83-103) list the following factors for consideration to achieve service quality improvement need to have a clear "market and customer focus" that ensures "motivated and well trained staff" who have a "clear understanding of concepts of service quality and factors affecting the same"

The expectations of the frontline employees at Bank X CIB need to be clearly communicated to the support functions in order to avoid a service quality gap. Based on the findings, the skills gap of support staff needs to be addressed. Respondents indicated in open ended feedback that improvements to skills development within support areas could go a long way to improve satisfaction levels for frontline managers. Frontline managers indicate that there is a need to improve on communication within the bank as the respondents indicated that they do not agree with the statement: 'There is good communication from managers to employees of the department'. Communication needs to flow both vertically and horizontally in the department. Achieving long term relationships in the department could be facilitated through effective and efficient communication.

CONCLUSIONS

Although there is extensive literature on service quality in the banking services globally (Allred, 2001; Bahia & Nantel, 2000; Gupta, McDaniel, & Kanthi Herath, 2005) , much of this has focused extensively on retail banking customer satisfaction studies, focusing specifically on the customer's perception of service quality experience, not on internal service quality for frontline managers. As highlighted by Makori and Mwirigi (2013), corporate banking has a paucity of studies on what variables affect corporate customer satisfaction. It is evident that there are compelling reasons for Bank X to review further their internal service quality with further research. Having excellent internal service quality gives banks a competitive edge because it is linked to increased revenue, increased cross-sell, retention of customers and improved market share. Corporate bank management needs to have strategies based on further inferential statistical analysis that can inform decision-making, to maintain internal service excellence that gains them sustainable external customer competitive advantage.

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Extending the effects of referral failures: a Dyadic consumer perspective

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ABSTRACT

Opening vignette: Susan has patronised the same dentist for the last five years during which she has never had a disappointing service encounter. In her opinion, her dentist is the best there is. So when colleague Carol complains about severe tooth ache during tea break, Susan recommends her dentist and eagerly shares her own past experiences. Susan confidently hands Carol the dentist's contact details and encourages her to make an appointment with the best there is, which Carol does. A week later, Susan arrives in the tea room and hears Carol complaining to other colleagues about her disappointing service encounter with the worst dentist there is. Apparently, the dentist was absentminded and set a dental filling too high, resulting in severe discomfort for Carol. Carol will now have to go to another dentist and pay extra to fix the sloppy work. Understandably, Carol is angry and Susan is mortified. After all, Susan made the recommendation to Carol in the first instance. What must Carol and the other colleagues think of her when the standards she uses to benchmark service delivery is so low? Is she unable to discern between good and bad service delivery? Has she gotten it wrong for the past five years? Will she be able to confidently recommend the dentist in future (or anyone else for that matter)? Will she switch to another dentist? And what about Carol who has been on the receiving end of this unfortunate situation?

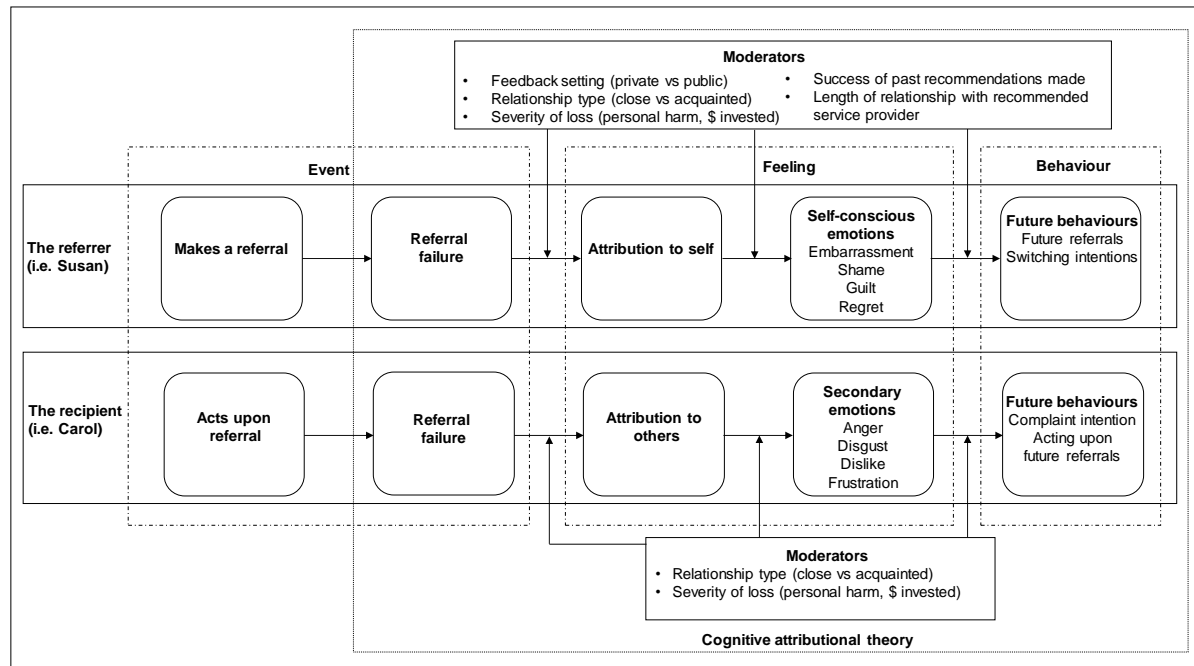
With the effectiveness of traditional media waning, marketers have shifted focus to formulating strategies that stimulate favourable customer referrals (Chen, Yu, Gentry, & Yu, 2017). Customer referrals are regarded as more credible, since referrers receive no apparent commercial benefit for providing recommendations in the first instance (Haenlein & Libai, 2017). Paradoxically however, referral failures may occur as described in the opening vignette. A referral failure arises when a referrer (i.e. Susan) makes a recommendation to another consumer (i.e. Carol) but the outcome is disappointing (Carol's experience did not emulate Susan's experience). To date, the consequences of such referral failures have been limited to a referrer's perspective only, whereby referrers make recommendations to others: 1) only to discover that their recommendations have not been acted upon, and, 2) the subsequent decision-making undertaken by the referrer to mitigate identity threats that may arise from such failures (see Claus, Geyskens, Millet and Dewitte, 2012).

This study seeks to extend the effects of referral failures by incorporating a new perspective, whereby a consumer does in fact act upon the advice of a referrer only to be the recipient of a negative service encounter. The possible effects of referral failures are further extended by incorporating a dyadic perspective, that is, from both the referrer (who provided the recommendation) and the recipient (who acted upon the referrer's recommendation). By

incorporating emotion as event schema and cognitive attributional theory, a conceptual framework for extending the referral backfire effect from a dyadic consumer perspective is proposed in Figure 1.

FIGURE 1:

Proposed conceptual framework for extending the referral backfire effect



The envisioned research methodology includes a systematic literature review to delineate the proposed framework, focus group discussions to explore referral failure scenarios and subsequent emotions, and series of quasi-experimental design studies using vignette methodology.

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Investigating the determinants of brand associations from a customer's perspective in a developing African economy

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ABSTRACT

The purpose of this study was to investigate the determinants of brand associations from a customer's perspective amongst selected small and medium enterprise (SME) brands in a developing economy of Botswana. The population was defined as all retail customers of SME brands operating within the metropolitan city of Gaborone in Botswana. Stratified sampling and convenience sampling techniques were followed and a self-administered questionnaire was disseminated amongst 450 customers at the service points of SMEs. The structural equation modelling (SEM) procedure was used to analyse the hypothesised relationships in this study. The findings conclude that trust, empathy and communication exerted a positive and significant influence on brand associations, whilst brand associations had a direct impact on brand reputation. In addition, brand commitment significantly mediated the influence of brand associations on brand reputation. It is therefore important for SMEs in the apparel industry of Botswana to cultivate the levels of trust, empathy, communication, brand associations and brand commitment to secure a genuine reputation with their customers.

INTRODUCTION

The apparel industry of Botswana has grown significantly over the years since its establishment in the 1980s, thereby attracting a multitude of small and medium enterprises (SMEs) (MTI, 2017). This positive growth has led to increased competition for customer dominance and the need to achieve survival in the highly competitive apparel arena. In addition to this, customers have become more demanding in terms of the products they require to fulfil their expectations, emphasising the need for stronger relational drivers to stimulate brand associations and in turn achieve brand reputation. As a result, customers are prone to switch from one SME to the next, due to limited product choices and a lack of differentiation in the market place (MTI, 2017). In this highly competitive business environment, trust, empathy and communication have been identified as possible catalysts for enhancing brand associations in order to gain a higher level of brand reputation, thereby building competitive advantage and enhancing stronger bonds with customers (Majid, Zahra and Azade, 2016; Fatma, Rahman and Khan, 2015).

The goal of trust, empathy, and communication is to create long-term relationships with customers by emphasising the satisfactory value of a business' offerings in the market place (Molinillo, Japutra, Nguyen and Chen, 2017; Chen, 2010). This in turn increases re-purchase

intentions and encourages positive referrals amongst consumers, which ultimately lead to increased profitability and sustain brand associations (Syed Alwi, Nguyen, Melewar, Loh and Liu, 2016). Conversely, customers who exhibit a higher level of brand associations have a greater probability of staying with their preferred brand since it satisfies their needs and provides superior value in comparison with competitors, thereby leading to increased brand reputation (Bojei and Alwie, 2010). Notably, Chen, Chen and Wu (2017) argue that the connection between brand associations and brand reputation can be reinforced by the inclusion of brand commitment through building and consolidating a collaborative relationship with customers and by sharing meaningful information to ensure that they are permanently locked in partnership with a brand. Although previous studies of Molinillo *et al.* (2017) and Syed Alwi *et al.* (2016) have empirically validated the relationship between trust, empathy, communication, brand associations, brand commitment and brand reputation in different market contexts, the researchers could not identify any research that examined the connection between the selected constructs in the developing economy of Botswana. To address this research gap, the purpose of this study is to further knowledge by investigating the determinants of brand associations (such as trust, empathy, communication, brand associations, brand commitment and brand reputation) from a customer's perspective amongst SMEs operating in the apparel industry of Botswana.

The theoretical contribution of this study is based on developing an integrated model for understanding the impact of trust, empathy and communication on brand associations, the relationship between brand associations and brand reputation, as well as the mediating influence of brand commitment on the connection between brand associations and brand reputation, from a developing market context. From a managerial perspective, this study contributes to providing insights to SMEs in the apparel industry of Botswana on how they can successfully implement trust, empathy and communication in order to gain increased levels of brand associations, ultimately leading to enhanced brand reputation in the long run.

This paper uncovers the theory grounding the study and provides a discussion of the key constructs underlying the study. Thereafter, the theoretical model, the research problem, the research objectives and the research methodology are provided. Finally, the findings are outlined, from which the managerial implications, the limitations and future research opportunities are derived.

LITERATURE REVIEW

Theories grounding the study

The study draws on the principles of the theory of brand equity and the Relationship Marketing theory with respect to the constructs investigated and the proposed relationships between the constructs. According to Keller (2016), brand equity can add value to a product or service by enabling brands to interact with customers, examine their needs and develop offerings that exceed their expectations. Ahn, Park and Hyun (2018) concur that brand associations and brand reputation are key factors emanating from the brand equity theory and are often used to understand consumer behaviour. The authors add that, customers receive great value from brands that emphasise positive associations and a genuine reputation in their mindset, which in turn leads to increased competitive advantage and a stronger market share. Wang, Capon, Wang and Guo (2017) support this argument by stating that the cultivation of brand associations and brand reputation through a brand equity orientation enhances the quality and depth of customer relationships, thereby influencing the degree of trust, empathy and communication. Therefore, brand equity provides support for the interrelationship between trust, empathy, communication, brand associations and brand reputation by promoting superior outcomes and predicting customers' intention to remain with a particular brand (Wang *et al.*, 2017).

In terms of the Relationship Marketing theory, the seminal work of Morgan and Hunt (1994) states that the goal of pursuing Relationship Marketing is to create stronger customer relationships that enhance brand equity outcomes such as sales growth, market share, profits

and customer retention. The Relationship Marketing theory departs from a transaction orientation by emphasising a holistic process and effective strategy for how businesses can cultivate trust, empathy and communication in an effort to maintain client relationships and improve the levels of brand associations and brand reputation (Rambocas, Kirpalani and Simms, 2018; Rootman, Tait and Sharp, 2011). This argument is reinforced by Al Abdulrazak and Gbadamosi (2017) and Huang (2015), who contend that Relationship Marketing facilitates the linkage between trust, empathy, communication, brand associations and brand reputation by emphasising the tangible benefits of retaining loyal customers, adopting a social perspective of relationship, and offering solutions to customers' problems. Rootman *et al.* (2011) concur and state that the Relationship Marketing theory provides deeper knowledge about how customers perceive the influence of trust, empathy and communication with respect to stimulating brand associations, which in turn promotes brand reputation.

Trust

According to Van Tonder (2016), trust refers to the customer's perception of the integrity, honesty and reliability of the organisation's promises, resulting in positive outcomes. In the context of this study, trust reflects feelings of confidence in the claims and promises made by SMEs to maintain a valued relationship with customers. In this regard, trust is measured in this research as the willingness of customers to rely on the claims of a business in fulfilling their required expectations and satisfying their unmet needs. Trust plays a central role in customer relationships and is essential for the development of enduring relationships because it contributes to constructive dialogue and co-operative problem-solving among SMEs in order to reduce uncertainty and complexity in the future (Morgan and Hunt, 1994). Ponder, Holloway and Hansen (2016) support this statement, suggesting that, when customers deem the SME to be trustworthy, there is a greater likelihood that they will share the information with others to ensure the continued development of the relationship. As a result, the customer develops a higher level of trust in the organisation and the relational bond intensifies, thereby making it difficult for the customer to leave the relationship (Ponder *et al.*, 2016).

Trust makes a significant contribution to stimulating the brand associations of SME brands (Fatma *et al.*, 2015). This observation is consistent with Loureiro (2013), who revealed that trust has a relative influence on the brand associations of service banks in Portugal. Similarly, trust has a significant influence on brand associations within the banking industry of the emerging economy of Vietnam (Phan and Ghantous, 2013). These empirical findings indicate that trust has a significant impact on brand associations. On the basis of the preceding evidence, the following hypothesis is proposed:

H₁: There is a significant positive relationship between trust and brand associations

Empathy

According to Prior (2016), empathy can be defined as the ability of an organisation's employees to relate to customers in a meaningful way. For the purpose of this study, empathy represents a personal concern and the willingness of employees of an SME to understand situations from the perspectives of customers in order to serve them better. Furthermore, empathy is measured in this research as the extent to which employees can interact effectively with customers and to adopt relational behaviours that are appropriate for their circumstances. In the view of the apparel industry, it is of great importance for SMEs to be able to recognise and satisfy each customer's needs individually and to provide a service unique to each customer's situation, thereby contributing to empathic concerns (Ebersohn and Theron, 2014). This notion is supported by Hau and Ngo (2012) who argue that empathy emphasises the emotional bond between an SME and customers by being sensitive to their needs and concerns, leading to the increased longevity of the relationship. Consequently, an organisation which exhibits a higher level of empathy can better understand the needs of customers, since it is able to see things from the customer's point of view (Itani and Inyang, 2015).

Previous study of Lee (2016) concurs that the development of empathetic concerns towards consumers can lead to favourable brand associations with SMEs. The empirical work of Tuan (2014) established that empathy contributed to the prediction of brand associations in the health and fitness sector in Vietnam. Majid *et al.* (2016) agree with this argument, indicating that there is a significant relationship between empathy and brand associations amongst consumers in the food industry of the emerging economy of Iran. These findings indicate that the cultivation of empathy can lead to stronger associations with SME brands in the memories of consumers. On the basis of the foregoing discussion, the following hypothesis is offered:

H₂: There is a significant positive relationship between empathy and brand associations

Communication

Communication involves keeping in touch with customers on a regular basis, providing timely and accurate information and updates on services or products and proactively communicating in case of potential problems (Berezan, Krishen, Tanford and Raab, 2017). In the light of this study, communication involves the creation and maintenance of an interactive dialogue between an organisation and its customers. Moreover, communication is measured as the ability to share useful and empathetic information with customers in a meaningful way. In the SME environment, communication is critical in creating a long-term relationship through building awareness, developing consumer preference, convincing interested buyers and encouraging them to make the purchase decision (Taleghani, Gilaninia and Mousavian, 2011). Sapepa, Roberts-Lombard and Van Tonder (2015) support this observation and opine that communication is the glue that holds relationships together by strengthening information exchange between parties to fulfil their desired goals. Therefore, the absence of communication in a relationship-building process implies that an organisation-customer relationship cannot exist (Sapepa *et al.*, 2015).

Communication conveys useful information that mirrors the meaning of a brand to consumers and strengthens the brand associations with SMEs (Benoit-Moreau and Parguel, 2011). Cai, Zhao and He (2015) revealed that communication significantly impacts the brand associations formed in the minds of consumers in emerging economies such as China. The empirical work of Sadek, Redding and Tantawi (2015) endorses this argument, arguing that communication leads to a richer value-adding information that contributes to the formation of favourable associations with brands. This implies that communication is a necessary and sufficient factor for building the brand associations of SMEs (Cai *et al.*, 2015). On the basis of this empirical argument, the following hypothesis is formulated:

H₃: There is a significant positive relationship between communication and brand associations

Brand associations

According to Ranfagni, Guercini and Camiciottoli (2014), brand associations refer to the expression of the personal meanings that consumers attribute to a brand. In this study, brand associations reflect the customer's judgement and knowledge of an SME brand based on their expectations. Brand associations are further measured in this research on the performance of brand's offering in the marketplace based on its key features, benefits and attitudes. Thus brand associations play an important role in creating deeper feelings between an SME brand and its consumers, as customers develop favourable and strong perceptions of products and services in the market (Camiciottoli, Ranfagni and Guercini, 2014). Low and Lamb (2000) motivate this argument by pointing out that businesses such as SMEs use brand associations to differentiate, position and extend their brands, to create positive attitudes and feelings toward their brands, and to suggest the attributes or benefits of purchasing or using a specific brand. Consequently, the stronger the associations, the more likely for the brand to be recalled from the memory, creating an opportunity to increase competitive advantage (French and Smith, 2013).

Brand associations are regarded as one of the most essential components for building brand reputation in the market place (Keller, 2008). The empirical findings of Han, Nguyen and Lee (2015) also established that brand associations are positively related to brand reputation amongst restaurants in the emerging economy of Japan. Lai, Chiu, Yang and Pai (2010) support this argument and state that a higher level of brand associations induces customers to develop a favourable reputation towards SMEs in Taiwan. This observation indicates that customers who are loyal to a brand often associate an organisation with a good reputation (Han *et al.*, 2015). In the light of this preceding evidence, the following hypothesis is proposed:

H₄: There is a significant positive relationship between brand associations and brand reputation

Brand commitment

According to Kao (2016), brand commitment refers to a deeply-rooted attachment to a preferred brand. In the light of this research, brand commitment is regarded as feelings of attachment and dependence on a valued SME brand. Furthermore, brand commitment is measured in this study as the extent to which customers experience a sense of identification and involvement with a brand. From an SME perspective, brand commitment generates a stronger emotional connection to the brand, which in turn enables businesses effectively to retain customers by stimulating positive experiences with the brand, resisting attitude change, and preventing customers from switching brands (Raju, Unnava and Montgomery, 2009). Additionally, the development of brand commitment by SMEs is beneficial to their survival, as customers develop favourable attitudes towards their brands, display increased re-purchase intentions in the future, all of which lead to better market share and strengthen brand performance (Shaari, Salleh and Hussin, 2012). Therefore, a higher level of brand commitment increases customers' positive feelings towards the brand because they feel that the brand values them and makes necessary adjustments to preserve a relationship with them (App and Buttgen, 2016).

Brand commitment is a vital factor in mediating the relationship between brand associations and brand reputation (Stafford, Stafford and Day, 2002). The empirical work of Dwivedi and Johnson (2013) found that brand commitment fully mediates the influence of brand associations on brand reputation in the telecommunications industry of India. This finding is supported by the research of Kimpakorn and Tocquer (2010) which established that brand commitment is significantly related to brand associations and in turn strengthens the extent of this influence on brand reputation amongst hotel service providers in Thailand. This implies that brand commitment is an instrumental element for enhancing the connection between brand associations and brand reputation in the SME environment (Stafford *et al.*, 2002). In the light of this preceding evidence, the following hypothesis is offered:

H₅: Brand commitment fully mediates the effect of brand associations on brand reputation

Brand reputation

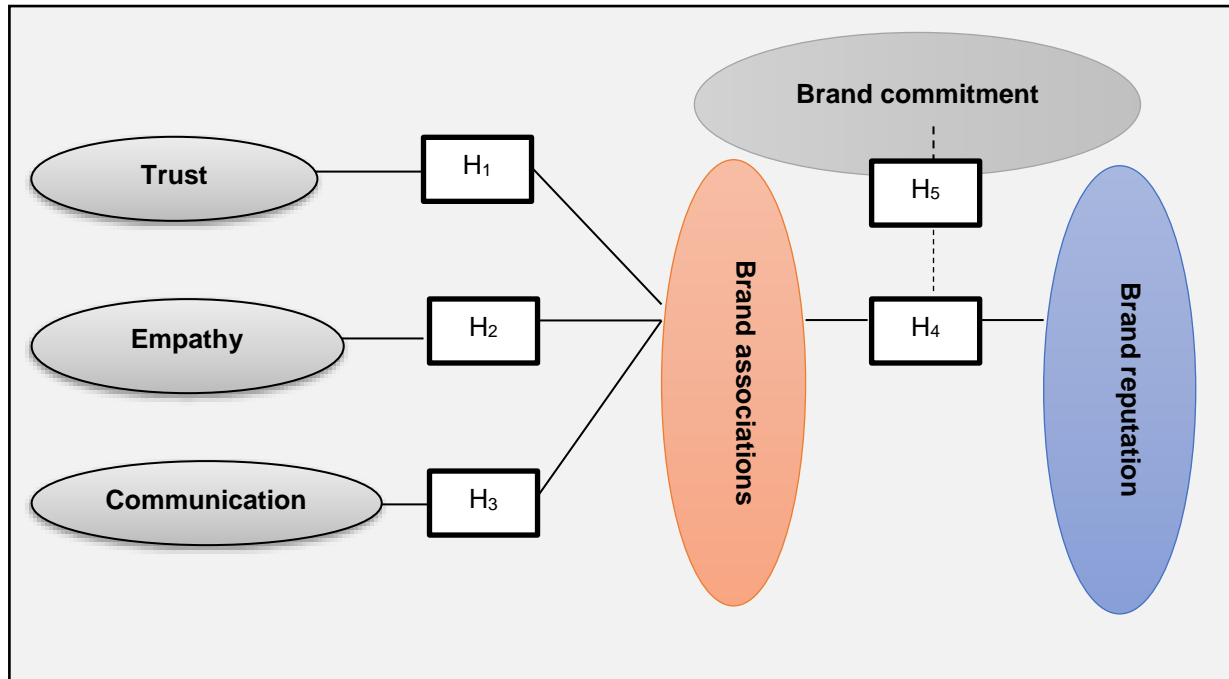
Tournois (2015) described brand reputation as the consumers' post-purchase evaluation of a brand's offering in the market place. For the purpose of this study, brand reputation represents the overall judgement of an SME brand on the basis of their expectations, goals and desires. Furthermore, brand reputation is measured in this research as the perceptions and attitudes of customers in regards to whether a brand performs as required. From an SME perspective, brand reputation is an important differential tool for emphasising relationships with customers and managing competitive pressures by presenting the image of a business that is knowledgeable, and helpful in the minds of consumers (Gilgorijevic and Leong, 2011). This argument is supported by Smith, Venter and Turyakira (2014), who established that SMEs with a good reputation provide opportunities for consumers to give the organisation feedback and lodge complaints, ensuring that their products and services are priced fairly for all customers. Therefore, customers of SMEs with a favourable brand reputation assign higher levels of

expertise and quality to such organisations, and are more likely to support them over time (Sung and Yang, 2008).

Figure 1 depicts the proposed theoretical model for this study, illustrating the six constructs of the study, as well as the hypothesised relationships between these constructs.

FIGURE 1:

Proposed theoretical model



Note: -----indirect relationship (mediation) and — direct relationship.

PROBLEM INVESTIGATED

Extant literature has primarily focused on the interrelationships between trust, empathy, communication, brand associations and brand reputation in different market contexts, but no emphasis has been placed on examining the connection between these selected factors from an SME perspective (Molinillo *et al.*, 2017; Syed Alwi *et al.*, 2016). In addition, the researchers could not identify any specific research that studied the theoretical linkage between these selected factors in the apparel industry of a developing economy such as Botswana, or internationally. However, this gap in the literature provides an opportunity for the study to provide insights and understanding of how SMEs in the apparel industry of Botswana can stimulate trust, empathy and communication in an effort to enhance brand associations, thereby leading to increased brand reputation in the long run. Based on the foregoing discussion, the problem statement can be described as follows:

The relationship between trust, empathy, communication, brand associations, brand commitment and brand reputation amongst SMEs operating in the apparel industry of Botswana tends to be unexplored and remains unclear.

RESEARCH OBJECTIVES

Based on the preceding discussion on the literature review and problem statement, the main objective of this study is to investigate the interrelationships between trust, empathy, communication, brand associations and brand reputation amongst SMEs operating in the apparel industry of a developing economy of Botswana. Furthermore, the study also examines the mediating role of brand commitment on the linkage between brand associations and brand reputation.

RESEARCH METHOD

The researchers followed a descriptive and quantitative design to conduct the survey. The target population of the study comprised of all retail customers of three major SME brands (Brands A, B and C) operating in the metropolitan city of Gaborone in Botswana. These customers are regarded as key influential and revenue generators of SMEs in the apparel industry. Accordingly, the metropolitan city of Gaborone was selected because it contributes 80% towards the productivity, development and sustainability of businesses such as SMEs (MTI, 2017). A targeted sample of 450 customers (150 from each SME x 3) who meet the sample requirements was included in this study.

A stratified probability sampling technique was utilised for partitioning the population into subgroups in accordance with the size category of each SME, namely small (Brand C) and medium (Brands A and B collectively) enterprises. In this case, Brand C represents a small-sized business as it makes an annual turnover of between 60 000 Pula and 1.5 million Pula and employs no more than 25 workers, whilst Brand A and Brand B both fit the profile of medium enterprises, as they employ a total of 250 employees and generate an annual turnover of between 1.5 million Pula and 5 million Pula (MTI, 2017). Within the three selected subgroup of SMEs, a convenience sampling approach was used for drawing a sample of retail customers that visit the service points of each SME in order to invite them to participate in the study. These combined sampling methods enable the researchers to gather a large number of responses at a lower cost and within a short span of time, thereby leading to sample adequacy (Hair, Black, Babin and Anderson, 2014).

Self-administered questionnaires were used to collect data for the empirical phase of the study. The questionnaires were distributed by fieldworkers at the service points of each SME brand in the metropolitan city of Gaborone, Botswana. The first part of the questionnaire gathered the demographic information of respondents, while the remaining part focused on the scales of the constructs observed in this study. Furthermore, the respondents were requested to rate a series of statements on the questionnaire using a five-point Likert scale, where 1 indicated 'strongly disagree' and 5 indicated 'strongly agree'. Only measurement variables that had proven to be valid and reliable were considered for the purpose of this study. Trust was measured by the scale of Alsaad, Mohamad and Ismail (2017) and included three measurement variables. The three measurement variables for empathy were adapted from the empirical scale provided by Izogo and Ogba (2015). Communication was measured by the scale provided by Balaji, Roy and Wei (2016) and included four measurement variables. The four measurement variables for brand associations were adapted from the scale by Sasmita and Suki (2015). Brand commitment was measured by the scale provided by Li, Robson and Coates (2014) and included four measurement variables. The five measurement variables for brand reputation were adapted from the scale by Almeida and Coelho (2017).

The data was collected over a five-week period. Out of the total of 450 questionnaires that were distributed, only 260 complete questionnaires were retrieved for further analysis, hence representing a response rate of 58%. This was regarded as a reasonable response rate, given that a number (n=190) of participants did not meet the criteria for participation due to incomplete responses and not being a customer of one of three selected brands (A, B and C) (Hair *et al.*, 2014). Therefore, the realised sample falls within the minimum sample size range of 200-500 as recommended by Hair *et al.* (2014).

After the data had been coded, captured and edited, AMOS version 24 was used to conduct the statistical analysis. Cronbach's alpha values were determined to assess the reliability of the measuring instrument. Further statistical techniques employed included structural equation modelling (SEM) to determine the model fitness, construct reliability and to evaluate the hypothesised relationships in this study. In this regard, SEM technique in the form of maximum likelihood estimation was performed on AMOS to predict and test the casual relationships between the constructs in proposed theoretical model. Therefore, SEM was adopted for this study as it offers potentially useful associations and will assist in developing a quality model

for SME brands, employing a thorough investigation and verification of the quality of the data (Hair *et al.*, 2014).

RESULTS AND FINDINGS

Respondent profile

The majority of the respondents who took part in this study were female (51.5%) within the age group of 18 to 30 years old (49.20%), in possession of a university degree qualification (52.69%), predominantly single (73.50%), working full time (65.38%) and maintaining an average standard of living (61.92%). Therefore, the inclusion of the respondent profile in this section is for segmentation purposes in order to provide an understanding and knowledge of the characteristics of the target audience of SMEs in the apparel industry of Botswana.

Reliability and validity of the measurement model

The reliability and validity of the measurement model were assessed using Cronbach's alpha, composite reliability, factor loadings, average variance extracted (AVE) and shared variance. As indicated in Table 1, Cronbach's alpha, composite reliability, factor loadings and AVE achieved the recommended thresholds of 0.70 and 0.50 respectively (Hair *et al.*, 2014). These results suggest an evidence of reliability and convergent validity of the measuring instrument. Face validity was ensured by using parsimonious scales from previous studies that were found to be reliable and valid. Additionally, the researchers conducted a pilot test on a small representative sample (n=15) to ensure the validity of the scale items. Accordingly, the AVE values for each construct were greater than the corresponding shared variances, thereby indicating an evidence of discriminant validity. Table 2 provides support for nomological validity, as all the hypotheses for the study were accepted. The measurement model further provided good fit statistics (refer to Table 1) as indicated by Chi-Square/degrees of freedom ($\chi^2/df=2.02$), Tucker–Lewis Index (TLI=0.921), Comparative Fit Index (CFI=0.934) and Root Mean Square Error of Approximation (RMSEA=0.070) and as such confirmed construct validity. Therefore, the measurement model fits the data satisfactorily.

TABLE 1:

Overall statistics of the measurement model

Construct and items	Factor loadings	Composite reliability	AVE	Shared variance	Cronbach's alpha (α)
Trust					
B1.4	0.852	0.857	0.670	0.421	0.858
B1.5	0.837				
B1.6	0.763				
Empathy					
B2.3	0.657	0.806	0.583	0.364	0.807
B2.4	0.840				
B2.5	0.782				
Communication					
B3.3	0.756	0.838	0.634	0.421	0.839
B3.4	0.871				
B3.5	0.756				
Brand associations					
C1.1	0.714	0.836	0.560	0.364	0.837
C1.2	0.762				
C1.3	0.740				
C1.4	0.775				
Brand commitment					
D1.1	0.815	0.883	0.655	0.421	0.884
D1.2	0.847				
D1.3	0.849				
D1.4	0.719				

Brand reputation					
E1.1	0.728	0.846	0.524	0.364	0.847
E1.2	0.621				
E1.3	0.744				
E1.4	0.801				
E1.5	0.715				
Model fit statistics					
x²/df	2.020				
TLI	0.921				
CFI	0.934				
RMSEA	0.070				

Path modelling and hypothesis testing of the structural model

The structural model was built after confirming the validity and reliability of the measurement model. More specifically, the structural model was used to assess the relationships between the constructs, and to validate the research hypotheses (H₁-H₄) formulated for this study. The theoretical model (refer to Figure 1) was therefore tested by means of SEM, with maximum likelihood estimates of the model parameters. These parameters include standardised regression weights (β) and p-values of the different paths. The results from this analysis are presented in Table 2 and Figure 2 respectively.

Table 2 and Figure 2 indicate that there is a statistically significant interplay between trust, empathy, communication, brand associations and brand reputation. The results provide evidence for H₁ (trust and brand associations: $\beta=0.310$, $p=0.000$), H₂ (empathy and brand associations: $\beta=0.296$, $p=0.000$), H₃ (communication and brand associations: $\beta=0.112$, $p=0.041$) and H₄ (brand associations and brand reputation: $\beta=0.808$, $p=0.000$). Therefore, all the hypotheses are supported. Remarkably, the structural model indicates that trust, empathy and communication explained up to **64%** of the brand associations of customers of the selected SME brands in the apparel industry of Botswana. In addition, brand associations explained up to **82%** of the brand reputation of customers of the selected SME brands in the apparel industry of Botswana.

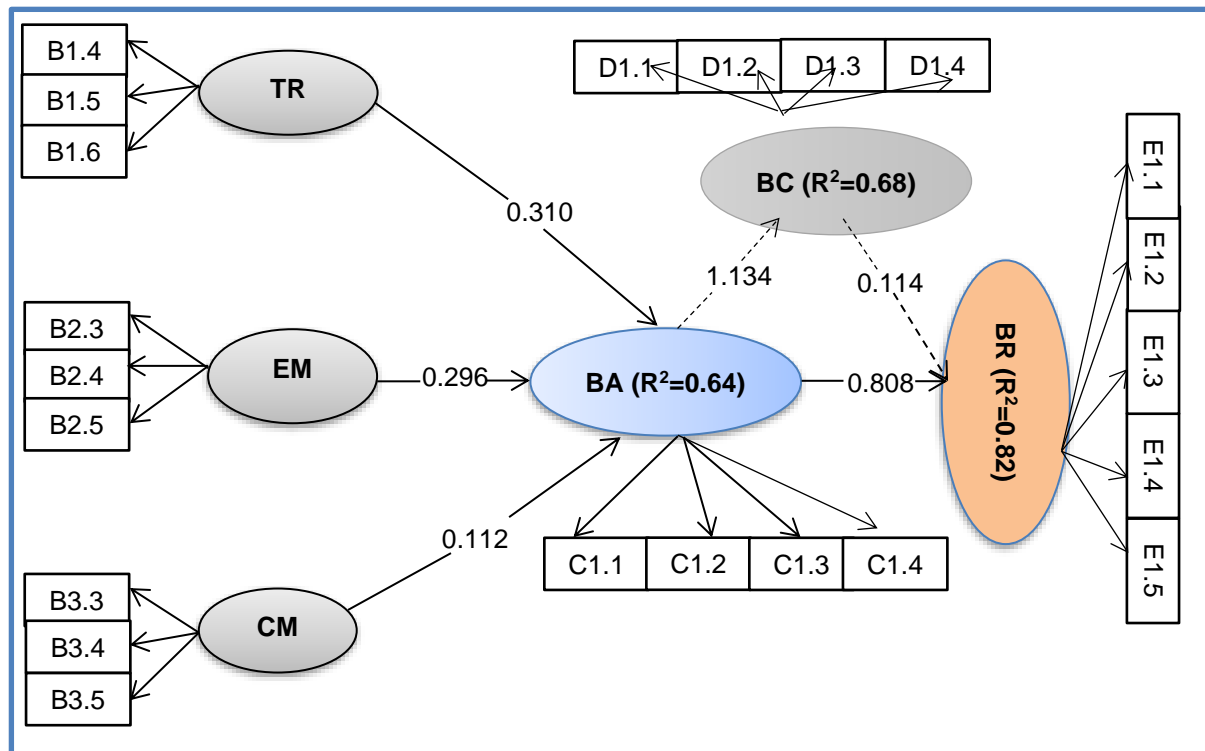
Finally, as evidenced in Table 2, adequate model fit results ($x^2/df=1.959$, $TLI=0.938$ $CFI=0.947$) and $RMSEA=0.061$) were obtained and it can be concluded that the structural model supports the data, as suggested by Hair *et al.* (2014).

TABLE 2:

Hypothesis testing and goodness-of-fit results for the structural model

Hypotheses	Direct path estimates (β)	Probability value (p)	Hypothesis result ($p<0.05$)	Variance explained (R^2)
H₁ Trust \longrightarrow Brand associations	0.310	0.000	Supported	0.640
H₂ Empathy \longrightarrow Brand associations	0.296	0.000	Supported	
H₃ Communication \longrightarrow Brand associations	0.112	0.040	Supported	
H₄ Brand associations \longrightarrow Brand reputation	0.808	0.000	Supported	0.820
Model fit statistics				
x²/df		1.959		
TLI		0.938		
CFI		0.947		
RMSEA		0.061		

FIGURE 2:
SEM Model



Note:-----> indirect relationship (mediation) and —> direct relationship. TR=trust, EM=empathy, CM=communication, BA=brand associations, BC=brand commitment and BR=brand reputation.

Mediation analysis

A mediation procedure via SEM was performed in AMOS version 24, in order to evaluate the mediating effect of brand commitment on the relationship between brand associations and brand reputation in order to confirm H₅. The results of the mediation analysis are detailed in Table 3. Bootstrapping (1 000 re-samples approach) technique enabled the computation of the estimates of the indirect effect and 95% biased-corrected *p*-values.

Table 3 also indicates a positive and significant total effect of brand associations on brand reputation ($\beta= 0.778$, $p=0.030$). When adding brand commitment as mediator, brand associations increases its influence on brand reputation ($\beta=1.134$, $p=0.020$) and its effects become significant. This suggests a total mediation of brand commitment on the relationship between brand associations and brand reputation (Boot lower confidence limit=0.944, Boot upper confidence limit=1.364, $p=0.020$). Furthermore, this is in conjunction with H₅ and the prediction is accepted. This also implies that in order to maximise the effect of brand associations on brand reputation, brand commitment should be included as a mediator.

TABLE 3:**Total, direct and indirect effects of the mediation analysis**

Total, direct and indirect effects	Path estimates (β)	Probability value (p)	Boot Standard error (SE)	Boot lower confidence level	Boot upper confidence level
Direct effect of brand associations on brand reputation Brand associations \rightarrow Brand reputation	0.770	0.001	0.052	0.561	0.879
Total effect of brand associations on brand reputation Brand associations \rightarrow Brand reputation	0.778	0.030	0.063	0.596	0.947
Total mediation (indirect effect of brand commitment) Brand associations \rightarrow Brand commitment \rightarrow Brand reputation	1.364	0.020	0.022	0.944	1.364
Hypothesis conclusion	Indirect path estimates (β)	Probability value (p)	Hypothesis result ($p < 0.05$)	Variance explained (R^2)	
H₅ Brand associations \rightarrow Brand commitment \rightarrow Brand reputation	1.364	0.020	Supported	0.680	

Discussion

The results indicate that retail customers of the selected SME brands in the apparel industry of Botswana perceive trust, empathy and communication to significantly influence brand associations. More specifically, trust ($\beta=0.310$, $p=0.000$), empathy ($\beta=0.296$, $p=0.000$) and communication ($\beta=0.112$, $p=0.041$) exerted a positive and significant relationship on brand associations, therefore H_1 , H_2 and H_3 were accepted. These findings are congruent to the empirical studies of Majid *et al.* (2016), Cai *et al.* (2015) and Loureiro (2013) which established trust, empathy and communication as the strongest predictors of brand associations. This suggests that the greater the level of trust, empathy and communication, the stronger the level of brand associations.

Contrary to expectations, evidence was found for the positive influence of brand associations on brand reputation amongst selected SME brands in the apparel industry of Botswana. Consistent with H_4 , this shows that brand associations ($\beta=0.808$, $p=0.000$) had a direct impact on the level of brand reputation. This finding is consistent with the results of Han *et al.* (2012), who established that the cultivation of brand associations leads to an increased level of brand reputation. Thus, building a genuine and favourable brand reputation requires the inclusion of brand associations.

Furthermore, the study established that brand commitment significantly moderated the influence of brand associations on brand reputation amongst selected SME brands in the apparel industry of Botswana. The results from Table 3 support H_5 , suggesting that brand commitment ($\beta=1.134$, $p=0.020$) increased the total effect of brand associations on brand reputation. This finding is in line with the empirical work of Dwivedi and Johnson (2013), who found that brand commitment fully mediates the impact of brand associations on brand reputation. This suggests that a stronger brand commitment level between SME brands and their customers can enhance the impact of brand associations on brand reputation.

On the basis of the foregoing discussion, Table 4 provides insight into the findings with respect to the hypotheses formulated for the study. As a result, all five hypotheses can be supported.

TABLE 4:**Summary of the findings from the hypotheses**

Hypothesis	Variable	Variable	β	Sig.	Finding
H ₁	Trust	Brand associations	0.310	0.000	Supported
H ₂	Empathy	Brand associations	0.296	0.000	Supported
H ₃	Communication	Brand associations	0.112	0.040	Supported
H ₄	Brand associations	Brand reputation	0.808	0.000	Supported
H ₅	Brand commitment	Brand associations and brand reputation	1.364	0.020	Supported

THEORETICAL AND PRACTICAL CONTRIBUTIONS OF THE STUDY

The study offers both a theoretical and a practical contribution. From a theoretical perspective, the results confirm that the measurement scales used to measure trust, empathy, communication, brand associations, brand commitment and brand reputation are reliable and valid. The theoretical model as proposed has been verified, confirming the interrelationship between trust, empathy, communication, brand associations, brand commitment and brand reputation from a developing market context.

From a managerial perspective, the study contributes in potentially assisting SMEs in the apparel industry of Botswana to understand how the cultivation of trust, empathy and communication can enhance brand associations, ultimately leading to increased brand reputation. It is also important to note that the strength of the relationship between brand associations and brand reputation can further be improved by the inclusion of brand commitment as mediating variable. The outcome of these hypothesised relationships rest upon whether the customer perceives trust, empathy, communication, brand associations and brand commitment as satisfactory. However, Syed Alwi *et al.* (2016) opine that the customers' needs change continuously due to market competition, economic trends and product/service expectations, which influence the degree of their relationships with SMEs. It therefore becomes important for SMEs in the apparel industry of Botswana to differentiate their offerings, conduct market research and enhance the longevity of their relationships with customers to ensure business survival and competitiveness. As a result, SMEs in the apparel industry of Botswana will experience higher level of trust, empathy, communication, brand associations and brand commitment, thereby attaining higher levels of brand reputation in the long run.

From a theoretical perspective, the study makes three contributions. Firstly, it establishes that the promotion of trust, empathy and communication do lead to the positive brand associations of selected SMEs in the apparel industry of Botswana. It can therefore be argued that the different constructs claimed by the theories of Relationship Marketing and brand equity to drive brand associations do have an influence on the brand associations of SMEs in a developing economy, as hypothesised in this study.

Secondly, the study provides insights into how brand associations can enhance the levels of brand reputation among selected SMEs in the apparel industry of Botswana. It should be noted that the theoretical connection between brand associations and brand reputation is a new research focus area and limited studies have been found to prove the linkage between these constructs. This finding is thus important as it highlights what constitutes brand associations and how it influences brand reputation. Therefore, the interrelationship between brand associations and brand reputation can be used by future researchers to develop useful measures for understanding the connection between these two variables, as contextualised in the theoretical model of this study.

Lastly, the study provides an improved understanding the mediating impact of brand commitment on the relationship between brand associations and brand reputation from the

perspective of a developing economy (i.e. Botswana) and a competitive industry such as the apparel industry. The research study proposes a theoretical model that clarifies how the cultivation of brand commitment can strengthen the linkage between brand associations and brand reputation. Therefore, the positive impact of brand commitment on degree of brand associations, can ultimately lead to sustained brand reputation, which in turn creates competitive advantage and improves customer retention (Kimpakorn and Tocquer, 2010).

PRACTICAL MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

Firstly, SMEs need to enhance their trust level with customers by improving product quality through fine-tuning the customers' expectations that are generated by the design elements of the product, and to enhance the speed with which a consumer can access the product from the service points of SMEs. This can be done by training and developing employees in service delivery skills and conducting market research by interviewing customers about the product features and benefits, in order to ensure that the SME products become more in demand and exceed the expectations of consumers. This would capture the interest of consumers, foster their emotional bond with the brand, and create a favourable association in their minds.

Secondly, the management of SMEs need to stimulate empathy by generating a memorable experience with the brand and facilitating the creation of favourable memories, emotions and knowledge in the minds of consumers. This can be achieved by continuously encouraging employees to engage positively with customers before, during and after service intervention by treating customers politely, showing a concern for their needs, and having timely conversations with them to secure their positive associations with the brand. In order for customers to develop favourable associations towards the SME, the frontline staff have to become more involved and connected with customers by being flexible and responsive to their specific needs and contacting customers regularly to keep them informed about the business' offerings, thereby promoting emotional feelings of trust.

Thirdly, SME owners need to develop an internal communication plan that addresses the consumers' communication needs. This communication plan will include activities such as providing customers with multiple ways to contact the business and capturing customer database information to be able to communicate the business' product and service offerings. The implementation of this communication plan should also consider whether the customer prefers leaflet communication, cell phone communication or email communication, in order to communicate effectively and smoothly, thereby supporting a customer-oriented approach to communication. Therefore, when an SME fulfils the communication needs of its consumers, they are more likely to develop favourable impressions about the business, leading to improved brand associations.

Fourthly, SMEs need enhance brand associations by providing employees with a level of guidance and commitment to product development and service excellence that enhances the strength of relationships with customers. This can be achieved by creating an open and interactive work space between all levels of management, which enables employees to voice out their opinions and concerns freely, conducting regular appraisals to reward employees for their positive behaviours, and displaying a concern for the personal development and growth of employees in order to produce good perceptions of the brand in the eyes of consumers. These perceptions can further be strengthened by motivating employees to put more effort into service delivery and empowering them to share the mandate of the business with customers effectively. This would elevate the reputation of the business as customers become appreciative of its efforts in meeting their needs.

Lastly, the owners of SMEs can improve brand commitment by demonstrating that the business is truly concerned about the well-being of the customers. This can be achieved by contacting them every quarter (telephonically or via email) to remind them about current and new product offers, accrued benefits and the possibility of renewing their contracts with the SME. This will provide customers a good opportunity to voice their opinions and expectations about the relationship, which can further assist the SME to make the necessary adjustments

to the customers' product portfolio. Consequently, the customer will feel valued and respected by the business because it shows an interest in their individual needs; and that will enhance their commitment to the brand and promote a favourable association of the SME, which in turn leads to higher levels of brand reputation in the long run.

CONCLUSION, LIMITATIONS AND FUTURE RESEARCH

The study aimed at investigating the determinants of brand associations (such as trust, empathy, communication and brand reputation) from a customer's perspective amongst the selected SME brands in the apparel industry of Botswana. The findings supported all five the hypotheses (H₁, H₂, H₃, H₄ and H₅) for the study. These results indicated that trust, empathy and communication had a positive and significant influence on brand associations. In addition, brand associations was found to have a direct impact on the level of brand reputation and this relationship was strengthened by the inclusion of brand commitment as mediating variable. Subsequently, the impact of this paper was to provide recommendations and strategies to SME brands on how to cultivate the levels of trust, empathy and communication to ensure a stronger brand association. As a result, improved levels of brand associations would then be strengthened by enhancing the quality of brand commitment, thereby promoting the longevity of brand reputation. The implementation of these proposals could result in SME brands to provide better service and differentiated products to their current and prospective customers by focusing on strategies to build trust, empathy, communication, brand associations and brand commitment, leading to sustained brand reputation.

While the results from this paper provide a number of managerial implications, the research is not without its limitations. The study was based on three predominant SME brands in Botswana operating within the metropolitan city of Gaborone. However, the results from these SMEs may not be a true reflection of the entire apparel industry and cannot be generalised to the entire population in Botswana. It is therefore recommended that a future study may be conducted amongst all apparel clothing customers in Botswana in all the different sub-district areas of the country to obtain greater insights on the interrelationship between the constructs identified in this study.

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Guerilla marketing strategies and their impact on the business performance of retail SMEs within the Johannesburg metropolitan area

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ABSTRACT

The current study aims to investigate the impact of guerilla marketing strategies on the business performance of retail SMEs in the Johannesburg Metropolitan. The study utilized a quantitative research design. Data was collected from 200 retail SME managers, SME owners and heads of marketing departments. SPSS and AMOS software was used to analyse the data. All the posited five hypotheses were supported. This study will be beneficial to both practitioners and academia. With regards to practitioners, the knowledge spread on the usage of guerilla marketing techniques will help SMEs improve their marketing related strategies and adapt to the competitive environment. In that way, SMEs can utilize non-financial indicators to analyze business performance and not just rely on financial indicators. With regards to academia, this study can be used as a basis for further evaluation and expansion of literature to determine other factors of marketing strategies that can enhance business performance.

INTRODUCTION

Small -and-Medium Enterprises (SMEs) might be small in structure but their role in economic sustainability should not be undermined. To substantiate, Savlovschi and Robu (2011) emphasize the role of SMEs by describing them as launchers of new ideas. No formal definition of SMEs is applied as it varies from country to country, which Robu (2013) justifies as being influenced by the economic, cultural and social differences among the states of the world which are reflected both in the definition and classification of SMEs. One common factor is the role of SMEs as a backbone of the economy, which, Cant and Wild (2013) identify as vital for economic prosperity of a country. The BANKSETA (2015) have estimated the total economic output of SMEs in South Africa to be 50% of GDP and it is also estimated that they provide employment to about 60% of the labor force.

SMEs play a crucial role in alleviating unemployment. According to the statistics provided by the Stellenbosch University (2016), seven of the nine provinces consist of more informal SMEs compared to formal ones. As such, the creation of employment has become important, with the current South African unemployment rate of 26.6%. The National Development Plan

projects that by 2030, no less than 90% of new jobs will be created in small and expanding firms (South African Reserve Bank 2015). Economically, SMEs contribute positively to the GDP of the economy.

Rahim, Wahab and Saad (2015) point out that an increasing number of studies have taken into account SME owners and managers features into consideration when applying marketing theories to the small business context. Furthermore, the author adds that in the study by Hill and McGowan (1999) on marketing planning, it has been asserted that the conventional marketing planning theories and concepts do not conform to the small firms setting due to the unique personality and managerial competencies of owners and managers. Furthermore, Yuksekbilgili (2014) states that guerilla marketing is a powerful means of rapidly boosting a firm's competitive edge, particularly for small and medium scale enterprises. Various authors have investigated SMEs in various contexts by focusing on the influence of entrepreneurial orientation on business performance (Matchaba-Hove, Farrington and Sharp, 2015), the challenges affecting SMEs in South Africa (Cant and Wild, 2013), the role SMEs play in the economy (Robu, 2013), governmental support for SMEs (Maleka and Fatoki, 2016), the role of open innovation in SMEs (Brunswicker and Vanhaverbeke, 2014). Furthermore, other authors have investigated access to finance for innovative SMEs after the financial crisis (Lee, Sameen and Cowling, 2015), determinant factors of E-commerce adoption by SMEs in developing countries (Rahayu and Day, 2015), product lifecycle information management for SMEs (Soto-Acosta, Placer-Maruri and Perez-Gonzalez, 2016), identifying value constellations for service infusion in SMEs (Kowalkowski, Witell and Gustafsson, 2013) and factors that hold back high-growth firms (Lee, 2014). Deducing from the aforementioned discussion and despite an avalanche of previous research studies that have focused on SMEs, it is imperative to note that, there seems to be scarcity of knowledge on studies that have investigated guerrilla marketing strategies and their impact on the business performance of SMEs. Moreover, based on the identified research gap the purpose of this study is to investigate the extent to which guerilla marketing strategies have an impact on business performance using non-financial measures such as customer retention and market share.

RESEARCH PROBLEM

In order for SMEs to stand out in the market they would need to apply an unconventional way of advertising i.e. communicating to consumers in such a way that is more effective. Techniques that can be applied fall under the theory known as Guerilla Marketing. Isoraite (2010) emphasizes that the objective of guerilla marketing is to create a unique, engaging and thought-provoking concept to generate buzz and consequently turn viral. Guerilla marketing consists of techniques such as viral guerilla marketing, ambient guerilla marketing and buzz guerilla marketing. Adeniyi (2013) points out that it was always the aim of marketers to attract new customers and to keep the existing customers loyal, but since the market and environment have changed so immensely, the way to get to the customers has also changed. The author adds that Levinson's guerilla marketing strategies support the belief that prospects have to be exposed to the same marketing message as often as possible. The author further substantiates that research shows that business owners were urged to publicize their name, logo, and message at every possible opportunity. Thus, guerilla marketing is vital in closing the research gap between non-financial indicators that measure business performance and marketing strategies implemented by SMEs.

LITERATURE REVIEW

Viral strategy of guerilla marketing

Viral strategy of guerilla marketing is an advertising strategy that takes the advantage of the effect of "word-of-mouth" among the relationships of individuals to promote a product (Long and Chi-Wing Wong, 2014). Compared to more traditional ways, such as target marketing, viral strategy of guerilla marketing avoids the expense of contacting all members of a target group. In contrast, only a small number of influential seeds need to be contacted in order for the message to spread widely (Mochalova and Nanopoulos, 2014).

Ambient strategy of guerilla marketing

In understanding the underlying concept of ambient guerilla marketing, Alina and Loan (2013) point out that the term “ambient” derives from ambience, which means surrounding. Furthermore, the first use of the concept in relation to advertising dates back to the mid 1990’s and belongs to concord advertising, an outdoor specialised agency from London. Cauva and Saucet (2014) define ambient communication as a complex form of corporate communication that uses elements of the environment, including nearly every available physical surface, to convey messages that elicit customer engagement. Further to that, Andersson, Gustafsson and Munkhammar (2014) add to the aforementioned definition by stating that it is the placement of advertising in unusual and unexpected places (location) often with unconventional methods (execution) and being the first or only ad execution to do so (temporal). Thus, integrating the above definitions, the operative definition of ambient guerilla marketing for this study is “an unconventional form of advertising based on creativity, that can convey direct and contextual messages by using and transforming existing elements of the environment in a way that surprises the target audience” (Yuen, 2017:18).

Buzz strategy of guerilla marketing

Kavitha and Reddy (2016) asserts that buzz marketing is an idyllic instrument for start-ups, small and medium sized companies with limited communication budgets. In defining buzz guerilla marketing, Leila and Abderrazak (2013) underline that buzz marketing is the implementation of a planned action to advance the cause of mouth. In addition to the aforementioned definition, (Kavitha and Reddy, 2016:209) assert that buzz marketing “presupposes that a person-to-person marketing message is so powerful that it could potentially reach more people than a broadcast message, if only it is buzzed about in great quantity by people who have very long contact lists and no misgivings about promoting products to anyone who will listen in”. Thus, integrating the above definitions, buzz guerilla marketing according to (Taufique and Shahriar 2011:58) is the “amplification of initial marketing efforts by third parties through their passive or active influence”. Chae, Stephen, Bart and Yao (2015) note that seeded marketing campaigns (SMCs), also referred to as buzz marketing campaigns, typically involve a firm seeding a focal product with selected consumers (e.g. by sending samples) and asking those consumers to generate word-of-mouth about the product. This is validated by (Hutter and Mai, 2013) who jointly state that companies implementing buzz marketing campaigns can offer various incentives such as free product samples and coupons. Additionally, (Taufique and Shahriar, 2011) accentuate that by purposely seeking out one-on-one conversations with those who heavily influence their peers, buzz marketers create a sophisticated word of mouth campaign where customers are flattered to be included in the elite group of those “in the know” and willingly spread the word to their friends and colleagues. Implementing a buzz campaign consists of three phases, underlined by Karim, Soukeina and Mourad (2012) as:

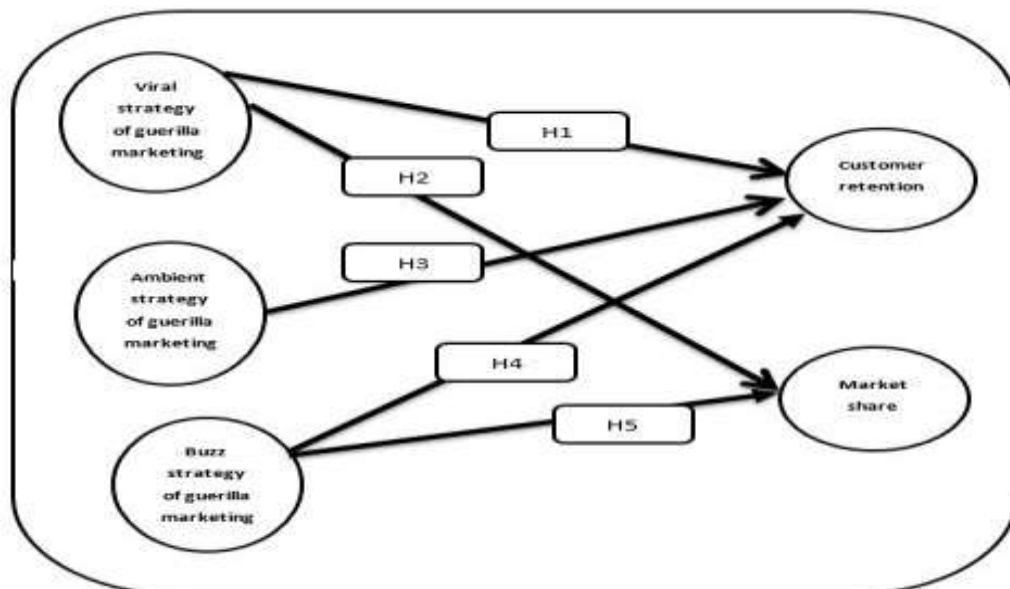
- Phase 1-The “teasing” phase, where the company launches a rumour. The consumer then tries to decrypt the information and exchange it with his/her surroundings to guess the meaning.
- Phase 2 – The “reveal” phase, where the solution to the teasing phase is revealed.
- Phase 3 – The “saga/universe declination” phase, where the buzz campaign is expanded into a global operation on multiple media and resource.

CONCEPTUAL RESEARCH MODEL

Below is an illustration of the relationship between the predictor variables and outcome variables.

FIGURE 1:

Conceptual research model



RESEARCH METHODOLOGY

This study was conducted with an aim to determine the impact of guerilla marketing strategies on the business performance of retail SMEs. For this study, quantitative approach was utilized. Self-administered questionnaires were used to elicit the responses from retail SMEs owners and managers in the Johannesburg Metropolitan. This is imperative as Sok, O’Cass and Sok (2013) asserted that senior managers possess sufficient knowledge and confidence in answering questions pertaining to firm capabilities and performance. This study was conducted using a structured questionnaire, where Section A underlined questions regarding the respondent’s demographics such as gender, age, retail area, years established and number of employees and gender. In section B, the predictor (viral, ambient and buzz guerrilla marketing) and outcome (customer retention and market share) variables were assessed. For this particular study, research scales were operationalised on the basis of previous studies. In addition, modifications were done in order to fit the research context and purpose of this study. Viral marketing was measured on a 5 point likert scale (Lekhanya 2014); Ambient marketing on a 6 point likert scale from (Mustafa, Sukran & Olgun 2010); Buzz marketing on a 5 point Likert scale from (Xavier and Summer 2009); 5 point likert scale for market share from (Kiplagat & Oyugi 2016) and a 7 point likert scale for customer retention from (Arnold, Fang & Palmatier 2011). After modifications were done, the overall scale that was adapted for this study was a 5-point Likert. The scale comprised of: 1= strongly disagree; 2= disagree; 3= neutral; 4= agree and 5= strongly agree. The questionnaires were distributed by the researchers themselves on the properties of the respective retail SMEs, which, Mathers, Fox and (Hunn 2009) found to be advantageous as it is relatively easy to approach respondents and you are more likely to achieve a higher response rate. The sample size of 200 retail SMEs was determined with the help of a sample calculator, based on the number of registered SMEs under Isikasi Holdings (Pty) Ltd. The data for this study was analyzed using Statistical Package for Social Sciences (SPSS) and the Analysis of Moment Structures (AMOS).

Respondents demographic profile

There were 200 respondents who participated in this study. Of the 200, 56 percent were males, 43.5 percent were females, while 0.5 percent prefer not to identify themselves with any gender. Majority of the respondents (32.5%) were 30-39 years, while, 25-29 years were 28.5 percent, 18-24 years were 21.5 percent, 40-49 were 13 percent, and 50 years and above were only 4.5 percent. Four percent of the respondents were in the financial sector/service/banking/insurance sector, 11.5 percent in the repair and maintenance, Twenty percent in the food and beverage/sales/raw material, four percent in the professional and healthcare facilities, and the majority of 60.5 percent in other fields. Most of their business were fairly new, as 65.5 percent was under 5 years. Businesses between 6 to 10 years were 20.5 percent, between 11 and 15 years were 6.5 percent, 16 and 19 years were 3.5 percent, while 20 years and above was only 1.5 percent of the respondents.

RESULTS

Measurement Model assessment

Various constructs were analysed for this study, namely: viral strategy of guerilla marketing (VSGM), ambient strategy of guerilla marketing (ASGM), buzz strategy of guerilla marketing (BSGM), customer retention (CR) and market share (MS). In the following section, the scale item statistics as well as results pertaining to the reliability and validity of the measurement instruments are analysed and discussed. Table 1 summarizes the analysis results.

TABLE 1:
Summary of Accuracy Analysis Statistics

Research constructs		Scale item statistics		Cronbach's test		CR	AVE	Factor loadings
		Mean	SD	Item-total	α value			
VSGM	VSGM1	3.97	0.823	0.554	0.815	0.83	0.50	0.520
	VSGM2	4.04	0.704	0.599				0.562
	VSGM3	3.78	0.865	0.574				0.766
	VSGM4	3.77	0.808	0.699				0.790
	VSGM5	3.92	0.873	0.612				0.837
ASGM	ASGM1	3.87	0.772	0.527	0.738	0.78	0.47	0.650
	ASGM2	3.99	0.730	0.574				0.719
	ASGM3	3.33	0.978	0.450				0.556
	ASGM5	3.68	0.878	0.603				0.662
BSGM	BSGM1	4.21	0.620	0.591				0.651
	BSGM3	4.23	0.599	0.682				0.826

					0.781	0.88	0.64	
	BSGM4	4.17	0.616	0.699				0.832
	BSGM5	4.18	0.608	0.705				0.878
CR	CR1	4.06	0.681	0.574	0.847	0.82	0.54	0.656
	CR2	4.19	0.675	0.651				0.775
	CR3	4.11	0.653	0.682				0.765
	CR4	4.05	0.700	0.664				0.694
	CR5	4.11	0.668	0.710				0.703
MS	MS1	4.01	0.754	0.481	0.824	0.85	0.54	0.535
	MS2	4.07	0.635	0.664				0.750
	MS3	3.98	0.657	0.700				0.781
	MS4	3.99	0.653	0.513				0.585
	MS5	4.12	0.699	0.768				0.855

Jaggi (2012) notes that the standard deviation shows the relation that set of scores has to the mean of the sample. The lower the standard deviation, the closer the values are to the mean value. The standard deviation should be less than 2 as values above that indicates a high number of outliers. This is supported by Leys, Ley, Klein, Bernard and Licata (2013), who jointly point out that the mean and standard deviation are strongly impacted by outliers. Deducing from the results on Table 1, the standard deviation is below 2, thus indicating that the values are closer to the mean value.

The reliability of the measurement instruments was measured using Composite Reliability (CR), Cronbach Alpha coefficients and Average Variance Extracted (AVE). Peterson and Kim (2013) underline that when true reliability is estimated using structural equation modelling, the resulting estimate is typically referred to as composite reliability. Furthermore, Chinomona (2013) point out that a composite reliability value that exceeds 0.7 indicates internal reliability. Deducing from the Table 1, the composite reliability (CR) values range from 0.78 to 0.88, which is above the threshold of 0.7. This indicates that there is sufficient internal consistency in the constructs. Bonnet and Wright (2014) underline that Cronbach Alpha's reliability is one of the most widely used measures of reliability in the social and organizational sciences. Furthermore, it is noted by Chinomona (2013) that a coefficient of more than 0.7 for the Cronbach's Alpha is considered acceptable. Table 1 illustrates the Cronbach Alpha results of the variable. The results from table 1 range from 0.738 to 0.847, thus meeting the required threshold and indicating that the instruments used to measure the variables are reliable.

Farrell and Rudd (2009) define the AVE estimate as the average amount of variation that a latent construct is able to explain in the observed variables to which it is theoretically related. Anderson and Gerbing (1988) suggest that estimates above 0.50 are regarded as a satisfactory measure. Thus, deducing from table 1, all the variables meet the threshold, indicating scale reliability levels.

Validity is defined as the extent to which a concept is accurately measured in a quantitative study (Heale and Twycross, 2015). For this study, convergent validity was measured using factor loadings and item-to-total correlation values. For discriminant validity, inter-matrix correlations were utilised.

Kim and Kim (2010) affirm that convergent validity can be inferred from an examination of the factor coefficients. In addition, the authors highlight that if the factor analysis of inter-correlations of scores on two or more items or test variables is associated with relatively high coefficients on the same factor, this result would indicate that the scores on the measures reflect the presence of a common construct. Farrell and Rudd (2009) describe a factor loading as the correlation between a latent construct A and how it correlates with observed variables x1 and x2, which theoretically relate to latent construct A. The recommended threshold according to is 0.5 (Chinomona, 2013). Table 1 demonstrates the generated results for factor loading estimates. Based on the results from table 1 shows that the factor loadings ranged from 0.520 to 0.878, which indicates that the threshold for convergent validity of 0.5 has been exceeded, thus indicating convergent validity. However, it is imperative to note that on Ambient Strategy of Guerrilla Marketing 1 item was deleted which was ASGM4 and on Buzz Strategy of Guerrilla Marketing 1 item was also deleted which was BSGM2 as the items factor loadings were less than 0.500, implying that they explained less than 50% of the variance and did not meet the threshold of equal to or above 0.500.

Inter-matrix correlation

According to White, Korotayev and Khaltourina (2004) a correlation matrix shows, in brief, the interconnections between a series of variables. Table 2 illustrates the results of the inter-matrix correlation.

TABLE 2:

Inter-matrix correlation

Variables	VSGM	ASGM	BSGM	CR	MS
VSGM	1				
ASGM	0.249**	1			
BSGM	0.362**	0.177*	1		
CR	0.362**	0.365**	0.481**	1	
MS	0.216**	0.148*	0.311**	0.652**	1

* Correlation is significant at the 0.05 level (2-tailed) ** Correlation is significant at the 0.01 level (2-tailed)

Pather (2016) notes that correlations among latent constructs is assessed in order to observe if they below 1.0. Based on the results from table 1, the linear relationship between ASGM and VSGM is the weakest with a value of 0.148. However, the overall results are below 1 with the highest correlation being 0.652, therefore demonstrating discriminant.

Path model

Figure 2 demonstrates the model fit results. The (CMIN/DF < 2) = 1.169, comparative fit index (CFI > 0.90) = 0.981, Goodness of fit index (GFI > 0.90) = 0.902, normed fit index (NFI > 0.90) = 0.883 (regarded as permissible), incremental fit index (IFI > 0.90) = 0.981, Tucker and Lewis index (TLI > 0.95) = 0.976 and root mean square error of approximation (RMSEA < 0.05) = 0.029. The specified thresholds have been met, thus demonstrating model fit.

FIGURE 2
Path model

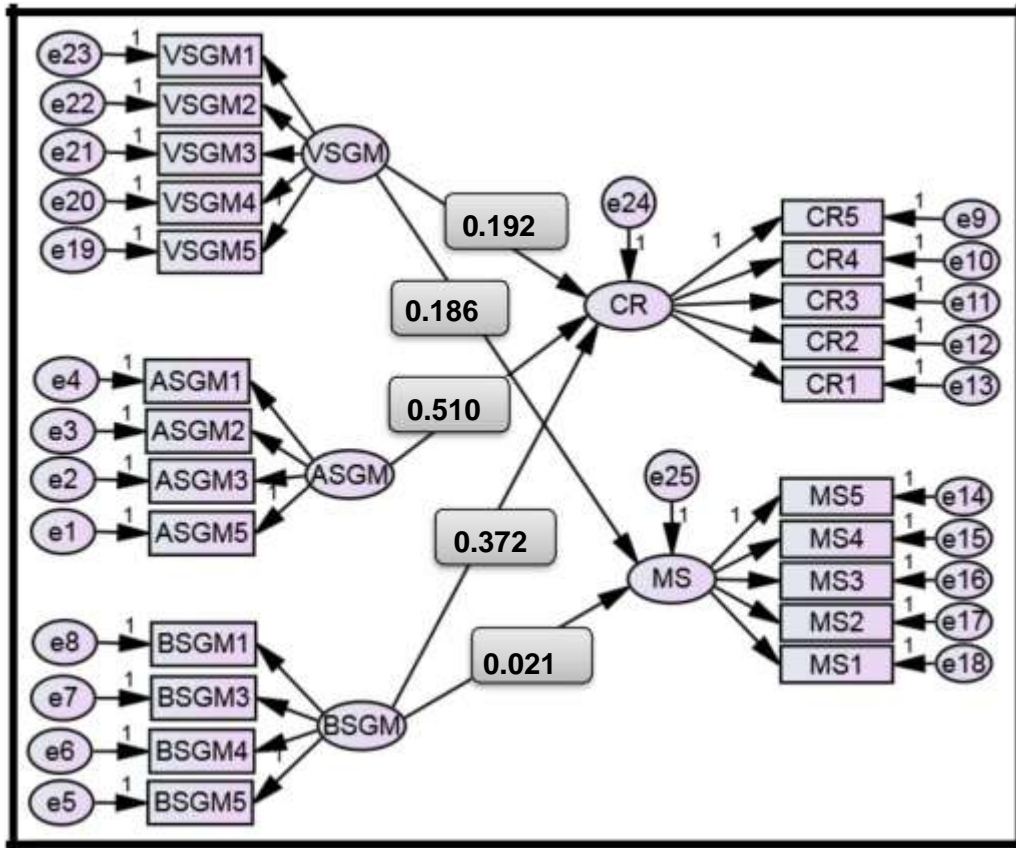


TABLE 3:**Hypothesis results and path coefficients**

Proposed relationship	hypothesis	Hypothesis	Path Coefficients	P-Values	Rejected/Supported
VSGM → CR		H1	0.192	.009	Supported and significant
VSGM → MS		H2	0.186	.003	Supported and significant
ASGM → CR		H3	0.510	***	Supported and significant
BSGM → CR		H4	0.372	***	Supported and significant
BSGM → MS		H5	0.021	.789	Supported and insignificant

Viral strategy of guerilla marketing (VSGM) and customer retention (CR)

The study hypothesised that viral strategy of guerilla marketing has an impact on customer retention. Deducing from table 3, the path coefficient value of 0.192 illustrates that there is a strong association and relationship between VSGM and CR. Moreover, the p-value of 0.009 indicates that this hypothesis is significant.

Viral strategy of guerilla marketing (VSGM) and market share (MS)

The study hypothesised that of viral strategy of guerilla marketing (VSGM) has an impact on market share (MS). Deducing from table 3, the path coefficient value of 0.186 illustrates that there is a strong association and relationship between VSGM and MS. Moreover, the p-value of 0.003 indicates this hypothesis is significant.

Ambient strategy of guerilla marketing (ASGM) and customer retention (CR)

It was hypothesised that ambient strategy of guerilla marketing (ASGM) has an impact on customer retention (CR). The path coefficient value of 0.510 in table 3 indicates that there is a strong association between ASGM and CR. Furthermore, the p-value indicates a 99% (0.01) confidence level. This indicates that the hypothesis is supported and significant.

Buzz strategy of guerilla marketing (BSGM) and customer retention (CR)

It was hypothesised that buzz strategy of guerilla marketing (BSGM) has an impact on customer retention (CR). The path coefficient value of 0.372 in table 3 illustrates that there is a strong relationship between BSGM and CR. In addition, the p-value indicates a 99% (0.01) confidence level. This indicates that the hypothesis is supported and significant.

Buzz strategy of guerilla marketing (BSGM) and market share (MS)

This study hypothesised that relationship tested in hypothesis 5 was that buzz strategy of guerilla marketing (BSGM) has an impact on market share (MS). Deducing from table 3, the path coefficient value of 0.021 illustrates that there is a relationship between BSGM and MS. Additionally, the p-value of 0.789 indicates that the hypothesis is insignificant.

DISCUSSION AND RECOMMENDATION

Discussion on hypothesis 1

The relationship tested in hypothesis 1 was that of viral strategy of guerilla marketing (VSGM) and customer retention (CR). The results in the table above indicate that the relationship is supported but significant. SMEs should understand continue to generate content that may go viral to keep consumers engaged and possible retain existing customers. Marketing messages tend to go viral when the content is relevant to target audience. In that way customers will feel valued and would want to be associated with the brand in any way possible. For academia, further research should be implemented to determine how social media advertising tools can be enhanced i.e. be more interactive to keep customers engaged and involved.

Discussion on hypothesis 2

The relationship tested in hypothesis 2 was that of viral strategy of guerilla marketing (VSGM) and market share (MS). The results in the table above indicate that the relationship is supported and significant. Thus, SMEs should focus on generating social media content that will capture the attention of consumers in order to create user-generated content, where consumers share content amongst their friends which can result in referrals. For academia, these results create an opportunity for further evaluation to determine how social media communication can be enhanced to expand market share.

Discussion on hypothesis 3

The relationship tested in hypothesis 3 was that of ambient strategy of guerilla marketing (ASGM) and customer retention (CR). The results in the table above indicate that the relationship is supported and significant. SMEs can generate outdoor advertising that captures the attention of their target customers through the element of surprise. Creating outdoor advertisements that are intriguing and appealing to their needs can entice customers to be more interested in the brand, especially current customers. For academia, the relationship between ambient outdoor advertising strategies and customer retention should be explored further to determine how innovate ambient strategies can affect consumer behavior which can ultimately lead to customer retention.

Discussion on hypothesis 4

The relationship tested in hypothesis 4 was that of buzz strategy of guerilla marketing (BSGM) and customer retention (CR). The results in the table above indicate that the relationship is supported and significant. SMEs can involve their current customers in marketing campaigns where they can act as brand advocates. This incentive can result in customers being loyal to the brand and eventually being retained. Continuous efforts have to be made to keep consumers involved. For academia, further research can be done to determine how incentives such as brand advocacy can play a role in retaining customers.

Discussion on hypothesis 5

The relationship tested in hypothesis 5 was that of buzz strategy of guerilla marketing (BSGM) and market share (MS). The results in the table above indicate that the relationship is supported and significant. SMEs should therefore work on creating innovate buzz marketing campaigns that are sustainable to create offline word-of-mouth. For academia, the results create an opportunity for further evaluation on sustainable campaigns that can result in offline word-of-mouth.

LIMITATIONS

Although the present study offers valuable insights pertaining to determining the impact of guerilla marketing strategies on the business performance of retail SMEs, it is prone to

limitations that offer avenues for future research. The study was conducted only in Johannesburg only and findings may not be generalized to the whole of South Africa. Therefore, future studies, should take into consideration other areas of South Africa. This will eventually offer more insight and accurate research findings into the understanding the impact of guerilla marketing strategies on the business performance of retail SMEs. Furthermore, the study only made use of a quantitative research approach. Future research may consider using a mixed-method approach that includes both a qualitative and quantitative research design, where a quantitative design technique could be more reliable and objective because of the use of statistics to generalise the findings

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The influence of green marketing strategies on business performance and corporate image in the retail sector

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ABSTRACT

Green marketing strategies are employed by many enterprises to enhance their corporate image and business performance. Green marketing is seen as the commitment of an enterprise to the development of safe, eco-friendly goods and services by employing recyclable and easily decomposed packaging, better pollution prevention methods, and a more efficient use of energy. Against this background the study employed a case study approach using South Africa's retail giants Woolworths and Pick n Pay. Stratified Purposive sampling was used to carry out in depth interviews and administering questionnaires with senior management of the selected retailers. Path analysis and Content analysis were used to establish the relationship. The study established that green marketing strategy had a positive effect on corporate image and on business performance. The paper recommends that enterprises, particularly in the retail sector if they are to sustain competitive advantage it is in their best interest to adopt Green marketing strategies.

Factors influencing switching intentions of Generation Y in the cellular industry: the role of brand loyalty

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ABSTRACT

The concepts of brand loyalty and brand switching have evolved as powerful predictors of the long-term sustainability of a brand in highly segmented markets. However, the extent to which their antecedents concurrently predict these two phenomena has not received much attention from researchers. Using a convenient sample of 302 participants, this study examined the simultaneous influences of the predictors (brand image, brand satisfaction and brand quality) on brand loyalty and brand switching intentions. Correlations and hierarchical regression analysis based on SPSS were used for data analysis. The findings suggest that while brand image and brand satisfaction were correlated with both brand loyalty and brand switching, brand quality was correlated with brand loyalty but not with brand switching. The results also show that brand loyalty mediates the relationships between two predictors (brand image and brand satisfaction) and brand switching intentions. The practical and theoretical implications of the study are discussed.

INTRODUCTION

The concepts of brand loyalty and brand switching have been recognized as opposing constructs affecting the success of a business in highly segmented markets like in the mobile phone industry (Gerpott, Rams & Schindler, 2001). The cut throat competition in the mobile phone industry and the high brand switching rates of young people (generation Y) have been the reasons behind the growing interest in the creation of brand loyalty as a remedy to customer's brand switching challenges in the mobile phone industry (Ahmed & Moosavi, 2013). The innovative nature of the cellphone industry forces manufacturers to develop and introduce new improved versions to the market almost every year (Li, 2010). This has meant a short life for mobile phone handsets as the majority of the generation Y age group upgrade their cellphone handsets regularly (Li, 2010). In the process of upgrading their handsets, young people usually look for the versions or brands with the latest features. This may force

them to change the model or brand: a phenomenon called disloyalty. Young people are characterised by their desire and adventurous tendencies to always try new products, their inclination towards internet usage, online social networks, cellphone video games and their little intolerance, (Vittal & Bobbie, 2012). Presence of several cellphone models and versions induces the desire of these young people to upgrade their models; making brand switching in this age group rampant (Grigoriou, Majumdar & Lie, 2018:8). Since the future survival of an organisation depends on the loyalty of its customers (Ramaseshan & Stein, 2014), brand loyalty and brand switching intentions of the generation Y age group becomes an important consideration in predicting the going concern of a cellphone organisation. Besides translating into profit, brand loyalty also serves as a defensive tool for customer retention; hence creating loyal customers, particularly where brands are deemed to be synonymous is critical (Nyadzayo & Khajehzadeh, 2016). Furthermore, the cost of acquiring a new customer in the mobile telecommunication industry has been estimated to be between four to five times more than that of keeping a satisfied customer (Grigoriou et al., 2018). Overall, the benefits derived from having loyal customers compel mobile phone companies to increase the percentage of loyal customers in their portfolio.

The primary concern of prior studies was on identifying the drivers of brand loyalty and brand switching (Cronin et al., 2000; Caruana, 2002). Although such studies have enriched our understanding of these constructs, the approaches employed in such studies may have masked, overstated or understated the true effects of the antecedents when they are all incorporated and examined in a single study simultaneously. In this study we propose that brand loyalty is an important mediating variable between the predictors (brand image, brand satisfaction and brand quality) and the outcome variable (brand switching intentions). This nuanced approach will assist research by providing a richer and more holistic understanding required for the development of successful brand loyalty models.

Problem investigated

The fundamental problem of predicting switching behaviour lies in the fact that when making switching decisions customers consider several dimensions simultaneously. Prior studies have identified that brand image (Hyun & Kim, 2011:430), brand satisfaction (Bansal & Taylor, 1999) and brand quality (Latif et al., 2014:1), collectively relate to brand loyalty and brand switching (Afzal, et al., 2013). However, the nomological network of these factors when they are all analysed in a single study simultaneously, is yet to be examined. We therefore seek to close this gap in the literature by proposing and empirically testing a model offering an explanation of the mediation role of brand loyalty in linking its antecedents (brand image, brand satisfaction and brand quality) and brand switching.

Aims of the study

The specific aim of this study was to explore and examine if brand loyalty mediates the relationship between the predictors (namely brand image, brand satisfaction and brand quality) and the outcome variable (brand switching intentions).

Contributions of study

Our study addresses several related gaps in the existing literature on brand switching. First, by integrating the antecedents of brand switching and brand loyalty in one study, our model will assist marketers in determining the unique contribution each of these predictors makes to the switching intentions of the consumer. This research is in response to Kumar et al.'s (2013) call for the development of integrated models that test several variables and mediators concurrently in one study. Second, our conceptual framework expands the current understanding of the brand switching construct and assists managerial decision making in the mobile phone industry. Third, unlike previous studies, we examine and specifically test the

mediation role of brand loyalty on the relationships between the predictors (brand image, brand satisfaction and brand quality) and the outcome variable (brand switching intentions). Our investigation contributes to the emerging stream of research that focuses more on the conditions under which the relationship between each antecedent and the outcome variable is strengthened or weakened by the presence of other predictor variables. Fourth, we make a contextual contribution to research by focusing on a specific segment of a market in an emerging market rather than relying on models developed from the first world economies.

The rest of this paper is organised as follows: First, we provide a review of the relevant literature on the relationships between brand loyalty and brand switching. This is followed by a literature review of the antecedents as they relate to the brand loyalty and brand switching constructs. Below each section of the literature review is a proposed hypothesis for the study. We then synthesize all the proposed hypotheses into one conceptual framework showing the proposed relationships between the independent variables (brand image, brand satisfaction, and brand quality), the mediating variable (brand loyalty) and the outcome variable (brand switching). The next section addresses the research methodology employed for this study, presenting the data collection instrument, the sample size, and the findings. The last sections present the discussion of the results, the managerial and theoretical implications, the limitations of the research and the proposed directions for future research.

LITERATURE REVIEW

Relationship between brand loyalty and brand switching

Brand loyalty refers to the consumer's deeply held commitment or willingness to continue purchasing a preferred brand in the presence of competitor brands offering what would be considered equally attractive benefits (Kabiraj & Shanmugan, 2011). Brand switching intentions is the opposite of brand loyalty because it refers to the consumer's propensity to stop purchasing the current brand in exchange for another brand for one reason or another (Han et al., 2011). The consumer's intentions describe the desire or psychological tendencies of the consumer and they are close predictors of the actual behaviour of the consumer (Keaveney, 1995; Ajzen 2015:125).

Much as the concepts of brand loyalty and brand switching have received the attention of researchers, their relationship cannot be ascertained from their definitions. Nyadzayo and Khajehzadeh (2016:263) state that brand loyalty occurs when consumers develop a positive attitude towards a brand. Favourable attitudes cause consumers to give preference to a particular brand even where alternative brands are available. This view is congruent with the concept that brand loyalty is the consumer's deeply held commitment to re-patronize a preferred brand consistently in the future, despite situational influences and/or marketing efforts having the potential to cause switching behavior (Oliver 1999). This perspective stresses the assertion that consumers with a strong commitment to a brand are willing to sacrifice themselves to sustain their relationship with the brand.

In today's dynamic global economy where the consumer has abundant choice, *brand loyalty* has become as elusive as ever before. Therefore, *organisations have to be more creative to avoid brand switching. Along the same lines*, Malik, Mahmood and Rizwan (2014) argue that highly brand committed customers do not switch brands easily. These views are in line with earlier claims that brand loyalty and brand switching are not complementary but reciprocal constructs in nature (Gerpott et al., 2001; Malik et al., 2014). This relationship was affirmed by Afzal et al.'s (2013:303) findings of a significant negative relationship between brand loyalty and brand switching in the cellular network industry in Pakistan. The arguments presented above lead us to hypothesise that:

H1: There is a negative relationship between brand loyalty and brand switching intentions.

Brand image and its effects brand loyalty and brand switching

Brand image refers to the mental picture of the perceived functions and symbolic associations of the brand in the consumer's memory that influence their purchase decisions (Hyun & Kim, 2011:430). Therefore, to increase the brand loyalty of customers, consideration must be given to the positioning of the brand in the consumer's mind.

Prior studies have proposed that brand image has a positive influence on customer loyalty (Zeithaml, 1988). In addition to increasing brand loyalty, Hyun and Kim (2011:430) state that a favourable brand image generates positive word-of-mouth referrals. Similarly, Chen and Myagmarsuren (2011) acknowledge this view and contend that brand image is a driving force for attitudinal and behavioural brand loyalty. This notion is supported by Dick and Basu (1994) who argue that favourable customer attitude is required for the repeat purchase of the brand. Recently Nyadzayo and Khajehzadeh (2016:268) expressed that the customer's favourable image of the brand is congruent with positive customer brand loyalty. Consumers who have a favourable brand image are more likely to develop a positive attitude towards the brand, which in turn may lead to positive consumer behaviour and customer brand loyalty (Grigoriou et al., 2018). The positive image of a brand gives the consumer confidence in the brand which in turn motivates them to repatronize that particular brand. At the minimum, customers will develop stronger repurchase intentions for brands they perceive to have a positive image.

According to Wu (2015:238), brand image plays an important role in the consumer's purchase decision making process. Customers with a deeply rooted brand image in their minds strongly identify with it and behave favourably towards it resulting in brand loyalty (Lam et al., 2010:129). Such views are congruent with the claim that when customers view the image of brand positively, they are likely to be loyal to the brand because the positive image of the brand defines who they are (Braig et al., 2015:4).

A number of researchers have provided empirical evidence supporting the theorised positive relationship between brand image and brand loyalty. Research attests that a customer's attitude towards the image of a brand is crucial in deriving commitment and trust, which in turn enhance loyalty (Nyadzayo & Khajehzadeh, 2016:263). Brand image was found to have a positive significant relationship with brand loyalty (Saeed et al. 2013: 1368; Braig et al., 2015:8). A similar relationship was observed by Fatema et al., (2013) whose results showed that brand image and brand loyalty were positively related. Studies by Seric et al., (2014) also found that brand image had a strong influence on brand loyalty in the hospitality industry. Along similar lines, Nakhleh (2012: 545) found that brand image explained 6.8% percent of the variation in the loyalty of university students in the mobile service industry in India. The above reviews suggest that there is a linear relationship between brand image and brand loyalty. This would imply that the higher the brand image, the more salient will be the attributes of that brand to the consumer, and the more likely the consumer will develop a deep commitment to the brand. Drawing from these reviews, we posit that:

H2a: There is a positive relationship between brand image and brand loyalty.

According to Latif et al. (2014:1) and Zhang (2015) customers' reactions towards a particular brand depends on whether they have a positive or negative perception of its image. A negative perception of the brand's image poses a threat to an organisation as it leads to spurious brand loyalty and customer defection. The logic behind this is that consumers with a negative perception of a brand may lack confidence in the brand which may motivate them to switch to alternative brands. Cretu and Brodie (2007) support this view and contend that negative customer perceptions about a brand's image will weaken their commitment towards that brand. The commitment of a consumer with spurious brand loyalty can be described as exploratory in nature. It is not until customers perceive the image of the brand as positive that they start to consider their commitment to it.

Previous research has established that brand image is an antecedent of brand switching. For instance, Saeed et al. (2013: 1368) found that brand image had an influence on brand switching. The results of Cretu and Brodie (2007) revealed that brand image was a predictor of consumer switching in both small and large manufacturing companies. Overall, these findings show that brand image is a potent predictor of brand switching. The arguments presented above lead to our next hypothesis that:

H2b. There is a negative relationship between brand image and brand switching intentions

Since the above reviews suggest a positive relationship between brand image and brand loyalty and a negative relationship between brand loyalty and brand switching, it is plausible to postulate the following hypothesis:

H2c: Brand loyalty mediates the relationship between brand image and brand switching.

Impact of brand satisfaction on brand loyalty and brand switching intentions

Oliver (1999:34) defined brand loyalty as a deeply held commitment to prefer and repatronize the same brand consistently despite the availability of equally attractive alternative brands on the market. Embedded in this definition are the behavioural and attitudinal aspects of brand loyalty, which explain the actions and reasons behind the repurchasing behaviour of customers (Chaudhari & Holbrook, 2001; Baloglu, 2002). Cronin et al.'s (2000) claimed that factors influencing the repatronage intentions of retail stores were based on the customer's satisfaction with the store. This view is consistent with Oliver's (1999) disconfirmation paradigm model, which suggests that high levels of customer satisfaction (positive disconfirmation) should delight and elevate the customer's desire to repurchase the same brand. In support of this view, Bagozzi (1992) suggested that people typically engage in certain activities because of their desire to achieve certain expected outcomes. If the consumer's desired outcomes are achieved, then, satisfaction occurs, which may lead to repeat purchase.

Theoretically, if a brand meets the expectations of the customer, positive emotional outcomes occur, which in turn affect brand loyalty (Bennett et al., 2005). In support of this assertion, Spreng and Mackoy (1996) noted that satisfied customers are more likely to come back and buy the same brand in future whereas dissatisfied customers are likely to defect. As suggested by Zeithaml (1988), when customers are satisfied with a brand, there is a high likelihood that they will recommend it to their friends and other potential users. Kim et al., (2016), noted that brand satisfaction was among the critical factors that made mobile phone consumers to be loyal to a brand. Grigoriou et al., (2018:8) claims that before developing a deep commitment to a brand, the consumer must be satisfied with it. Thus, brand satisfaction can be considered to be a critical factor in determining the consumer's repurchasing behaviour.

The notion that all customers who are loyal to a brand are satisfied but not all satisfied customers are loyal to a brand was propounded by Jones and Suh (2000). Building on this notion, Bennett et al., (2005) demonstrated that an increase in satisfaction leads to an increase in attitudinal brand loyalty. Consistent with this observation, Cengiz and Cengiz-Akdemir (2016) found that brand satisfaction was a strong predictor of the consumer's future purchase intentions. Similarly, the findings by Braig et al., (2015:8) confirmed the strong positive correlation between customer satisfaction and brand loyalty. In light of the above views, we propose the following:

H3a. There is a positive relationship between brand satisfaction and brand loyalty

Several studies on brand satisfaction and brand switching intentions offered both the theoretical and empirical justification and evidence in support of their reciprocal relationship.

Bearden and Teel (1983) proposed a reciprocal causal relationship between brand satisfaction and brand switching intentions. Jones and Suh (2000) suggested that brand satisfaction is not a necessary and sufficient condition for brand loyalty. Congruent with this view, Saleh et al. (2015:63) noted that it is difficult to conceptualise how customers dissatisfied with a brand, might be loyal to it. Rather, dissatisfaction is a catalyst for such customers to search for what satisfies them.

A number of empirical studies have confirmed the reciprocal relationship between brand satisfaction and brand switching. For instance, Cronin et al., (2000) found empirical evidence that brand satisfaction had a negative impact on the brand switching intentions of the customers. Findings by Bansal and Taylor (1999) that as customer dissatisfaction with a brand increases, so is the likelihood of them switching brands in their next purchase, demonstrate further support for the reciprocal relationship between brand satisfaction and brand switching. In light of the theoretical and empirical evidence outlined above, we hypothesise the following:

H3b: There is a negative relationship between brand satisfaction and brand switching

Consistent with our point of view, most of the previous studies in literature have treated satisfaction as a dominant proxy for brand loyalty (Cronin et al., 2000; Caruana, 2002). It is important to note that the focus of most of these investigations was brand loyalty and not brand switching. Since brand loyalty is a potent predictor of brand switching, it is plausible to suggest that the relationship between brand satisfaction and brand switching is mediated by brand loyalty. We therefore posit that:

H3c: Brand loyalty mediates the relationship between brand satisfaction and brand switching

Impact of perceived quality on brand loyalty and brand switching

Perceived brand quality often refers to the cumulative evaluation and subjective judgement of the superiority of a brand or product over other competing brands along the consumer's selected dimensions (Kouser et al., 2012:6). Therefore, perceived brand quality is the customer's judgment of attributes such as the attractiveness, aesthetics, functionality, durability, maintenance, safety, design of a product, that satisfy their expected or inferred needs (Ferenčič & Wölfling, 2013:505; Ogbu, 2016). When most of these dimensions are satisfactory to the consumer, the perceived brand quality becomes high and therefore the customer will have no intentions to switch from such a brand (Ferenčič & Wölfling, 2013: 494). From this perspective, inconsistencies in the quality of a brand may erode the confidence and trust of consumers to the extent that they may begin to question their loyalty to that particular brand. According to Lee, Kumar and Ki (2010), when consumers perceive a brand to be of high quality, they are more likely to purchase the brand over and over again. In line with Lee et al.'s (2010) assertion, Grigoriou et al (2018:11) noted that the customer's perceived communication quality of a mobile phone brand is also a critical component of the consumer's perceived brand value. Grigoriou et al (2018:12) further noted that data download quality is a critical consideration for the selection of a mobile phone brand.

In order to mitigate against the potential handset malfunctioning, Ferenčič and Wölfling (2013: 492), noted that consumers usually buy specific branded products whose quality they are familiar with from their past experience. This view suggests that customers are likely to develop favourable behavioural intentions towards a brand if they perceive it to have better quality attributes that will meet their expectations. Ferenčič and Wölfling (2013: 492) suggested that brand loyalty is the customer's strong expression that "their" brand has significantly better quality characteristics than other brands. The more favourable the customers' perceptions of the quality of a brand, the more likely they will stay with the same brand. This perspective suggests that in order to create loyal customers, an organisation's

brand communication messages to the target markets need to emphasize the high quality attributes of their brands.

Results from previous studies have supported a positive relationship between perceived brand quality and brand loyalty. Findings by Alhaddad (2015:6) revealed that perceived brand quality had a positive relationship with brand loyalty. Similar results were found by Ha and John (2009) who observed that there was a direct and indirect effect of perceived quality on brand loyalty for discount stores and in the retail banking industry. The reviewed literatures, suggest that in the long term, creating brand loyal customers would not be possible if the quality of the brand is below the customer's expected levels. Drawing from the above literature reviews, the following hypothesis was made:

H4a: There is a positive relationship between perceived brand quality and brand loyalty.

The link between perceived quality and brand switching intentions can be better understood from the consumer's perception of brand quality. As suggested previously, (Kouser et al., 2012:6), perceived brand quality signifies a cumulative evaluation of the extent to which the customer perceives a brand is able to meet or exceed his or her expectations. By implication, if there are no perceived behavioural switching constraints in the market, and the consumers perceive most of the dimensions used for evaluating the quality of a brand to be below their expectations, (poor brand quality), chances are high that they are likely to change that brand in their next purchase (Zeithaml 1988:14). Such a view suggests that poor brand quality motivates or encourages consumers to look for better quality alternatives: a phenomenon called brand switching.

Empirical evidence from previous studies has confirmed that the relationship between perceived brand quality and brand switching is reciprocal. For instance, Nikhashemi, Valaei, and Tarofder (2017) found that perceived brand quality had a negative direct relationship with switching intentions. Similarly, Karjaluoto et al., (2008), found that the main reason for university students to switch their mobile phone handset was due to quality problems. These findings affirm the theoretical suggestion that, because perceived brand quality is a driver of brand loyalty and satisfaction; it should have a similar reciprocal relationship with the brand switching intentions. Drawing from the outlined literature above, we posit that:

H4b: There is a negative relationship between perceived brand quality brand switching.

In some cases brand quality is taken as a proxy for customer satisfaction (Ha & John, 2009). Since brand quality is related to both brand loyalty and brand switching and the former is the proximal predictor of the later, it is plausible to suggest that the relationship between brand quality and brand switching is mediated by brand loyalty (Baron & Kenny, 1986). Therefore, our last hypothesis is as follows:

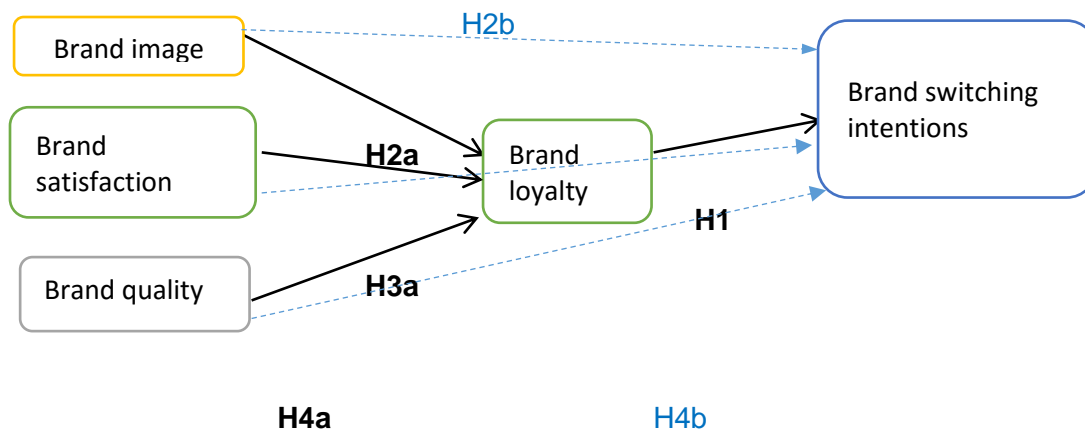
H4c: Brand loyalty mediates the relationship between brand quality and brand switching.

Research conceptual framework

The theoretical relationships and the hypotheses formulated in the literature review sections were integrated to develop the conceptual framework (see figure 1 below) for this study.

FIGURE 1.

Proposed conceptual model



The independent variables in the present study are brand image, brand satisfaction and perceived brand quality. The dependent variable is brand switching intentions. The model also proposes the direct and indirect relationships between the independent variables (brand image, brand satisfaction and brand quality) on the dependent variable (brand switching intentions) through brand loyalty as a central mediating variable.

METHODOLOGY

Research design

A cross-sectional descriptive quantitative research design was employed in this study to determine the relationships proposed in the research model above.

Sampling and procedures

A convenience sampling technique was adopted for selecting respondents to take part in the study. Self-administered questionnaires were distributed to 400 National University of Lesotho (generation Y -people within the age groups of 18 to 35 years) students in their classes and collected from the lecturers of the classes involved after completion. Since there is only one state university in Lesotho, it is expected that students enrolled at this university are drawn from across the country and are therefore a representative of the generation Y age group in this country. Respondents were informed that participation in the study was voluntary and would in no way affect their academic grading and performance. Of the returned questionnaires, 302 were usable giving a response rate of 75.5%. Of the survey participants, 64.2% were females. The majority (69%) of the respondents were in the age range of between 20 years and 30 years of age while 51% of the participants were from year 1 classes.

Measures

The independent and the dependent variables were measured on a five point Likert scale anchored by 1 (strongly disagree) and 5 (strongly agree) adapted from various previously published studies.

Brand image: brand image was measured using five items adapted from Forsido (2012). Sample item was, “I think my cellphone is well known and prestigious.” The internal reliability (Cronbach’s alpha) of the scale was 0.84.

Brand satisfaction: brand satisfaction was based on the six items adapted from Forsido (2012) and Ahmed and Moosavi (2013). Sample item was, "I'm satisfied with the operating functionality or software system of my cellphone." The Cronbach's alpha of the scale was 0.86.

Perceived brand quality: perceived brand quality was measured using five items adapted from Forsido (2012). The sample item was, "My cellphone brand comes from a company which offers products with consistent quality." The Cronbach's alpha of the scale was 0.88.

Brand loyalty: brand loyalty was measured using six items adapted from Forsido (2012) and Ahmed and Moosavi (2013). Sample item was, "I have a favourable brand attitude towards my current cellphone brand." The Cronbach's alpha of the scale was 0.86.

Brand switching: brand switching as adapted from Almosawi (2012) and Ghosh (2011) included eight items. Sample item was, "I am usually curious to try the new cellphone brand." The Cronbach's alpha of the scale was 0.77.

Data analysis

Data were analysed using the statistical package for social scientists (SPSS) version 20. Because gender, age and year of study can influence brand loyalty and brand switching intentions, they were used as control variables in the hierarchical regression analysis to mitigate against spurious relationships due to these personal factors.

RESULTS

Means, standard deviations and inter-correlations of variables are shown in Table 1. As shown in Table 1, all variables reached an internal reliability exceeding the Nunnally's (1978) cut-off point of 0.70. Of all variables of interest, only brand loyalty failed to reach an average of 3 (mid-point), suggesting that on average, the participants had low brand loyalty to mobile phones. Of all demographic factors, only gender had some effects on brand switching, with males (mean = 3.66) more likely to express the likelihood to switch brands than the female participants (mean = 3.41), $t(285) = 2.608, p \leq 0.01$.

TABLE 1
Means, standard deviations and inter-correlations of the variables

Variable	Mean	SD	1	2	3	4	5	6	7	8
1. Gender	1.64	0.479	-							
2. Age	1.75	0.510	-0.02	-						
3. Year of study	1.57	0.674	0.08	0.36**	-					
4. Brand image	3.58	0.923	-0.03	0.04	0.06	(0.84)				
5. Brand quality	3.87	0.819	-0.02	0.00	0.06	0.63**	(0.88)			
6. Brand satisfaction	3.73	0.925	-0.03	0.01	0.09	0.68**	0.58**	(0.86)		
7. Brand loyalty	2.88	1.044	-0.02	0.02	0.05	0.70**	0.45**	0.63**	(0.86)	

8. Brand switching 3.50 0.770 -0.15** -0.03 -0.06 -0.20** -0.03 -0.24** -0.43** (0.77)

Notes: *Correlation significant at 0.05 (two-tailed); **Correlation significant at 0.01 (two-tailed).

Where applicable, Cronbach's alphas are shown parentheses ()

Table 1 suggests that brand loyalty and brand switching intentions were negatively related ($r = -0.43, p \leq 0.01$). In terms of correlations to brand loyalty and brand switching intentions, Table 1 shows that brand image had positive and negative correlations with brand loyalty ($r = 0.70, p \leq 0.01$) and brand switching intentions ($r = -0.20, p \leq 0.01$) respectively. Similarly, brand satisfaction had positive and negative correlations with brand loyalty ($r = 0.63, p \leq 0.01$) and brand switching intentions ($r = -0.24, p \leq 0.01$) respectively. Interestingly, while brand quality had the positive correlation with brand loyalty ($r = 0.45, p \leq 0.01$), it did not have any relationship with brand switching intentions ($r = -0.03, p \geq 0.01$). Overall, zero-order correlations suggest that higher levels of brand image, customer satisfaction and brand quality were associated with higher levels of brand loyalty and vice versa. On the contrary, only higher levels of brand image and customer satisfaction were associated with low brand switching intentions in this study. Accordingly, hypotheses 2a, 2b, 3a, 3b, and 4a were supported. Contrary to expectations, hypothesis 4b was not supported.

We applied the procedures recommended by Baron and Kenny (1986) to test for mediation (hypotheses 2c, 3c, and 4c). First, the mediating variable (brand loyalty) was regressed on independent variables (brand image, customer satisfaction, and brand quality). Second, the dependent variable (brand switching intentions) was regressed on independent variables (brand image, customer satisfaction, and brand quality). Third, the dependent variable (brand switching intentions) was simultaneously regressed on independent variables (brand image, customer satisfaction, and brand quality) and the mediating variable (brand loyalty).

Mediation is present if a) independent variables affect the mediator in the first equation; b) independent variables affect the dependent variable in the second equation; and c) the mediator affects the dependent variable in the third equation; and d) the effects of independent variables are less in the third equation than in the second equation. Full mediation is present if the independent variable has no effect when entered with the mediating variable, and partial mediation occurs if the effect of the independent variable is smaller but still significant when the mediator is in the equation. The results are shown in Table 2.

TABLE 2

The results of hierarchical regression analysis

Variables	<i>Brand loyalty</i>		<i>Brand switching</i>	
	Model 1	Model 2	Model 2	Model 3
<i>1. Control variable</i>				
Gender	0.01	0.16**		0.15**
<i>2. Independent variables</i>				
Brand image	0.51**	-0.17*		0.12
Customer satisfaction	0.34**	-0.26**		-0.08
Brand quality	-0.07	0.26**		0.22**
<i>3. Mediator</i>				
Brand loyalty				-0.55**
<i>F</i>	74.91**	7.67**		15.80**
<i>R</i>	0.74	0.33		0.40
ΔR^2	0.54**	0.11**		0.13**
<i>R</i> ²	0.54	0.11		0.24

Notes: *Correlation significant at 0.05 (two-tailed); **Correlation significant at 0.01 (two-tailed). To guard against the reduction in statistical power, age and year of study were not

included in the final hierarchical regression analyses because they were not significantly related to brand loyalty and brand switching (Becker, 2005).

As shown in Table 2, mediation conditions were met with regard to brand image and customer satisfaction only. Specifically, brand image and customer satisfaction predicted brand loyalty in model 1 ($\beta = 0.51$, $p \leq 0.01$ and $\beta = 0.34$, $p \leq 0.01$ respectively). Similarly, brand image and customer satisfaction slightly predicted brand switching intentions in model 2 ($\beta = -0.17$, $p \leq 0.05$ and $\beta = -0.26$, $p \leq 0.01$ respectively). More importantly, when independent variables were entered simultaneously into the regression with the mediator variable (model 3), the effects of independent variables became insignificant ($\beta = 0.12$, $p \geq 0.05$ and $\beta = -0.08$, $p \geq 0.01$ respectively), while the effects of the mediator remained significant ($\beta = -0.55$, $p \leq 0.01$). These results suggest that the effects of both brand image and customer satisfaction on brand switching were fully mediated by brand loyalty. Accordingly, hypotheses 2c and 3c were supported, but hypothesis 4c was not supported. Overall, our study partly supported the mediated effects of brand loyalty between independent variables (brand image and customer satisfaction) and the dependent variable (brand switching).

DISCUSSION

The aim of this study was principally to examine if brand loyalty mediates the relationships between certain factors (brand image, brand satisfaction and brand quality) and brand switching intentions (criterion variable). Most of the prior research has either examined the impact of these factors on brand loyalty or brand switching; and there is little work that has focused on the concurrent effects of these factors on both criteria.

With the exception of the relationship between brand quality and brand switching intentions, correlations were in the expected direction, and significant as expected. As expected, brand loyalty and brand switching intentions were negatively relating, and this is in line with prior research (Afzal et al., 2013). Brand image was positively related to brand loyalty and negatively related to brand switching intentions; again supporting prior studies in the field of marketing (Saeed et al., 2013; Seric et al., 2014). Similar results were obtained with regard to brand satisfaction which was positively related to brand loyalty and negatively related to brand switching intentions; supporting the Expectation Confirmation-Disconfirmation theory, and several previous studies in the field (Lee, et al., 2001; Mittal & Kamakura, 2001). While perceived brand quality had the positive correlation with brand loyalty, its relationship with brand switching was trivial or illogical, as it shows no relationship with brand switching intentions. While it is theoretically difficult to explain this unexpected result; other results from the previous studies (Nikhashemi et al., 2013) suggest that brand quality was behaving strangely in relation to dependent variable (brand switching). For instance, once other variables were controlled for, brand quality had the positive effects on brand switching intentions, which too was abnormal. Overall, the regression results suggest the presence of a suppressor variable. The suppressor variable is the variable that increases the predictive power of other variables by its inclusion in the regression model even though it is uncorrelated or has low correlation with the criterion variable (Rego & Cunha, 2010:423). Future studies can fruitfully examine the behaviour of brand quality in the presence of close predictors.

Perhaps the novel approach in this study was in relation to the examination of the mediating effects of brand loyalty on the relationships between the independent variables and brand switching intentions. As hypothesised, brand loyalty fully mediated the relationships between both brand image and brand satisfaction, and brand switching intentions. This is not surprising because brand loyalty is the proximal factor to brand switching, to an extent that some researchers consider brand switching as the opposite of brand loyalty (Bhattacharya & Lodish, 2000).

MANAGERIAL AND THEORETICAL IMPLICATIONS

The managerial implications of this study is centered on the notion of understanding the influence of brand switching variables and the mediating role of brand loyalty (Grigoriou et al. 2018). First, since the findings of this study suggest that brand image has influence on brand loyalty, which in turn has influence on brand switching intentions, it also suggest that managers who want to build brand loyal customers should also prioritise the proper positioning of the image of their brands with the target market. In doing so, it is clear many variables, some controllable (e.g. brand quality, and brand satisfaction) and others uncontrollable (e.g. cultural differences) that potentially affect brand switching behaviour must be monitored closely. Our results indicate that such a process will lower the threat of customer switching which if not addressed early enough, may result in the loss of market share. Second, mobile firms should focus more on customer satisfaction, which according to our findings, not only affect brand loyalty, but will also reduce dissatisfaction and defections of consumers. Indeed, such a transformation should be a firm wide managerial imperative (Grigoriou et al., 2018:21).

THEORETICAL IMPLICATIONS

The findings of this study expand the theoretical knowledge and understanding of the brand switching construct by demonstrating the interrelationships among the variables that cause switching behaviour. Furthermore, by showing the mediating role of brand loyalty, the results reveal that it is important to examine all the predictors (e.g. brand image, brand satisfaction, brand quality) brand loyalty and brand switching concurrently in order to determine the unique effects of each of these predictors on both brand loyalty and brand switching intentions.

CONCLUSION

The aim of this study was to examine if brand loyalty plays an effective mediating role between brand image, brand satisfaction and brand quality and brand switching intentions. The results confirmed the negative relationship between brand loyalty and brand switching intentions. As expected, brand loyalty mediated the relationships between both brand image and brand satisfaction and brand switching intentions. The results also confirmed the reciprocal relationships between both brand image and brand satisfaction with brand switching intentions. Contrary to the theoretical expectations, after controlling for other variables, brand quality was not related to brand loyalty, but was positively related to brand switching intentions. The practical and theoretical implications of the study have been discussed above.

LIMITATIONS AND RECOMMENDATIONS FOR FUTURE STUDY

The findings of study have theoretical and practical limitations within the marketing and consumer behaviour domain. While the results may be generalised to the students at the National University of Lesotho as a developing country, the results from this investigation could vary from the generation Y age group segments from the developed world due to the differences in the technological landscapes between the two worlds. One limitation of this study is that we examined brand switching using three variables (brand image, brand satisfaction and brand quality) yet brand switching is a complex multidimensional construct. Future research could include the number of independent variables and examine the mediating role of brand loyalty. Use of data from a single industry, restricts the generalisation of the results to other industries and/or business contexts. Future research could replicate our conceptual model in a different contexts. Given the cross-sectional nature of our study, future scholarly work could consider a longitudinal study to understand how these variables evolve over time. Furthermore, our study assumes unidirectionality from the predictors to the dependent variable. This may not be necessarily correct because reverse causality may be possible.

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The influence of non-profit visual and verbal communication cues in cause-related marketing on consumer attitudes and intentions

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Keywords: Cause-related Marketing; Campaign Structural Elements; Visual and Verbal Communication Cues, Message Framing.

ABSTRACT

Across the globe numerous social, political, economic and environmental issues are challenging mankind. A lack of government action pertaining to these issues leaves society to fend for itself. Consequently, non-profit organisations (NPOs) have become prominent role players in driving societal change. Increasingly such change is also becoming a priority for profit-oriented firms, often through their corporate social investment programmes, but in recent years also through approaches such as cause-related marketing (CAREM) (Kotler and Keller, 2015). CAREM provides benefits for firms, NPOs and consumers (Barnes, 2015). It is defined as “the process of formulating and implementing marketing activities that are characterised by an offer from the firm to contribute a specific amount to a designated cause when customers engage in revenue providing exchanges that satisfy organisational and individual objectives” (Varadarajan & Menon, 1988:60).

The success of CAREM campaigns appears to rely upon campaign structural elements (CSEs), which are the messages or cues that can be used to communicate or outline the campaign to consumers (Grau & Folse, 2007). CSEs include both visual and verbal cues that are communicated to the consumer during a campaign. These cues include content related to both the profit-oriented firm and the NPO as donation recipient. However, the manner in which such cues are framed in CAREM campaigns often provides more information about and thus greater exposure to the firm than the NPO. CAREM message framing is important due to its potential impact on consumer attitudes and behaviour (i.e. purchasing behaviour) (Chang, 2012; Chang & Lee, 2010; Das, Kerkhof & Kuiper, 2008). Research has suggested that sufficient emphasis on NPO-related cues in addition to firm-related cues is critical for CAREM effectiveness due to the positive impact of such cues on consumer decision-making (Human, 2016). However, research pertaining to the role of the NPO in CAREM communication and how NPO-related cues should be framed is limited. In response to the above-mentioned problem, this research will thus contribute by assessing the influence of visual and verbal NPO-related cues on consumers’ attitudes and intentions. The contribution of this study is derived from the constraint placed on CAREM campaign development and execution by the

lack of extant knowledge about South African consumers' attitudes and intentions pertaining to positively and negatively framed NPO visual and verbal CSEs.

The envisioned research methodology includes qualitative focus groups to gain a deeper understanding of consumers' knowledge and opinions pertaining to CAREM and to assist with stimuli development for the quantitative research to follow. A 3X2 between-subjects, post-test only factorial experiment will be used where the independent variables of visual (no NPO framing, positive framing, negative framing) and verbal (positive framing, negative framing) cues will be manipulated. Print advertisements will serve as the experimental stimuli with each advertisement featuring a unique combination of the independent variables. The dependent variables which will be assessed after exposure to the stimulus advertisements are attitude toward the CAREM advertisement; attitude toward the cause-brand alliance; attitude toward the NPO, and consumer purchase and participation intention. The results from the study will aim to provide marketing practitioners with more insights when developing CAREM initiatives.

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An industry perspective on the knowledge areas required from marketing graduates in South Africa

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ABSTRACT

Recent research suggests that graduates' lack of relevant skills and insight, employers' perceptions regarding the institutions attended and differences in expectations from employers and graduates are amongst the main factors leading to graduate unemployment in South Africa

There have been several studies on the requirements of marketing graduates in developed countries. However, none of these studies considered the perspective of the marketing industry in emerging countries such as South Africa. The primary objective of this article was to identify the industry's perspective on the knowledge areas required from marketing graduates in South Africa.

A quantitative research approach was used to gather empirical data from potential employers of marketing graduates to determine the most sought after knowledge areas as well as areas of improvement. Empirical data were collected through a web-based computer-assisted self-administered online questionnaire.

The findings revealed significant differences in the importance ratings of marketing knowledge areas. The priority for practitioners is knowledge related to areas associated with strategic marketing and marketing context. This is aligned with the results of international empirical studies.

Design-related knowledge was identified as a less critical area. These results suggest that the respondents did not place great value in this category; and they do not place much emphasis on the need for marketing graduates to apply it in marketing jobs.

The importance-performance gaps were the highest for product mix and line decisions, marketing communications and strategic marketing.

Suggestions for educators, employers and marketing students as well as some future research directives are provided.

The hedonic pricing of novel attributes: exploring the relative worth of old vine cues in South African wines

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ABSTRACT

Within the context of wine sales, this study models the supply-led, price efficacy of novel, extrinsic old vine cues in South African wines, to establish whether, to what extent and how price-setters prioritise such attribute-cues relative to more conventional intrinsic and extrinsic cues of worth. A dataset of 159 South African candidate wines with OV cues communicated on front labels, back labels or via marketing material was generated. Through OLS regression, an hedonic pricing model computed the play of contending cue-variables. In addition to the contribution of established cues such as aggregate ratings, exemplar brands, prototypical varieties, and origin, our study confirmed that vine age contributes significantly to wine price and found a significantly greater value contribution is assigned to OV cues communicated on back labels than on front labels. In price-setting and positional models, such findings prove useful in understanding the inherent value of novel attributes and specifically vine age, relative to competing wine cues of worth.

INTRODUCTION

The most commonly used device in brand positioning is the selective emphasis of existing product attributes of worth (Aaker & Keller, 1990). However, in product development and brand extensions, the introduction of novel attributes is crucial in driving consumer resonance (Mukherjee & Hoyer, 2001). Attributes and their benefits are communicated through extrinsic informational cues, lying outside the physical product and include price, brand name and level of advertising (Zeithmal 1988). Serving as markers of quality and value, extrinsic cues provide reasons to purchase a product (Wall, Liefeld & Heslop, 1991; Zeithmal, 1988). However, in the instance of new attributes there is no frame of reference. In this respect, the hedonic pricing model is a helpful analytic tool. It enables researchers to estimate the overall price position of a category of products by deconstructing the relative price importance of competing extrinsic and intrinsic cues of worth that aggregate the overall price. While there have been a significant number of studies devoted to the hedonic pricing of established cues of worth in wine (Boatto, Defrancesco & Trestini, 2011; Cuellar & Claps, 2013), little or no attention has been devoted to the price efficacy of novel-attribute extrinsic cues and specifically vine age.

The context of this study is the latent proliferation and emphasis on relatively novel old vine (OV)¹ cues in the marketing of South Africa wines. In the *Platter's* South African wine guide, citations of the term “old vines” featured 38 times in the 2008 edition, 62 in 2012 and 109 in 2016. In 2015, this growing emphasis was more formally recognized through the establishment of the Old Vine Project (OVP) aimed to protect, standardise and unlock market value in the South Africa's OV resource base. Some studies suggest that old vineyards make better quality wine because the yields are lower (Howell, 1999) and consumers understand that older vines produce higher quality and add value (Beverland, 2006). However, the category remains relatively ambiguous and unstandardized. Globally, category boundaries are blurred, and the ability of associated brands to unlock value through the communication of cues related to this characteristic has until now seemed dubious.

CONTEXT AND THEORY

The first wines extrinsically communicating OV's in South Africa emerged in the late 1990's and since 2002 there has been a dedicated effort to clarify, protect and promote the OV viticultural resource; estimated at 2618 hectares, of which 1300 hectares is planted to Chenin Blanc. In 2014 SAWIS² agreed to assist the OVP in documenting the age of vineyards in South Africa. This culminated in the Certified Heritage Vineyard seal, indicating the specific age of the vineyard, to communicate to consumers that at least 85% of grapes used in the wine's production were from vineyards older than 35 years old. The standardisation of this attribute in South Africa – a global first - has created a novel market category. However, it is uncertain whether membership to the category provides competitive advantage.

Products and brands are often symbolic because they are not bought only for their direct utility (Levy, 1959; Aaker, 2008), but also for their meaning and the experience provided (Escalas & Bettman, 2005; Prahalad & Ramaswamy, 2000), manifesting in social, self-expressive and emotional benefits for consumers (Escalas & Bettman, 2005; Aaker, 2008). In benefit-focused communication, Percy & Rosenbaum-Elliott (2016) distinguish between characteristics, attributes and emotions in prioritising beneficial extrinsic cues. Characteristics are subjective claims that describe the product properties, such as “old” or “reserve”. They also describe the experience, with descriptors such as “complex”, or practices such as “natural winemaking”. However, only when these claims become legitimatised or considered legally, normatively and culturally appropriate, desirable and acceptable within a context (Scott, 2001; Humphreys, 2010), do they generate objective criteria and become attributes. Extrinsic cues also convey desirable emotions, such as nostalgia, or the belief that things were better then, than now (Davis 1979; Holbrook 1993; Brown, Kozinets & Sherry, 2003). Prior to the introduction of the certification seal in South Africa, extrinsic OV cues would simply have been characteristics relying on discourse to justify the added value. However, arguably, only when certification was introduced did OV create legitimate boundaries and objective evaluation criteria to become attributed (See: Carroll & Wheaton, 2009).

Organisations speeding novel products to market, often have no prior user-experience to draw from for accurate market data (Schoonhoven, Eisenhardt & Lyman, 1990), and therefore would lack proven templates to construct aggregate pricing. Furthermore, the consumer adoption of novel attributes is likely to be influenced by the ambiguity and complexity of information surrounding the novel attribute (Mukherjee & Hoyer, 2001; Hirschman, 1980). Nonetheless, collections of overlapping attributes or practices congeal into categories over time through cycles of sensemaking (Rosa, Porac, Runser-Spanjol & Saxon, 1999; Weick 1979), that define membership within legitimised boundaries (Hsu, Koçak & Hannan, 2009; Negro, Hannan & Fassio, 2015). Category boundaries can vary between fuzzy sets of

¹ Here we use the English abbreviation in contrast to the more commonly used French VV abbreviation for *vieilles vignes*, meaning old vines (See: Negro et al. 2015).

² South African Wine Information and Systems. See: <http://sawis.co.za> and <http://oldvineproject.co.za>

attributes that overlap (Viswanathan & Childers, 1999) or sharp membranes that represent high costs to low cost producers (Negro et al., 2015). In addition, categories can either be represented by prototypes which are typical of a category (Aaker, 2007), as markers of identity, or products based on authentic category exemplars or icons, as a marker of status (Aaker, 2007; Delmestri & Greenwood, 2016).

Market category signals are collective signals associated with category membership and track-record that convey collective reputational information, impacting value and quality. Cues, standards and practices can constitute market signals (Negro et al., 2015). According to signalling theory, market category signalling is one way in which producers convey information to other market actors and engage in preannouncing new products or attributes (Spence, 1974; Eliashberg & Robertson, 1988). Price is an important market signalling mechanism (Gerstner, 1985). However, little is known about novel market category signalling and the concomitant pricing pre-announcements, whether implicit or explicit.

Wine production is a cultural industry that balances the integration of art and commerce (Voronov & De Clercq 2007; Voronov, De Clercq & Hinings, 2013), and in contrast to utilitarian products which serve practical purposes, wine is often a symbolic, experiential and hedonic product (Barber, Taylor & Strick, 2009). This means it is pleasure and lifestyle-related and can create emotional and other intangible consumer benefits (Holbrook, 1993; Babin, Darden, & Griffin, 1994). Furthermore, wine quality can only be assessed sensorially in the act of consumption, explaining the importance of wine critics and ratings, and why information conveyed explicitly through market signals is valuable in predicting quality in wines and other experience goods (Negro, Hannan & Fassiotto, 2015: 10).

The hedonic pricing model, refined by Rosen (1974), assumes that a product or brand is an aggregate of its attributes, each of which can be priced. Price is therefore an aggregator of the relative importance of each product attribute. The further assumption is that each consumer would select a set of attributes to maximise the total hedonic value of their purchase (Priilaid, 2016: 26). The hedonic pricing model methodology is regression-based, seeking to explain the price of differentiated products as a function of its characteristics, attributes or category (Boatto et al., 2011). Wine is a differentiated product where several attributes compete for price importance and the assumption here is that significant worth is placed on those attributes that signal, sharpen and contrast the wine's category boundaries (Negro et al., 2015; Boatto et al., 2011).

While OV's have been viewed as endowments of *terroir* (Gergaud & Ginsburgh, 2008), a wine market category in signalling theory (Negro et al., 2015) and theme in the heritage and pedigree attribute of luxury wine brand authenticity (Beverland, 2006), yet exploration into the marketing aspects of this resource is still in its infancy. Moreover, though there is a rich literature on the hedonic pricing of wine that focusses on the comparative worth of several established wine cues (Boatto et al. 2011: 679; Cuellar & Claps, 2013), including age-related factors such as wine age and vintage wine (Boatto et al., 2011), the hedonic pricing of novel attributes and OV's, is a black box in hedonic pricing theory. This paper seeks to open this line of inquiry.

RESEARCH QUESTION AND HYPOTHESES

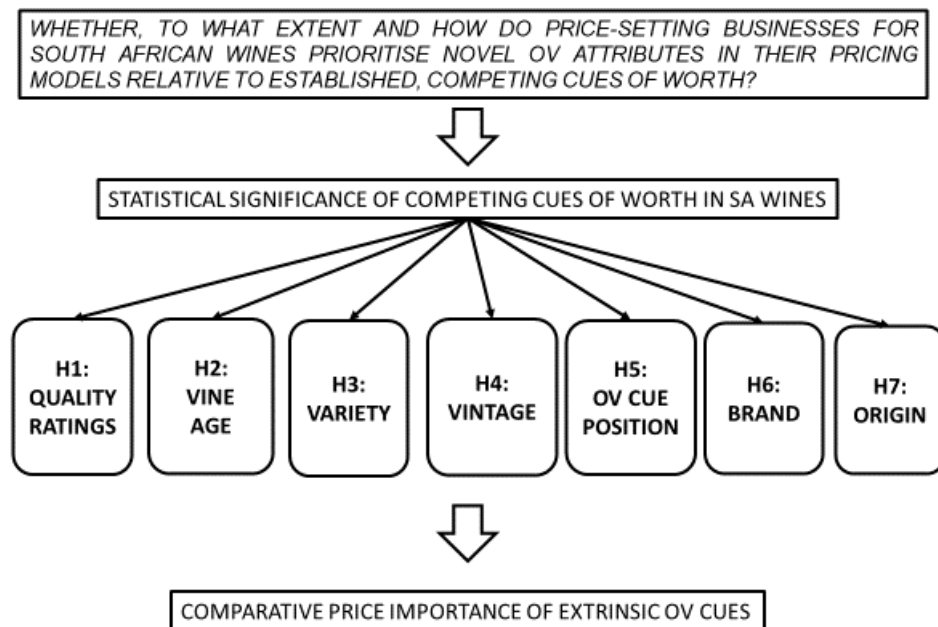
The preceding review prompts the research question of *whether, to what extent and how price-setting businesses for South African wines prioritise novel OV attributes in their pricing models relative to established, competing cues of worth.*

Accordingly, in the estimation of a hedonic pricing model of South African old vine wines, the following set of hypotheses apply:

- H₁: quality ratings will present as statistically significant,*
- H₂: vineyard age will present as statistically significant,*
- H₃: varietal effects will present as statistically significant,*
- H₄: vintage effects will present as statistically significant,*
- H₅: the presence of front and back-label communication of OV cues will present as statistically significant,*
- H₆: branding effects will present as statistically significant,*
- H₇: area-of-origin effects will present as statistically significant.*

This hypothetical model is diagrammatically represented in Figure 1 below.

FIGURE 1:
Hypothetical model for comparative worth of ov cues.



METHOD

Data Collection and description of variables:

Initially, 290 South African wines with OV cues found communicated on the front label, back label, and on marketing material were examined for inclusion in the study. Here, the wine-searcher online platform, where ratings and prices are aggregated via Bayesian methodology, proved a relatively consistent measure of aggregated data for the 159 wines that ultimately informed this study. Data was collected between August 2017 and February 2018, prior to the introduction of the certified heritage vineyard seal. A discussion on the extrinsic candidate variables for explaining OV wine prices follows below.

Price

Prices are given in (ZA) rand value. The preferred primary source of aggregated pricing for OV wines was the *Wine-Searcher* online platform. However, these tended to vary in certain instances to local pricing. An exploratory study was conducted to compare the aggregated prices to other price information sources. Four online and physical retail outlets (*Wine Cellar*, *Caroline's Fine Wine Cellar*, *The Vineyard Connection*, *Cyber Cellar*) and one local online ratings platform (*Wine Magazine*) were used as local sources for prices.

Table 1 (below) summarises the distribution of the 159 OV wines classified across entry-level (0-R100), premium (R101-R200), super-premium (R210-R500) and ultra-super premium (R501-R1590) price bands.

Wine Rating

The *Wine Searcher* online platform was used as a relatively stable aggregator of critic ratings. A 100-point score for each individual wine by vintage as well as an average overall score is provided. Bayesian methodology is used to calculate a weighted average of scores from Robert Parker, Jancis Robinson, Jamie Goode, Tim Atkin, Wine Spectator, Decanter, Cellar Tracker, Platter's Wine Guide. To retain consistency on the quality measure, 131 wines of the original dataset that did not have aggregated ratings were consequently eliminated.

TABLE 1:

The distribution of age of vines by price segment, mean price and vine age.

	Total	Mean Price	Mean Vine Age
Super ultra-premium (R501-R1590)	18	R787	69
Ultra-premium (R201 – R500)	93	R310	54
Premium (R101 – R200)	40	R153	43
Entry-level (0-R100)	8	R75	45
	159		

Vineyard Age

At the time of data collection there was no standardised schema in place to register specific blocks of vines as being of a certain age and therefore some of the vineyard age data, while constituted within a broad age-band of vines older than 35 years old, is not entirely precise. The vineyard's age is ordinarily mentioned on the front and back label of the wine or the marketing material. Where there was no specific indication of the vineyard age, the producer or grower was contacted. If several vineyards were blended, the age of the oldest vineyard was used in the production of this wine; irrespective of the percentage of the blend attributable to a specific vineyard.

Varietal

Each entry was defined by a specific cultivar or a blend (white or red). In the case of a blend, the cultivars were captured in separate fields with the dominant variety in the blend arranged as the first qualifier. The challenge in this case was that the age of the vines relevant to each cultivar component could vary if only one portion, cultivar or block used in the blend was from an old vineyard. In this instance the wine still qualified as a wine produced from old vineyards.

Vintage

As an emerging category, there were relatively few wines that had a significant track record of vintages. The current vintage of each wine was used by default, but if there was more information regarding ratings and prices for alternative vintages, it was used. Some wines have multiple vintages. Vintages ranged from 2009 to 2017.

Informational cues about vineyard age: front, back label and available marketing material.

The front and back labels, as well as marketing material from websites were consulted for mention of OV-related cues. The following terms qualified in this category: “Old Vines”, “Matured Vines”, “Old Block”, “Ou Blok”, “Ou Stokke” or “Ou Wingerd”. 148 wines aged 35 years or more captured data set, with the addition of 11 more that presented as between 30 and 34 years old. The information for the marketing material was collected from websites and from the producers directly, provided it was available in the market.

Producer Brand

The initial dataset of brands was generated through the listing of OV wines exhibited at the OVP tasting in London in 2017. Further web searches were conducted using the following sites: [Wine Cellar](#), [Cyber Cellar](#), [Wine.co.za](#), [Jancis Robinson](#), [Wine Spectator](#), [Port2Port](#) and general Google web searches. Of the 159 wines recorded in the dataset, 70 candidate brands were identified. These are depicted in Table 2. Only brands containing six or more sub-brands were included as candidates for analysis (n=57).

TABLE 2:

Candidate brands per citing frequency

FREQUENCY	BRANDS CITED
16	Sadie Family.
9	Mullineux & Leeu.
7	Beaumont, Boekenhoutskloof.
6	AA Badenhorst, Alheit, David & Nadia.
5	DeMorgenzon, Stellenrust.
4	Botanica, Ken Forrester.
3	Bosman Family, Gabrielskloof, Guardian Peak, Kanonkop, L’Avenir, Opstal, Radford Dale.
2	Anthonij Rupert – Cape of Good Hope, Boutinot, DeTrafford, Fram, Intellego, JH Meyer, Kleine Zalze, Leeuwenkuil, Mount Abora, Spice Route, Vondeling.
1	Avondale, B Vintners, Beau Joubert, Bellingham, Blank Bottle, Bloemendal, Bouwer & Badenhorst, Bryan MacRobert, Craven, DeWaal, Edgebaston, Fairview, Graham Beck, Hogan, Kaapzicht, Keermont, Lammershoek, Longridge, Man, Momento, Mooiplaas, Morgenhof, Nabygelegen, Neil Ellis, Painted Wolf, Patatsfontein, Raats, Remhoogte, Reyneke, Rickety Bridge, Scali, Silwervis, Simonsig, Solms Delta, Spier, Testalonga, Tierhoek, Warwick, Waterkloof, Winery of Good Hope.

Origin

All wine of origin data was populated according to the South African wine of origin scheme architecture, defined by the Wine and Spirits Board and Liquor Products Act 60 of 1989. The hierarchy of production areas follow from largest to smallest: Geographical Unit, Region, District and Ward. For a label to carry the status of a specific area all the grapes used to make

the wine must originate from that specifically registered area. If grapes are used from two different areas, the greater area which encompasses both areas, was used.

Data Analysis

Proceeding from the above, we seek now to establish how these cues may best be treated in the production of a hedonic function demonstrating optimal value. Here, we employ the ordinary least squares (OLS) regression methodology. Thus the spread of old vine prices (*price*) is modelled for the old vine wines $i=1\dots n$ as a function of K (BC_k where $k=1,\dots, K$) characteristics:

$$price_i = \alpha + \sum_{k=1}^K b_k BC_k + \varepsilon_i$$

(Equation 1)

where: α = the estimated intercept term

b = the K slope coefficients as estimated by OLS

BC = the K 'Bottle Cues'

ε = a random residual error term following classic assumptions

Linking the candidate bottle cue (BC) variables to those cues highlighted in the preceding section, our model decomposes the price of each whisky into elements of mispricing and value. The 'value' of each old vine wine, i , is thus computed as:

$$value_i = price_i - \varepsilon_i$$

$$= \alpha + \sum_{k=1}^K b_k BC_k$$

(Equation 2)

As with previous valuation studies in the extant literature, (Priilaid & Rensburg 2012; Priilaid 2016), each fitted estimate equates to the value of the wine in question, with the difference between value and price reflecting the level of mispricing (ε_i) in each case. So doing, this approach also facilitates the graphic co-illustration of the price and value of each wine, thus enabling the mapping of the zone of maximum value relative to price: the so-called "value frontier". Through this OLS approach, an OV valuation model may be computed through the incorporation of pricing effects derived from the intrinsic and extrinsic bottle cues as previously described; viz.: those derived from wine quality, vineyard age, varietal, vintage, the citation of the vineyard's age on either the front or back label, the provision of alternative marketing material, the brand name, and area of origin.

The final model reads as follows:

$$Price_i = \alpha + b_1 * Quality_i + b_2 * VineAge_i + b_3 * D^{Pinotage}_i + b_4 * D^{Cinsault}_i + b_5 * D^{Chenin}_i + b_6 * D^{Red Blend}_i + b_7 * D^{White Blend}_i + b_8 * D^{2016}_i + b_9 * D^{2015}_i + b_{10} * D^{2014}_i + b_{11} * D^{2013}_i + b_{12} * D^{2012}_i + b_{13} * D^{Mkt}_i + b_{14} * D^{Front Label}_i + b_{15} * D^{Back Label}_i + b_{16} * D^{Mullineux}_i + b_{17} * D^{Sadie}_i + b_{18} * D^{AAB}_i + b_{19} * D^{Beaumont}_i + b_{20} * D^{Alheit}_i + b_{21} * D^{D\&N}_i + b_{22} * D^{Bknklf}_i + b_{23} * D^{Piekniekerskloof}_i + b_{24} * D^{Stellenbosch}_i + b_{25} * D^{Franschoek}_i + b_{26} * D^{Bot River}_i + b_{27} * D^{Swartland}_i + b_{28} * D^{Citrusdal}_i + \varepsilon_i$$

Where:

α = the regression's estimated intercept term.

Quality = Quality of wine as per Wine Searcher.

Vine Age = the age of the vineyard.

$D^{Pinotage}$ = 1 if wine is a Pinotage, 0 if otherwise.

$D^{Cisault}$ = 1 if wine is a Cinsault, 0 if otherwise.

D^{Chenin} = 1 if wine is a Chenin Blanc, 0 if otherwise.

$D^{Red Blend}$ = 1 if wine is a Red Blend, 0 if otherwise.

$D^{White Blend}$ = 1 if wine is a White Blend, 0 if otherwise.

D^{2016} = 1 if vintage is 2016, 0 if otherwise.

D^{2015} = 1 if vintage is 2015, 0 if otherwise.

D^{2014} = 1 if vintage is 2014, 0 if otherwise.

D^{2013} = 1 if vintage is 2013, 0 if otherwise.

D^{2012} = 1 if vintage is 2012, 0 if otherwise.

D^{Mkt} = 1 if vintage is 2014, 0 if otherwise.

$D^{Front Label}$ = 1 if vintage is 2013, 0 if otherwise.

$D^{Back Label}$ = 1 if vintage is 2012, 0 if otherwise.

$D^{Mullineux}$ = 1 if producer is Mullineux, 0 if otherwise.

D^{Sadie} = 1 if producer is Sadie, 0 if otherwise.

D^{AAB} = 1 if producer is A.A. Badenhorst, 0 if otherwise.

$D^{Beaumont}$ = 1 if producer is Beaumont, 0 if otherwise.

D^{Alheit} = 1 if producer is Alheit, 0 if otherwise.

$D^{D\&N}$ = 1 if producer is David & Nadia, 0 if otherwise.

D^{Bknkif} = 1 if producer is Boekenhoutskloof, 0 if otherwise.

$D^{Piekniekerskloof}$ = 1 if area of origin is Piekniekerskloof, 0 if otherwise.

$D^{Stellenbosch}$ = 1 if area of origin is Stellenbosch, 0 if otherwise.

$D^{Franschoek}$ = 1 if area of origin is Franschoek, 0 if otherwise.

$D^{Bot\ River} = 1$ if area of origin is Bot River, 0 if otherwise.

$D^{Swartland} = 1$ if area of origin is Swartland, 0 if otherwise.

$D^{Citrusdal} = 1$ if area of origin is Citrusdal, 0 if otherwise.

b_1 = the marginal effect of quality across the sample of all wines.

b_2 = the marginal effect of wine age across the sample of all wines.

b_3 to b_7 = the marginal effect of Pinotage, Cinsault, Chenin Blanc, Red Blends and White Blends, respectively.

b_8 to b_{12} = the marginal effect of wines with the following respective vintages: 2016, 2015, 2014, 2013 and 2012.

b_{13} = the marginal effect of wines with any marketing material appearing on the bottle.

b_{14} and b_{15} = the marginal effect of wines with the age of vineyard appearing on the front and back labels, respectively.

b_{16} to b_{22} = the marginal effect of wines produced by *Mullineux*, *Sadie*, *AA Badenhorst*, *Beaumont*, *Alheit*, *David & Nadia* and *Boekenhoutskloof*, respectively.

b_{23} to b_{28} = the marginal respective effect of the following wine growing areas: Piekenierskloof, Stellenbosch, Franschhoek, Bot River, Swartland and Citrusdal.

In terms of the above, we specify the following variables as categorical comparators so as to avoid the dummy trap: "Wine type" (all wines types excluding Pinotage, Cinsault, Red Blends and White Blends), "Vintages" (all vintages prior to 2012), "No marketing" (all wines with no marketing material), "No labels" (all wines without vineyard age featured on either the front or back of the bottle), "Brands" (all brands excluding *Mullineux*, *Sadie*, *Beaumont*, *Alheit*, *David & Nadia* and *Boekenhoutskloof*), and "area-of-origin" (all areas excluding Piekenierskloof, Stellenbosch, Franschhoek, Bot River, Swartland and Citrusdal.)

Coefficients b_3 to b_{28} should therefore be contrasted against these comparators which, in sum, is proxied by α , the constant intercept term derived in equation 3.

RESULTS

Preliminary Analysis

Analysing the (Pearson) correlation matrix of the dataset's ratio-styled variables (see Table III), a strong-positive correlation (0.53) is observed between price and quality together with a positive-medium (0.35) price-to-age correlation. The age-to-quality correlation is also positive medium (0.31), suggesting, without control, that these two variables are likely to provide explanatory power to the pricing model without the risk of multi-collinearity. All correlations are significant ($p \leq 0.00$).

TABLE 3:

Correlation matrix of price, vineyard age and quality (n=159).

	Price	Vineyard Age	Quality
Price	1		
Vineyard Age	0.35	1	
Quality	0.53	0.31	1

Model Output

In line with equation 3, the OLS model explaining OV wine prices across a suite of intrinsic and extrinsic variables is presented over-leaf in Table 4.

To recap, this study presents seven candidate variables as potentially explaining the prices of old vine wines, namely: (1) wine quality (2) age of vineyard (3) wine varietal (4) vintage, (5) the presence of marketing material on front and back labelling, (6) brands, and (7) area of origin. Except for vintage (H_4), all factors yield some degree of statistically significant explanation, thus verifying hypotheses H_1 , H_2 , and H_4 to H_7 . H_4 does not hold in any form. With respect to the cited output, certain key findings should be noted.

Firstly, though at first glance the model's constant of -5812.36 appears perhaps nonsensical, this figure represents a wine price with all candidate variables held at zero. As shall be shown, the introduction of each variable class (especially quality) rapidly shifts this negative value into positive territory.

Quality. As per Table 4, quality (65.57, $t=5.02$) offers the most significant explanation of price, implying a price increment of R65.57 for every 1/100 unit increase in quality. Scanning between the lowest and highest quality of wines in the dataset, *ceteris paribus*, while a wine scoring 86/100 is worth 5639, a wine scoring 93/100 is worth 6098, yielding a price difference of R459.

Vineyard Age. The age of vineyard is the second most significant variable in the price model (3.64, $t=4.28$). The cited coefficient implies a price increment of R3.64 for every additional year in vineyard age.

Varietal. As a basis of explanation, the output relating to the varietals on offer is varied. Relative to non-designated base-case areas in the dataset, Pinotage (R330.09, $t=4.28$), and white blends (-R190.13, $t=-2.96$), were the only statistically significant area-effects identified. Note that while Pinotage appears to contribute to the value offering, white blends detract. All other varietals in the sample appear to be insignificant, and apart from Swartland, negative.

Vintage. As already noted, as a basis of explanation, wine vintage appears insignificant, and seemingly trumped by age of vineyard.

Labelling. This study examined three aspects of labelling. (1) Relative to the base case, wines carrying the vine age on the back label ($n=72$) add a sum of R72.33 ($t=1.87$) to the wine price. (2) By contrast those wines with vine age on the front label ($n=43$) subtract R64.91 ($t=-1.51$). (Those wines carrying vineyard age on both front and back ($n=37$) thus add R7.42 to the value of their wines.) (3) OV wines carrying additional non-bottle marketing material add an insignificant R8.99 ($t=0.15$) to the value assemblage.

TABLE 4:

Regression result explaining ov prices as per equ. 3

Pricing model: Adj R ² : 42.71%, F:5.21 (p=0.0000), n=159.			
Variable	Coefficient	t-value	p-value
Constant	-5812,36	-5,02	0,00
Quality	65,57	5,02	0,00
Vineyard Age	3,64	3,28	0,00
Pinotage	330,09	4,28	0,00
Cinsault	-3,29	-0,05	0,96
Chenin Blanc	-7,18	-0,15	0,88
Red Blend	-59,18	-0,63	0,53
White Blend	-190,13	-2,96	0,00
Vintage 2016	15,43	0,21	0,83
Vintage 2015	25,13	0,37	0,71
Vintage 2014	-18,68	-0,27	0,79
Vintage 2013	-70,13	-0,94	0,35
Vintage 2012	31,85	0,32	0,75
Marketing Material	8,99	0,15	0,88
Front Label	-64,91	-1,51	0,13
Back Label	72,33	1,87	0,06
Mullineux and Leeu Family	192,35	2,69	0,01
Sadie Family	-67,43	-0,93	0,36
AA Badenhorst	20,14	0,24	0,81
Beaumont Family	-162,71	-1,38	0,17
Alheit Vineyards	135,16	1,39	0,17
David and Nadia_	61,82	0,70	0,48
Boekenhoutskloof	-45,22	-0,30	0,76
Piekenierskloof	40,56	0,61	0,55
Stellenbosch	77,68	1,91	0,06
Franschhoek	88,76	0,77	0,45
Bot River	87,67	0,93	0,35
Swartland	8,07	0,18	0,86
Citrusdal	-23,57	-0,32	0,75

Brand. Only one brand presented with a statistically significant price premium: *Mullineux and Leeu Family* with R192.35 ($t=2.69$). With nine wines varying in price from R110 to R975, controlling for all other factors cited in the model, this producer is still able to sustain this impressive price premium. *Alheit* and *Beaumont* also yield brand effects: namely R135.16 ($t=1.39$) and -R162.71 ($t=-1.38$), albeit at an 83% level of confidence.

Area-of-origin. Within our limited sample of data, no fully significant area-of-origin price effects were identifiable. As one of the oldest wine growing areas in South Africa, Stellenbosch presented with close-to-highly significant price premia: R77.68 ($t=1.91$).

MANAGERIAL IMPLICATIONS, LIMITATIONS AND FUTURE RESEARCH DIRECTION

This work develops our understanding of whether, how and to what extent novel extrinsic OV attribute-cues explain their underpinning prices relative to competing cues of worth such as aggregate ratings, exemplar brands, prototypical varieties, and origin. So doing, it addresses gaps in the hedonic wine pricing literature related to the price efficacy of vine age and novel attributes. Based on the findings cited above, several managerial implications are worth noting, the most significant of which are summarised in Table 5.

TABLE 5:

Significant attributes, measures and interpretation.

ATTRIBUTE	MEASURE	COEFF	P-VALUE	INTERPRETATION
H1: QUALITY RATINGS	Wine Searcher ratings.	R66.57	0.00	For every 1-point increase on Wine-Searcher 100-point ratings scale price increases by coefficient amount.
H2: VINE AGE	Age or approximate age of vineyard.	R3.64	0.00	For every year of additional age of vineyard, price of wine increases by coefficient of R3.64.
H3: PROTOTYPICAL VARIETIES	Pinotage	R330.09	0.00	Premium of R330.09 on Pinotage cue on wine label.
	White Blend	-R190.19	0.00	R190.19 discount on white blend cue or absence of cultivar cue.
H5: CUE POSITION	OV mentions on front label.	-R64.91	0.13	Discount of R64.91 on worth of OV cue on back label.
	OV mentions on back label.	R72.33	0.06	Premium of R72.33 placed on worth of OV cue on back label.
H6: EXEMPLAR BRANDS	Mullineux & Leeu	R192.35	0.01	As an exemplar and luxury category brand, attracted a R192.35 premium.
	Alheit	R135.16	0.17	As an exemplar and luxury category brand, attracted a R135.16 premium.
H7: ORIGIN	Stellenbosch	R77.68	0.06	As an emblematic geographical indication of origin, attracted a R77.37 premium.

Firstly, for managers, the age of a vineyard provides a crucial means of pricing OV wines.

Secondly, there is significant price efficacy on certain luxury brands, prototype varieties and regions. However, the nature of these are somewhat intriguing. Exemplar category brands that were associated with luxury such as *Alheit* (R135) and *Mullineux & Leeu* (R192), varieties typical of South African wine heritage, like Pinotage (R330), and regions with a reputation of quality, such as Stellenbosch (R78), all attracted a greater price importance. What is interesting to observe, though, is that white blends attracted a significant negative price importance (-R190). This we interpret as a lack of sufficiently clear identity, possibly being overshadowed by more significant cues such as the area of Stellenbosch.

Thirdly, the placement and nature of extrinsic OV cues revealed surprising results. There seems to be little significant confidence in the front label OV cue to justify a higher price (-R64,91). By way of interpretation, this could be symptomatic of the fuzziness of category boundaries, or because of the absence of a standardisation schema at the time of data collection. The OV cue was simply a subjective characteristic that carried little front label price importance. Similarly, interpretation of the meaning of OV as an attribute could not be confidently valorised by objective criteria, and information diffusion about the category would

have been low, emerging or ambiguous. Instead, our findings suggest more confidence in subjectively communicating the OV characteristic via copy on the back-label – with a positive R72 contribution – this possibly because the narrative of such copy could elicit a more emotional audience response, justifying assigning greater price importance. Fourthly, and finally, our findings place significant price importance on intrinsic quality as per the ratings conferred. High ratings confirm the status of exemplary brands in status-generating audiences (Massa, Helms, Voronov & Wang, 2017).

This research is subject to certain limitations. Analytically it should be noted that while the model at hand is robust and offers insight as to the statistical significance of several extrinsic cues, its relative significance should not be confused or substituted with its effectiveness. To elaborate: while several factors identified here do much to explain price, the model is not explicitly customer facing in the sense that it seeks to provide insight as to which factors offer the best quality or value for money in the eyes of the consumer (Priilaid & Van Rensburg, 2012). This, we note, is because of the unavailability of metrics that cover this rare category or wines.

With no sampling at point-of-purchase, the product is offered and accepted along the lines of “what you see is what you get”. In the retail of OV wines, a worthy line of enquiry would be to ask customers what combination of cues *they* believe offers the best indication of quality and/or value for money. There is likely to be some variance between the weighting of cues which producers and marketers offer as heuristics of quality - and the weighting conferred by which customers. There appears to be little or no work on the interactions between sensory-driven “bottom-up” and marketing-driven “top-down” measures of quality, and there is ample scope for exploration in this regard.

The branding of OV wine could also be more fully analysed. In this study a brand is specified as one which offers a stable and statistically significant price premium, controlling for all other variables. Of course, there are several other perspectives on branding, the most common of which is that a brand serves as a placebo, which is to say that brands find traction where there is a predictably consistent difference between a wine’s extrinsic and intrinsic merit (Priilaid & Van Rensburg, 2012). This *extrinsic-less-intrinsic* differential links with the “value-added” view of brand equity (Keller, 1993). There is however no literature that seeks to identify how this form of brand equity plays out geographically and demographically across wine markets. It remains important to establish how their functional attributes compare with the symbolic/extrinsic attributes. There are equivalent formulations of this functional-to-symbolic distinction within both the wine literature (Mowle & Merrilees, 2005) and the generic literature on luxury brands *per sé* (Wiedmann, Hennings & Siebels, 2010), and there is scope for similar such work here.

This point leads to one additional limitation: that being of the relative paucity of academic-level OV-specific literature. At the time of writing there appears little in the authoritative literature that offers econometric insight (or otherwise) into OV wine as a retail and marketing phenomenon. To compensate, this study consequently employed certain “unofficial” internet-based sources of information. It is anticipated that with time the publication of further relevant journal-level publications will make this substitutive practice unnecessary.

CONCLUSION

This study sought to model OV attributes of South African wines. So doing, it found that there is lack of confidence in the ability of objectively communicated OV attributes on the front label to justify higher prices (-R64.91) possibly because of the nascence of the category and the current fuzziness of the OV category boundaries. Because of this, the most significant OV attribute appears presently confined to stories and rhetoric found on the back label. As such, we must conclude that since the OV category is still emerging the introduction and diffusion of

the certification schema is likely to have significant effect on the positioning and price modelling of wines within the OV category. As the anticipated proliferation of OV cues accelerates, the sensemaking of price points is likely to grow in importance. Thus, this study, we believe, will prove valuable in assisting future researchers and practitioners in understanding how to price novel categories and vine age-attributes in South African wines.

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Does personality type influence relationship commitment?

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ABSTRACT

The majority of studies within the domain of relationship marketing focus on what business can do to build stronger relationships with customers. This study, however, followed a different approach by emphasising the customer-side of the relationship. Specifically, this study focused on the possible effect that customers' personalities might have on their affective, calculative and normative commitment to a relationship. The study made use of the introversion-extraversion spectrum, and it analysed possible differences in personality type and commitment to a relationship. A non-interactive, self-administered questionnaire was used to target 370 respondents. Firstly, the respondents' personality type was determined, after which their commitment to their mobile service providers was established. The dataset was split into two subsets, namely an introvert and an extrovert sample. Cronbach's alpha was used to determine internal consistency, whereas differences between the different personality types and commitment were analysed according to the one-way ANOVA. The results of the study were somewhat unexpected, especially given the almost total lack of information in the literature on the effect of personality on customer commitment.

INTRODUCTION

Increased competition requires service providers to find innovative ways to build and manage long-term relationships with customers. It is therefore not unexpected to find the topic of customer commitment remains relevant in the marketing literature. Although many studies have been conducted regarding the management of customer commitment, these studies appear to focus on the managerial side of commitment (the strategies that a service provider could employ to manage customer commitment).

This paper addresses customer commitment from a different perspective by shifting the emphasis to the customer. The question can be asked whether all customers are necessarily interested in long-term relationships with service providers. Also, are certain customers more prone to commit themselves to certain service providers? What is the influence of a customer's personality on the propensity to committing to a service provider? It is against this background that this paper investigates the possible effect of customer personality on commitment to a service provider. The study firstly examines the importance of commitment in a marketing relationship, after which personality is addressed. The focus is, amongst others, on the different ways in which an individual's personality type can be determined. During the empirical phase of the paper, possible differences in personality type and the different types of commitment are analysed.

The study is unique in the sense that, as far as could be ascertained, it is the first of its kind to link personality to customer commitment from a South African perspective. Therefore, the study provides interesting and thought-provoking ideas on the possible effect of personality type on commitment.

Customer commitment

According to Fullerton (2014), commitment from a marketing perspective is a complex construct. The origin of the concept is rooted in the literature on organisational behaviour and industrial organisational psychology. Many of the principles behind customer commitment have therefore been borrowed from an organisational commitment perspective (Fullerton, 2014). However, the application of commitment principles to customer behaviour has gained significant support, to such a degree the concept of commitment is viewed as being central to understanding customer behaviour (Shukla, Banerjee & Singh, 2016).

Customer commitment is often viewed as the end result of a marketing relationship (Chang, Wang, Chih & Tsai, 2012). Subsequently, several studies have been performed in which the important role of commitment is emphasised (Ponder, Bugg & Hansen, 2016; Zhang, Watson, Palmatier & Dant, 2016; Aksoy, Keiningham & Bejou, 2014). Commitment is broadly defined as “the enduring desire to maintain a valued relationship” (Moorman, Zaltman & Deshpande, (1992: 316). From the service provider’s perspective, this desire entails the business to show both a need and a readiness to make an effort to manage the relationship (Steenhaaut & Van Kenhove, 2005). Commitment might be one of the most important motives for customers to return to a service provider (Evanschitzky, Iyer, Plassmann, Niessing & Meffert, 2006). Once customers return, they contribute to the profitability of a business because having loyal and committed customers are key factors for remaining profitable (Aksoy *et al.*, 2014).

According to Theron, Terblanche and Boshoff (2008), commitment has the ability to reduce the uncertainty about the future of the relationship. Commitment also has the capability to enhance a long-term relationship by strengthening confidence in behaviour and aligning the motivational structure (Hulten, 2007).

The dimensionality of commitment

When the concept of commitment was first introduced in the marketing domain, it was as a unidimensional construct (Moorman *et al.*, 1992). Towards the end of the 1990s, however, studies regularly started to view commitment as a multidimensional construct consisting of three distinctive components: affective, calculative and normative commitment (Keiningham, Frennea, Aksoy, Buoye & Mittal, 2015). Meyer and Allen (1991) base this multidimensional nature of commitment on the work within the domain of organisational psychology. In concurrence with the work of Eisingerich and Rubera (2010), this study supports the multidimensional perspective on commitment.

Affective commitment refers to “the degree to which a customer is psychologically bonded to the service organization on the basis of how favourable the consumer feels about the organization” (Jones, Fox, Taylor & Fabrigar, 2010:18). According to Fullerton (2003), this component of commitment indicates a process by which a customer identifies personally with a service provider (Fullerton, 2003). Fullerton (2003) also highlights that affective commitment is based on a relationship, devotion, identification, similarities and shared values. In other words, affective commitment reflects on the emotional attachment a customer has towards a service provider (Alabdi & Kang, 2015). It can therefore be deducted that affective commitment is associated with strong positive feelings towards a service provider (Steenhaaut & Van Kenhove, 2005). Furthermore, Bilgihan and Bujisic (2015) argue that relationships that are built on affective commitment are more stable.

On the other hand, *calculative commitment* refers to a rational motive by the customer that considers the switching costs when a relationship is terminated (Marshall, 2010). Therefore, the higher the customer's calculative commitment is towards a service provider, the less inclination for a customer to switch to another service provider (Alabdi & Kang, 2015). In order to decide on a customer's level of calculative commitment, the customer is constantly in the process of evaluating the perceived costs associated with terminating the relationship (Jones *et al.*, 2010). These costs could be economic, social or status related (Gruen, Summers & Acito, 2000).

Normative commitment is the most recently added component of commitment and the component that is studied least from a relationship marketing perspective (Fullerton, 2014). This type of commitment refers to a situation where a customer is bound to a service provider because of a perceived obligation (Bansal, Irving & Taylor, 2004). Normative commitment results in customers feeling a sense of moral obligation towards the service provider (Alabdi & Kang, 2015). Two determinants influence normative commitment, namely the function of the customer's inner beliefs and personal nature, reflecting the effect of external social pressure from the customer's peers (friends, family, co-workers or other customers) (Alabdi & Kang, 2015). Therefore, customers will respond in a certain manner in order to associate with the social group they feel they belong to (Foxall, Goldsmith & Brown 1998).

Personality

A person's personality is the characteristic that is inherent to every individual, which means that someone's personality can be understood through their personality traits (Indarti, Fernandes, Fernandes & Hakim, 2017). Personality has been described by Carver and Scheier (2004) as a dynamic, internal organization of psychological systems that create a person's characteristic modes of behaviours, thoughts, and feelings.

Over the years, the emphasis has been placed on the effect of personality on specifically buying behaviour (Maehle & Shneor, 2010; Bagozzi, 1992). Personality has been widely recognised in the marketing literature as a variable that influences customer behaviour (Udo-Imeh, 2015). Previous research also extensively explores the effects of a customer's individual personality on their perceptions and preferences (Mulyanegara, Tsarenko & Anderson, 2009).

Regarding the influence of personality on relationship building efforts, Al-Hawari (2015) argues there is a growing realisation amongst organisations to understand which types of customers are willing to engage in relationships with service providers. Vázquez-Carrasco and Foxall's (2006) research maintains that it is necessary to consider a customer's personal characteristics when determining the nature of that customer's relationship with the supplier. According to these authors, particular products or services might be selected based on the customer's personality. This argument corresponds to Lin's (2010) findings that customers might prefer a specific supplier or product because this supplier or product complies with the customer's individual personality traits. Furthermore, Bove and Mitzifiris (2007) believe that businesses have to identify those customers who have a relational orientation since these customers will be more motivated to be part of a relationship.

According to Vázquez-Carrasco and Foxall (2006), customers' personality traits are related to the customer's behaviour and personality and could explain customer loyalty within relational marketing. In addition, Odekerken-Schröder, De Wulf and Schumacher (2003) argue that different types of personalities show different loyalties to specific stores and some focus more on the relationship.

From an organisational perspective, the influence of employee personality on organisational commitment appears to be previously researched with a number of authors indicating the relationship between these two concepts (Agrawal, 2017; Ajayi, Shiyabade, Ajayi, Olodude

& Olowoporoku, 2017; Guay, Choi, Oh, Mitchell, Mount & Shin, 2016). However, from the perspective of customer relationships, research appears to be limited (Gountas & Gountas, 2007). This argument resulted in Lin (2010) declaring that the topic deserves further investigation.

Personality types

Although numerous personality test exists through which personality is determined, these tests appear to agree about the most basic classification of individuals, namely extroversion versus introversion. *Extroverts* are described as 'peoples' people'; they are usually defined as the most energised and excited individuals (Laney & Laney, 2007). Further, extroverts appear to become uninterested quite easily, prefer to ignore repetitive tasks and often make comments without thinking them through (Rath, Bay, Gill & Petrizzi, 2014). Extroverts also view occurrences in a more positive light in order to enhance the propensity of a reward (Chang, 2001). It is interesting to note that extroverts generally reach decisions quicker, mainly because they focus on the big picture rather than smaller details (Stephens-Craig, Kuofie & Dool, 2015). On a somewhat negative side, extroverts can be perceived as arrogant and self-centred (Prichard, 2018).

Introverts, to the contrary, are usually more private and less affectionate, and typically seek quiet settings with less stimulating environments (Diener & Lucas, 2016). In addition, some introverts become oblivious to their surroundings as they are occupied with their private thoughts, and they tend to avoid additional costs (Chang, 2001). Introverts like to keep their feelings to themselves, tend to be less open-minded, and are more suspicious (Marbach, Lages & Nunan 2016). Introverts also appear to draw energy from their inner world of ideas and concepts. They are characterised as individuals who carefully think before they speak, are comfortable with working alone, have an inward orientation and reflect on a situation before a conclusion is made (Farrell, 2017). In their study, Stephens-Craig *et al.* (2015) also maintain that introverts might be considered as cautious and slow decision makers.

Personality tests

Differences in consumers' personalities affect the way in which individuals experience service or emotional stimuli (Gountas & Gountas, 2007). Therefore, personality tests are used to assess individuals' human personality constructs or traits. Although numerous personality tests are available in the psychology literature, six personality tests in particular appear quite often: the Meyers-Briggs Type Indicator (MBTI), the Eysenck Three-factor model, Lawry's True Colour model, Cattell and Mead's (2008) Sixteen personality factor (16PF) test, and the 'Big Five' personality test.

The MBTI was designed to assess eight factors of personality, which is determined by classifying individuals on four continuums: extrovert versus introvert, sensing versus intuition, thinking versus feeling and judging versus perceiving (Laney & Laney, 2007). Although this personality test is frequently preferred, the rather high cost of administering the MBTI often results in researchers selecting alternatives. This test, which was already developed in the 1920s, has gained considerable acceptance with about two million tests being conducted every year for hiring and promotion decisions (Cunningham, 2012).

Hans Eysenck (1966) used Jung's theory of personality as a guideline to establish the Eysenck personality test, also labelled the 'Three-factor model' personality test. Eysenck believes that even though an individual's behaviour plays a role in developing the personality, the main influence is from one's genetics and physiology. Extroversion and introversion, as well as neuroticism and stability, are assessed in the test.

Don Lawry developed the 'True Colours' personality test. It is based on Hippocrates' (4260 BC) theory on individuals' different temperaments, which include sanguine (optimistic and social), choleric (irritable and short-tempered), phlegmatic (relaxed and peaceful) and melancholic (analytical and quiet) (Cocoris, 2009). This personality test applies to behavioural factors by using colours to test the temperaments mentioned above.

Cattell and Mead's (2008) 'Sixteen personality factor' (16PF) test is used to determine the environmental factors that affect the individual's personality. The test attempts to determine a 'normal personality' range in which individuals can be measured (Cattell & Mead, 2008). Ultimately, the test identifies three levels: The primary and secondary levels are chosen because these traits are more powerful in predicting behaviour and the secondary level factors affect the primary levels directly (Cattell & Mead, 2008). The third-order factor consists of two variables, which in turn affects the primary and secondary orders. These are human-based activities that influence the world around them (Cattell & Mead, 2008). The test results render 16 personality traits.

The 'Big Five' personality test is often used within a marketing context (Udo-Imeh, 2015; Lin, 2010). This 'Big Five' personality test centres on five factors: openness to experience, conscientiousness, agreeableness, extraversion and neuroticism (Big five-personality theory, 2016). Although the 'Big Five' model determines *how* an individual reacts to certain situations, it does not determine *why* individuals respond in a particular manner (Erdheim, Wang & Zickar, 2006). Erdheim et al. (2006) further found that extraversion was significantly related to all three types of commitment. In addition, the study found that neuroticism, conscientiousness and openness to experience, are all significantly related to calculative commitment. The 'Big Five' personality test was found to be one of the most prominent models in contemporary psychology to describe the most salient aspect of personality (Kumar & Bakshshi, 2010).

From the literature, it is evident the majority of personality tests appear to include the introversion-extroversion spectrum in their categorisation of personality types. However, due to the rather high cost of administering these well-known personality tests, as well as the generally non-availability of personality scales, it was decided that this study would focus on the extroversion-introversion scale only.

Hypotheses

In order to serve the objectives of the study, the following hypotheses are stated:

H0¹: There is no difference between the different personality types and affective commitment.

Ha¹: There is a difference between the different personality types and affective commitment.

H0²: There is no difference between the different personality types and calculative commitment.

Ha²: There is a difference between the different personality types and calculative commitment.

H0³: There is no difference between the different personality types and normative commitment.

Ha³: There is a difference between the different personality types and normative commitment.

METHODOLOGY

Data were collected using a non-interactive, self-administered questionnaire.

Context: The mobile telecommunication service industry was selected as context for the study. This industry was selected because it is well known to most South Africans. South Africa is the second biggest mobile market in Africa with about 37.5 million mobile subscribers; this number represents a 68% penetration rate (The state of South Africa's mobile market vs the rest of Africa, 2017).

Measuring instrument: The measurement instrument consisted of three sections. The first section included two demographic questions, whereas respondents' personality types were assessed in the second section. Because of the non-accessibility of comprehensive personality measures, this study had to rely on the broad classification of introversion-extroversion. The 20 items used to measure personality were sourced from Isachsen and Berens (1995). In this part of the questionnaire, some personality traits were stated as opposing statements, and respondents had to indicate which of the two options best described their individual personalities. For example, respondents had to choose between "I am more sociable" and "I am less sociable". Ten opposing statements were included. It is important to note that respondents were not required to indicate the level to which they agree with a specific statement; they merely had to select one of the two opposing statements.

In the third section, respondents' commitment towards a specific service provider (in this case the mobile service provider industry) was assessed. The three types of commitment were measured on a 7-point Likert scale, according to existing scales that were sourced in the literature. The consideration was therefore on scales of which the reliability had been established previously. The items were predominantly sourced from Geyskens, Steenkamp, Scheer and Kumar (1996), Gutiérrez Cillán and Izquierdo, (2004), and Bansal *et al.* (2004). Five items were used to measure each of the three commitment variables, resulting in a commitment being measured through 25 items. The final measurement instrument consisted of 37 items (2 demographic questions, 10 personality items and 25 commitment items).

Sampling: The study made use of a Facebook sample. The link to the questionnaire was posted with an invitation to participate in the research. The original link was sent to approximately 2 000 Facebook users. There were two prerequisites needed to be able to participate in the research: firstly, a Facebook profile and secondly, internet access. The target population was selected on factors such as a representative gender distribution and participants belonging to the 18 to 65-year-old age group.

Data collection: Although different electronic platforms exist through which the survey could be administered, Qualtrics was selected because of the unique capabilities of the platform. Qualtrics enabled the researcher to send the survey to an unlimited number of respondents to calculate the mean and SD, to import the data directly to an excel sheet and to determine where the survey was completed. The link to the questionnaire was posted on the researcher's Facebook home page. The research was conducted over a period of seven weeks with the regular reposting of the link.

Data analysis: Participants' responses were captured on the Qualtrics database, after which data were transferred to the SPSS version 24. To ensure the anonymity of the respondents, a numerical value was automatically allocated to each respondent. There were no missing values because Qualtrics did not allow respondents to continue with the questionnaire unless an answer was provided to the previous question. The reliability of the commitment scales was assessed through Cronbach's alpha, where the generally assumed cut-off level of 0.7 was applied. One-way ANOVA was used to determine the significance of the hypothesised relationships.

EMPIRICAL RESULTS

Response rate and demographic profile

Responses were collected from 370 respondents. Five individuals were under the age of 18, whereas 30 respondents terminated the questionnaires before completion. A further 10 questionnaires were excluded because respondents indicated they were not South African citizens. Therefore, the final dataset included the data of 325 respondents.

For gender, 217 respondents (66.77%) were female, and 108 (33.23%) were male. Therefore, the gender distribution of the sample did not represent the almost 50:50 split of the South African population. An interesting pattern emerged with the age distribution of respondents. The overwhelming majority (224 respondents, 68.92%) were between the ages of 19 and 30, 34 respondents (10.46%) were 31-40 years old, and 67 respondents (20.62%) were above the age of 40.

The split between introvert and extrovert

The dataset had to be split to provide for the two main personality types analysed in this study, namely extroversion and introversion. Based on the answers offered by the respondents on the personality-part of the questionnaire, it was possible to classify all 325 respondents in either of the two groups. Eventually, the 'extrovert' subsample consisted of 144 respondents, whereas 181 respondents belonged to the 'introvert' subsample.

Reliability of the data

The reliability of the data was assessed by means of Cronbach's alpha, and the generally accepted norm of 0.700 was applied. The Cronbach alpha scores for three of the dependent variables (affective, calculative and normative commitment) ranged between 0.746 and 0.856; therefore, demonstrating sufficient levels of reliability.

Inferential statistics

Levene's test for equality of variance was performed in order to ensure that the samples were obtained from populations of equal variances. The results appear in Table 1.

Table 1: Levene's test of homogeneity

Dependent variable	Levene Statistic	df1	df2	Signific.
Affective commitment	0.001	1	323	.974
Calculative commitment	0.697	1	323	.404
Normative commitment	0.414	1	323	.520

The significance levels in Table 1 ranged between 0.404 (calculative commitment), 0.520 (normative commitment) and 0.974 (affective commitment). Since all the significance levels were above the 0.050 threshold, it provided evidence that there was no difference between the introvert and extrovert samples for all three the dependent variables.

The one-way ANOVA was subsequently performed to assess possible differences between the two subsamples and each of the three dependent variables. The results appear in Table 2:

Table 2: Results of the one-way ANOVA

	Sum of squares	df	Mean square	F	Sig.
Affective commitment					
Between groups	2.907	1	2.907	1.621	.204
Within groups	579.117	323	1.793		
Total	582.024	324			
Calculative commitment					
Between groups	.402	1	.402	.290	.590
Within groups	446,589	323	1.383		
Total	446,990	324			
Normative commitment					
Between groups	.458	1	0.458	0.240	.625
Within groups	616.964	323	1.910		
Total	617.422	324			

For affective commitment, the tested p-value of 0.204 was significantly higher than the generally accepted level of 0.050. Therefore, H0¹ cannot be rejected. The deduction can be made that there was no statistical difference between the two personality types and affective commitment. Since H0¹ was not rejected, there was no need to perform a post hoc test.

A similar pattern emerged for calculative commitment because the tested p-value of 0.509 exceeded the generally accepted level of 0.050 considerably. The null hypotheses (in this case H0²) cannot be rejected. This finding provided evidence that there was no statistical difference between the introvert and extrovert samples in the case of calculative commitment. There was no post hoc test conducted since the H0² was not rejected.

The one-way ANOVA for normative commitment also revealed no statistical difference between the two samples. The 0.625 significance level exceeded the generally assumed level of 0.050, providing support for H0³. As in the case of affective and calculative commitment, it can be deduced that personality type did not influence normative commitment.

INTERPRETATION

Several personality tests were identified in the literature. Although these tests differed in terms of the personality traits used to assess personality type, almost all at least referred to the basic personality types of introvert and extrovert. Furthermore, Laney and Laney (2007) argue that extroversion and introversion can be regarded as one of the most acknowledged ways to classify individuals' personalities. The empirical findings should therefore be viewed against this background.

For affective commitment, no significant difference was found between the introvert and extrovert subsamples. This finding was somewhat unexpected, expressly against the relatively strong support that was found in the literature for the possible difference between the different personality types and affective commitment (Erdheim *et al.* 2006). A possible explanation for this interesting finding might be that Erdheim *et al.*'s (2006) study was performed in an organisational context (as opposed to this study's customer context). In addition, the Erdheim *et al.* (2006) study employed the Big Five personality test, whereas this study only focused on the difference between introversion and extraversion.

No support was found in this study for differences between the introvert and extrovert samples and calculative commitment. To a certain extent, this was expected, especially based on the research by Kumar and Bakhshi (2010), and Erdheim *et al.* (2006). This study, therefore, reaffirmed the findings of the literature. Since calculative commitment involves a rational decision-making process, it is clear that this process takes place amongst both personality groups; whether a person is viewed as an introvert or an extrovert does not influence an individual's cognitive thought processes regarding calculative commitment.

A third and equally interesting finding of the study was that there was no difference between the introvert and extrovert samples and normative commitment. This finding was once again somewhat unexpected since Kumar and Bakhshi (2010) reported differences between introversion/extroversion and normative commitment. Normative commitment was previously described in terms of the obligation a customer has to a certain service provider. It is evident from this study that, whether this obligation is present or not, is not a function of whether a person is viewed as an introvert or an extrovert.

MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS FOR THE STUDY

Although this study failed to provide a direct link between personality type and commitment, it should be remembered that the study did not disregard the importance of personality and commitment as construct in the broader sense. In fact, the results of this study should be viewed regarding the parameters of the study. For example, factors such as convenience and the broad classification of introversion versus extroversion played a role in qualifying the results. This decision could have been the reason the differences between the two personality types and commitment could not be confirmed. A valid question is whether a more refined classification of personality would not have rendered different empirical results. For example, a focus on personality traits rather than personality types could have rendered results that are more accurate.

Even though this study failed to establish differences between introversion/extroversion and commitment, a number of lessons are to be learned from this study. Firstly, marketers should be cautious not to view all customers as belonging to the same personality type. In fact, the literature distinctly indicates that a customer's individual personality traits do influence behaviour towards a service (Vázquez-Carrasco & Foxall, 2006). Secondly, the importance of commitment to establishing long-term marketing relationships cannot be overestimated. It remains important for marketers to acknowledge that commitment is a multidimensional construct consisting of the three components of affective, calculative and normative commitment. Affective commitment, for example, is a component of commitment that focuses on the more emotional attachment to the service provider. This component should not be managed in the same manner than calculative commitment because the latter focuses more on the cognitive processes involved. The same argument applies to the management of normative commitment since this type of commitment refers to the obligation that a customer has to commit towards a specific service provider.

Both commitment and personality remain important constructs in the consumer buying process, and marketers have to ensure that they are fully aware that both these constructs influence long-term marketing relationships.

LIMITATIONS AND FUTURE RESEARCH

The lack of literature on the effect of personality on customer commitment hindered this study. Unfortunately, the study had to rely to a certain degree on the organisational commitment theory, and it can be argued that the domains of organisational commitment and customer commitment not be the same. That being said, it should be remembered that customer

commitment originated from the organisational theory, which means that some similarities between the two domains exist.

A second limitation of this study pertains to the use of the introvert-extrovert scale as an indicator of personality type. It was mentioned earlier in this study that due to a number of reasons, none of the well-known personality scales (such as the MBTI) could be used in this study. Instead, the study made use of the more generic introvert-extrovert classification. Therefore, it could be argued that this classification scheme is too broad since it is not as refined as many of the other scales.

Although somewhat of a lesser limitation, the sample size attained in this study could be viewed as somewhat limited. In addition, one should be cautious not to generalise the results of this study to the other industries. Keep in mind that this study was performed within the mobile phone industry only.

Directions for future research predominately stem from the limitations. For example, there is a need to separate clearly organisational commitment from customer commitment. In addition, although the popularity of the multidimensional nature of customer commitment is growing, there are also studies arguing for customer commitment to be viewed as a unidimensional construct. Research needs to be performed on the dimensionality of customer commitment and specifically to establish whether the dimensionality of the construct is possibly context-specific (that is, differ from the industry under investigation).

Arguably, the biggest further research opportunity lies in replicating this study by using a more robust personality scale.

CONCLUSION

The study specifically focused on the influence of the different personality types on commitment. Although the study failed to support any of the theorised relationships, it emphasised the importance of personality type when commitment is managed. As indicated in the limitations of the study, the results of the study could also have been different under different circumstances.

It can be assumed the South African business environment will become increasingly competitive, and service providers have no alternative but to cater for the unique needs of customers. This challenge could be addressed by focusing on customers' personality types, and by continuously considering the role that these differences in personality type can play in managing long-term marketing relationships.

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Cause-related marketing: shouldn't consumers be rewarded as well?

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Keywords: Cause-related marketing, Consumer incentives, Donation magnitude, Incentive magnitude

ABSTRACT

Cause-related marketing (CAREM) has become one of the leading marketing tools for firms to implement initiatives that contributes to the annual corporate social responsibility endeavours. It is therefore not surprising that in 2015, firms globally spent an estimated \$1.92 billion on cause-related marketing (Howie, Yang, Vitell, Bush & Vorhies, 2018). This number should be viewed against the background that pressure from legislation and consumers have required firms to recognise the fact that just like human citizens, firms too are corporate citizens who should contribute to society (King IV, 2016). The King IV (2016) is a report that encourage firms to publish corporate social responsibility reports every year. The report suggests that firms include information about economic, social and environmental performance. Even though firms are experiencing pressure from government and consumers, the latter often criticizes firms that implement CAREM.

Varadarajan and Menon (1988) defined CAREM as a marketing programme with the purpose to address two objectives, namely (1) to improve corporate performance and (2) to help a cause. These two objectives are linked as the funds that are donated to a cause are raised through the firm's sales. It is assumed that within the relationship between the firm, cause and consumer, the firm and cause benefit, in the form of donations for the cause and increased sales for the firm, whereas the consumer is left with only the sense of feeling good about donating. Recently, several academics have researched the effects of rewarding consumers for supporting a firm by purchasing products/service and/or participating in self-service (Collier, Moore, Horky & Moore, 2014; Konstantinidis, Taylor & Newell, 2017; Oh, Jeong & Baloglu, 2011). Varadarajan and Menon (1988) suggested that firms can decide to reward

consumers for participating in CAREM initiatives by offering consumers a discount, free product or cash. However, when exposing consumers to both the donation magnitude (value for cause) and incentive magnitude (value for consumer) during the CAREM campaign, the firm enables consumers to compare magnitudes to one another. The consumers might perceive the one magnitude too low/high when taking the other magnitude into consideration (Jung, Cho & Lee, 2014).

During this study, research will be conducted to determine the influence of donation and incentive magnitudes in CAREM campaigns on consumer reactions that will ultimately establish the optimum point where all three actors (firm, cause and consumer) are receiving value and benefiting from CAREM. Qualitative research, in the form of focus groups, will be conducted to offer support to the quantitative research. A 3x3 factorial experiment will be conducted to test the independent and interactive influences of these independent variables. The results of this study could make significant contributions to marketing academics as well as provide firms with greater knowledge about designing CAREM campaigns that will lead to benefits for the firm, cause and consumers.

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Factors contributing to online community helping dimensions: a countrywide study of city residents on Facebook

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ABSTRACT

Online community citizenship behaviour (OCCB) has been receiving growing attention due to its benefit in promoting the effective functioning of online communities (Chou *et al.*, 2016). OCCB refers to the voluntary behaviours of online community members and is explained by the social exchange theory (Bove *et al.*, 2009:703). When members of an online community receive benefits such as the development of social and emotional bonds with the community, they may want to reciprocate by performing OCCB to the advantage of the community. Furthermore, the helping intention dimension of OCCB is regarded as beneficial when members who assist fellow members with problems contribute towards member retention and active participation in the community. Helping intentions may include assisting fellow members with personal problems or to use the online community service correctly (Yong *et al.*, 2011:690).

However, little is known about these behaviours and their antecedents within an online community environment, as researchers generally seem to measure OCCB helping intention as a one-dimensional construct. Investigating the complex relationships between the two forms of helping behaviours and their antecedents may advance the understanding of the social interactions among members in an online community outside their expected role behaviours and the motivational factors contributing to the different forms of assistance. Accordingly, this study aims to uncover the factors contributing to the two sub-dimensions of OCCB helping intentions. The research context is residential online activity communities on Facebook, where members who are residents of a city share common interests in certain topics. When identifying the proposed model, it was furthermore found that little is known about the effect of normative commitment on helping intentions in a residential online activity community. This relationship seems probable since it has been found in other contexts that member's normative sense of obligation towards the community may have a positive impact on OCCB and could guide members to spread online community norms (Bateman *et al.*, 2006:994).

The present study, therefore, sets out to examine the impact of normative commitment on the two OCCB helping sub-dimensions and the related antecedents of normative commitment. Ultimately, the research findings may (1) provide a better understanding of the helping intention dimension of OCCB, as measured by two sub-dimensions, (2) advance knowledge of normative commitment within an online community environment and the extent to which relationship marketing, grounding this construct, may impact on OCCB help intentions, and (3) provide insight into a novel set of factors that fosters the normative commitment of residential online activity community members. The proposed methodology entails a descriptive research design, where online surveys, designed from previously validated measurement scales, will be completed by members of residential online activity communities on Facebook across South Africa. Non-probability sampling will be used and will include quota and convenience sampling. A sample of 500 respondents will be collected and the data analysis will include descriptive statistics, factor analysis and structural equation modelling.

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Who shares and who cares?

Electronic word-of-mouth (eWom) behaviour of Facebook users

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Key words: Facebook Use, Electronic Word-of-Mouth (Ewom), Uses and Gratification Theory, Social Networking Sites (SNSs)

ABSTRACT

Social media as a new hybrid component of integrated marketing communication has become a critical area of interest for marketing scholars and practitioners due to the considerable role it plays in the daily lives of consumers. Social networking sites (SNSs) as part of social media has enabled consumers to engage in social interactions with their social networks and has thus emerged as a venue for consumer-to-consumer conversations known as electronic word-of-mouth (eWOM). Research has proven that consumers rely more on eWOM when searching for information than on company generated persuasive messages. The significance of eWOM in influencing consumer decision-making has been well-recognised in academic literature and the impact thereof cannot be ignored. Marketing practitioners are thus increasingly realising that decision-making is shifting to the digital word and that eWOM directs behaviour and ultimately decision-making. In their attempt to harness the power of eWOM marketers are increasingly including SNSs like Facebook in their digital strategies hoping that the brand will be “shared” across consumers’ networks by means of likes. Is “liking” however enough Liking will ensure sharing, but is sharing indicative of caring, thus a deeper commitment to the brand? One of the aspects identified in the literature that signals commitment is when the consumer take on a role of being active, involved and co-creational. The consumer thus care enough about the brand to become actively involved and create content as opposed to just sharing by means of likes.

The research will thus aimed to gain deeper insight into eWOM behaviour of consumers (sharing and caring) and how it relates to the brand’s Facebook page specifically as no previous study has investigated this. The eWOM behaviour might differ due to the gratifications people receive from brands’ Facebook pages that they follow. The uses and gratification theory has been proposed as a valuable input to gain deeper insight into the reasons why people use social media. Gratifications are conceptualised as “need satisfactions” obtained from certain types of media that match expectations. The main purpose of the research is thus to investigate the relationship between gratifications received from a brand’s Facebook page and eWom behaviour in the form of sharing (likes) and caring (actively creating content and recommending the brand).

A 3-phased mixed method approach will be used to collect data. During phase 1 virtual focus groups will be used to identify gratifications derived from using brands’ Facebook pages.

Thereafter an online survey (phase 2) will be conducted using insights from phase 1. Phase 3 will entail tracking conversations about the brands across social media by means MeaningCloud. Hypotheses that will be tested include inter alia that the more gratifications gained from a brand's Facebook page will lead to active involvement and creation of content about the brand, thus caring, whereas less gratification will lead to liking only (sharing). The main aim of the research is thus to investigate gratifications derived from using a brand's Facebook page and the resulting eWOM behaviour to gain a deeper understanding of "who shares and who cares" about the brands they follow and why.

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The success of Facebook marketing in small South African businesses: an exploratory study

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ABSTRACT

This study takes a mixed-methodology approach to identify the factors that drive the success of the use of Facebook for the marketing of small businesses. Initially ten small business owners were interviewed to refine the construct used to measure *Perceived Success of Internet Marketing* as well as identify which particular aspects of Facebook content are apposite in driving the success of Facebook marketing. In the main study, 90 respondents were surveyed and the data analysed using multiple regression analysis. The results revealed that none of these respective independent variables exhibited a significant relationship with the success of Facebook marketing. Only one construct, which measured the impact of the owner-manager commitment to the use of Facebook for marketing, exhibited a significant relationship with the dependent variable, *Perceived Success of Internet Marketing*.

INTRODUCTION

In the past, the use of technology for marketing has been limited to large businesses with the necessary financial resources to gain access to expensive mainframe systems, sophisticated software, skilled labour and often expensive outsourced services (Heim and Sinha, 2001). However, due to its low barriers to entry, the Internet (and social media in particular) has the promise of having a profound impact on the marketing practices of small businesses (Heim and Sinha, 2001; Jacobson, 2014) as it can facilitate an effective and far-reaching marketing strategy (Jacobson, 2014).

Although social media shares many of the characteristics of “traditional” Internet marketing such as providing accurate and timely information, communicating with customers in real time and in so doing building and sustaining dynamic relationships with customers (Marken, 2009; Kaplan and Haenlein, 2009; Tuten and Solomon, 2017), in many respects this new phenomena is unique. In particular, customers are able to create “content”, which they were not able to do previously. As such, with social media, the “balance of power” has shifted, with consumers being able to control of the nature, extent and timing of the exchange of information (Marken, 2009; Dahlstrom and Edelman, 2013). Consequently, dynamic responses from business (to consumer queries and comments) are increasingly been seen as a *sine quo non*

for effective social media marketing (Dahlstrom and Edelman, 2013). As such the marketing landscape has changed for both small and large businesses.

Small businesses are different to large businesses in that they are not just smaller versions of large businesses but also differ in the way that they do business. Not only does the owner-manager play the principal role in driving the businesses' strategy and operations (Nieman and Nieuwenhuizen, 2009), but another important distinction is the importance of personal contact networks for small businesses (O'Donnell and Cummins, 1999). This type of affiliation reduces the risk and uncertainty in doing business with small businesses and consequently constitutes an important (intangible) asset and resource for small businesses (Dubini and Aldrich, 1991). These relationships were traditionally nurtured through face-to-face interactions (McGowan and Durkin, 2002) but the remote (technologically facilitated) and dynamic nature of social media has presented the owner-manager with a whole new set of challenges and opportunities. This study seeks to identify and assess the factors that drive the success of the use of Facebook for the marketing of small businesses.

STATEMENT OF THE PROBLEM

Despite the anecdotal evidence about the potential of social media for marketing, actually harnessing this vehicle is proving to be challenging (Divol, Edelman and Sarrazin, 2012). In particular, the unstructured and *laissez-faire* approach to the use of social media for marketing (as well as the lack of empirical evidence), make it difficult to make sound business decisions (Hoffman and Fordor, 2010; Divol et al., 2012). Some views on social media seem to suggest that there is very little that businesses can do to autonomously enhance the social media experience for consumers. For example, Hoffman and Fordor (2010) argue that factors that lead to a successful social media experience are the connections that consumers make with each other, the user-generated content and their consumption of other users' content and the control of their own online experiences. However, notwithstanding the communal nature of social media, relevant content (whether contributed by the business or online community) is what attracts consumers to the social media site (Siu, 2014).

Some argue that no one factor has a dominant effect on the successful deployment of social media for marketing, but rather that it is a combination of factors (Hoffman and Fordor, 2010; Cohn, 2011). In particular, it is argued that without an intervention from a business in terms of driving traffic to the social media site (usually using paid advertising) the critical mass to achieve an online community around the social media will not be achieved (Gerber, 2013).

Social media is a term to describe a number of disparate Internet application with the common feature that they allow consumers to interact about user created and other content (Mangold and Faulds, 2009; Tuten and Solomon, 2017). There is no conclusive categorisation of social media (Fisher and Reuber, 2011) and this is probably because technological developments have outpaced academic research (Treem and Leonardi, 2012). Nevertheless, there is a significant difference in the nature of the social media applications (Mangold and Faulds, 2009; Tuten and Solomon, 2017) which warrants the focus on a particular application (Facebook) which is the approach taken in this study.

The focus of this study is on small businesses (defined below) and these entities are not just smaller versions of large (corporate) businesses but have completely different characteristics. Specifically, it is argued that the Owner-manager plays such a dominant role in the managing of the small business that the use of social media (or any other electronic marketing initiative) for marketing will not be successful without the Owner-manager's substantial support and commitment (Saldanha and Krishnan, 2013; Cohn, 2011).

Consequently, the research question, which forms the basis of this study, is: To what extent does the commitment of the owner-manager to the use of Facebook for business purposes,

the content of a Facebook page and the use of paid advertising determine the successful use of Facebook for marketing in small businesses within South Africa?

Specifically, the objectives of this study are to:

1. Develop a scale to measure the success of Facebook marketing of small businesses
2. Determine the extent to which the Owner-manager commitment (to using Facebook for marketing) influences the success of Facebook marketing for small businesses
3. Determine the extent to which paid Facebook advertising will have a significant influence on the success of Facebook marketing
4. Determine the extent to which Facebook content will influence the success of Facebook marketing

LITERATURE REVIEW

Social media

Social media is a broad web-based concept (Divol et al., 2012; Jolie 2011) based on applications (Poynter, 2010) which allows consumers to create and share content as well as interact (Taprial and Kanwar, 2012). Social media exists on multiple platforms, such as blogs, virtual social worlds, collaborative projects, content communities, virtual game worlds, and social networking each of which offers the user a unique communication experience (Taprial and Kanwar, 2012). In addition, many distinctive online communities exist on social networking platforms, such as Vine, Google Plus, Snap Chat, Pinterest, LinkedIn, Instagram, Twitter, and Facebook (Taprial and Kanwar, 2012; Sui, 2014). Due to its extensive audience reach, advertising opportunities, and content functionality, Facebook is the social networking platform most used by businesses for marketing, building networks and relationships (Bulmer and DiMauro, 2009) and consequently is the focus of this study.

Facebook marketing

Facebook introduced a new relationship “economy” that was born as a result of the combination of technology and the human network (Allen, Deragon, Orem, and Smith, 2008). Initially started as a simple Ivy League networking website in February 2004, Facebook has since evolved into a social networking phenomenon, which, if measured in terms of user population, would equal the third largest country in the world (Chase and Knebl, 2011). In 2012, with more than 950 million members (Kaushik, 2012) Facebook was ranked the second most popular website in the world (Deragon, 2011).

Facebook is defined as a well-known free social networking website that allows registered users to create profiles, upload videos and photographs, send messages, follow pages and keep in touch with friends, family and colleagues (Dean and Rouse, 2014). Facebook contains public features such as a virtual marketplace, groups, events, pages and presence technology (Dean and Rouse, 2014). After joining Facebook, users are prompted to identify others with whom they have a relationship (Pearlman and Abram, 2010). These relationships are frequently a combination of family, romantic connections, friends, acquaintances or even interest and business pages (Richards, 2015).

Factors that influence the success of Facebook marketing

While it is well established that Facebook is a global phenomenon, harnessing this medium for business purposes is proving challenging (Smith, 2014; Cohen, 2013). In particular,

determining business objectives for social media, understanding the audience, identifying appropriate content topics, creating a social media engagement plan, allocating a product champion (in the case of large businesses) and measuring results are regarded as essential elements driving social media marketing success. Small businesses are different to large businesses and Saldanha and Krishnan (2013) argue that owner-managers who successfully use social media regularly generate content, understand the different social media channels, integrate their social media initiatives with offline events and business strategy, and balance paid and organic advertising traffic. In addition, owner-manager's need to appreciate social media user's aspirations and needs (Wasko and Faraj, 2000) in order to generate repeat visits to the Facebook page (Antikainen, 2007) to facilitate relationship building (Jones, Borgman and Ulusoy, 2015).

Some of the important elements driving the success of the use of Facebook for marketing are considered below:

Owner-Manager commitment

The importance of top management support for the successful implementation of a technological innovation is critical (McDermott and O'Connor, 2002; Bengtsson, Boter and Vanyushyn, 2003; Cohen, 2013; Olivo, Guzmán, Colomo-Palacios and Stantchev, 2016). Similarly, in small businesses, the support and commitment of an Owner-manager in championing an innovative (technological) approach to the market such (Saldanha and Krishnan, 2013) such as the use of Facebook for marketing is a significant factor in the success use of this application. This is because, typically, Owner-managers have the authority to allocate appropriate resources (Markham and Aiman-Smith, 2001; Hausman, 2014) and have an intimate understanding of the needs of stakeholders.

A key factor in the success of small businesses is their ability to understand their customers and manage these relationships with its customers and in this regard, the Owner-manager theory plays a key role (Dubini and Aldrich, 1991). One of the benefit of using technology based marketing is ability to standardise interactions with customers and the lack of heterogeneity (Bitner, Brown and Meuter 2000; Tuten and Solomon, 2017) however little is understood about customers' expectations and perceptions in respect of technology based marketing (Kietzmann, Silvestre, McCarthy and Pitt, 2012). Some customers may prefer personal individualised communications as opposed to others that may prefer automated responses. (Durkin, Jennings, Mulholland and Worthington 2008; Tuten and Solomon, 2017). It is argued that given the Owner-manager's unique and pivotal role in small businesses, only they would have the insights necessary to get the correct balance to nurture these relationships (Durkin, McGowan and McKeown 2008). This is particularly germane in respect of social media given its dynamic nature and that production and consumption information is inseparable, similar to that of services (Palmer, 2001).

Consequently it is hypothesised that:

H¹: There is a significant relationship between *Owner-manager Commitment* and the *Perceived Success of Facebook marketing*

Paid Facebook Advertising

As with any form of advertising or marketing communication, the key to its success is generally understood as getting as many of a businesses' target market as possible to engage with the marketing initiative. In this regard there are two alternatives to drive traffic to a particular Facebook page, known as organic advertising or sponsored (paid) advertising (Minazzi, 2015; Schaefer, 2014). Typically, organic advertising takes place where fans (or followers) like or share a particular post, allowing their online contacts (or Facebook friends)

to view the post. If those friends found the post appealing and decided to follow a particular page, that is what would be defined as organic advertising. Specifically, though organic advertising is any advertising that is not as a consequence of paid advertising (Fulgoni and Lipsman, 2016).

Notwithstanding the importance of organic advertising in the proliferation of social media in general (and Facebook in particular), it is argued that a business will be unable to achieve its (social media) marketing objectives by organic marketing alone (Richards, 2015). This is because the sheer volume of social media, driven by its exponential growth, will make it unlikely that a social media marketing initiative will happenstance upon the target without some focused (paid) advertising by the small business (Dehghani and Tumer 2015).

Paid advertising can take the form of (traditional) off-line advertising as well as online advertising where consumers are given links to a business's Facebook page (Richards, 2015; Dyrud, 2011). In addition, firms can use Facebook adverts, where the business is able to specify a budget for the post, set parameters that target a specific audience and be published on the timelines of users who meet the specific guidelines set out in the initial targeting parameters. In so doing, sponsored advertising differs from organic advertising in that it is able to reach a wider group of potential customers (Fulgoni and Lipsman, 2016; Dehghani and Tumer 2015). Consequently, it makes an important and substantial contribution to the success of Facebook marketing (Graham and Havlena, 2007).

Consequently it is hypothesised that:

H²: There is a significant relationship between the use of *Paid Facebook advertising* and the *Perceived Success of Facebook marketing*

Nature of Facebook content

Facebook content is the essence of social media marketing, as it allows small business to communicate, educate and build relationship with their current and prospective customers (Siu, 2014). While the concept of what comprises Facebook content is somewhat nebulous (Marrs, 2011) it includes such aspects such as self-generated posts, lifestyle themes, product developments, shared links, photos and videos, as well as event notifications and competitions (Siu, 2014; Mangold and Faulds, 2009).

As with other types of advertising, the nature of the content of a Facebook page needs to be informed by the marketing plan goals and the objectives as well as the preferences of the target market (Bunskoek, 2014). What is different from traditional advertising media though, is that the objective of content is to create and maintain interest from the online Facebook page community (Siu, 2014; Bunskoek, 2014) as opposed to traditional advertising where the focus is on the product or the service offered (Jacobson, 2014). This appeal of this content will usually be reflected by "likes and shares" of the Facebook page's content, in other words, organic advertising (Ryan and Zabin 2010; Shankar and Batra 2009).

However, much of the evidence is about the content which is appropriate to drive organic advertising is anecdotal (Breslauer and Smith, 2009), based on case studies or theoretical papers (Aral, Dellarocas and Godes, 2013; Saldanha and Krishnan, 2012; Treem and Leonardi, 2012). Consequently it was decided to formulate a preliminary hypothesis, which was to be refined subsequent to the qualitative element of this study.

Consequently it is hypothesised that:

H³: There is a significant relationship between the nature of *Facebook content* and the *Perceived Success of Facebook marketing*

RESEARCH METHODOLOGY

Given the exploratory nature of this study, a mixed-methodology approach was followed to allow the gathering of in-depth, contextualized qualitative research insights, coupled with the predictive power of quantitative research (Bradley, 2010; Malhotra, 2010). Initially a qualitative approach was followed to refine the instrument, (developed from the literature) which it was anticipated would measure the success of social media marketing. To this end an interview guide was developed from the literature and used as a basis to conduct in-depth interviews with ten East London based small business owner-manager product champions who had integrated Facebook into their marketing activities. These ten businesses were visited on site, to allow the interviewer to opportunity to observe the business environment. Simultaneously the interviewed participants were asked to consider which elements of a businesses' Facebook page they found appealing in driving the success of social media marketing. The results from the qualitative interviews together with insights from empirical research provided the study with a theoretical framework on which the final questionnaire was developed.

Both the qualitative and quantitative elements of this research were drawn from the population, which were defined as small businesses who employ less than 50 employees (Wasko and Faraj, 2000), and have an active Facebook page (Ha, 2013) defined for the purposes of this research as having been updated within the last month. In addition, participants were required to be active in the Buffalo City Metropolitan area. To this end, non-probability sampling was used as there were no sampling frames available. As such, both criterion and snowball sampling were used during the qualitative interview participant selection process and criterion sampling was used when selecting quantitative participants.

EMPIRICAL RESULTS

Sample description

In addition to the ten participants with whom in-depth interviews were conducted, owner-managers from a total of 90 businesses were surveyed. Most of the respondents (79%) were from the hospitality and entertainment industry, which made up 79% of the total sample, with the balance being made up of respondents from education (5%) and retail (4%) while both the media and health institutions each contributed to 2% of the respondents. The balance of 8% was made up from businesses offering services such as marketing, human resources, finance or law.

Qualitative results (and reformulation of the hypotheses)

The insights that emerged from the qualitative element of the research suggested there were distinct *Facebook content* strategies that might be followed to achieve marketing success. In particular the following themes emerged from the interviews with the owner-managers: *Product information* (usually with some tangible cues such as pictures) and *Competitions* and *Events*. These findings were consistent with previous studies (Cvijikj and Michanhelles, 2013; Sabate, Bergegal-Mirabent, Canabate and Lebherz, 2014; Jones et. al., 2015) suggesting that the results are trustworthy. In particular, the findings suggested that Hypothesis H³ was too broad and was therefore split into three separate measurable hypotheses. As such, (the initial) Hypothesis H³ was removed and replaced with three new hypotheses, namely H³, H⁴ and H⁵.

The updated hypotheses are reflected below:

New Hypotheses

H¹: There is a significant relationship between *Owner-manager Commitment* and the *Perceived Success of Facebook marketing*

- H²: There is a significant relationship between the extent of *Product Information* (with pictures) and the *Perceived Success of Facebook marketing*
- H³: There is a significant relationship between the extent of *Competitions* and the *Perceived Success of Facebook marketing*
- H⁴: There is a significant relationship between the extent of *Events* and the *Perceived Success of Facebook marketing*
- H⁵: There is a significant relationship between *Paid Facebook advertising* and the *Perceived Success of Facebook marketing*

Validity and Reliability

Exploratory factor analysis was done using the IBM-SPSS (Version 23) computer program for the items in respect of the constructs of *Owner-manager Commitment* and *Perceived Success of Facebook Marketing*. Initially, Maximum Likelihood was used as the method of factor extraction and a Promax with Kaiser Normalization rotation was specified. The factor loadings and the reliability analysis of these two factors as well as the other independent variables are considered below.

Dependent variable (Perceived Success of Facebook)

One of the major problems with measuring social media success is the lack of valid and reliable instruments (Gluck and O'Reilly, 2014; Hoffman and Fodor, 2010). A fifteen-item scale was initially developed based on the literature and interviewee feedback. Exploratory factor analysis refined this measure to six items as shown in Table 1. The factor loadings of this construct range between 0.649 and 0.780 and the validity is therefore considered adequate in this exploratory study. The Cronbach's alpha coefficient for the measurement of *Perceived success of Facebook Marketing* is 0.911 and therefore this measure is considered valid and reliable. Accordingly, Facebook Marketing success is defined as the extent to which the Owner-manager felt that Facebook improved the effectiveness of conveying information; advertising and promoting the business; improving customer service and communication with customers and building the businesses brand.

TABLE 1:
Perceived Success of Facebook Marketing

Cronbach's Alpha: 0.911			
Item	Factor Loading	Item Total Correlated	Cronbach Alpha After Deletion
I am satisfied that our FB improves the effectiveness of advertising and promoting our business	.780	0.662	0.846
I am satisfied that our FB enhances our customer service	.755	0.722	0.832
I am satisfied that our FB assists us in conveying information about our business to customers	.727	0.667	0.843
I am satisfied that the use of FB improves our communication with our customers	.709	0.646	0.847
I am satisfied that FB assists us in building our brand	.697	0.654	0.846
I am satisfied that FB assists us in getting repeat business	.649	0.648	0.846

Owner-manager commitment

In this study, the construct *Owner-manager commitment* is defined as the degree to which the owner/manager is excited, enthusiastic and passionate about using Facebook for marketing; appreciates what FB can do for the marketing of our business and is committed to using FB for marketing our business. This construct was based in the literature (Bengtsson et al., 2003; Thong and Yap, 1995; Elliott, 2005) and refined subsequent to the qualitative component of this research.

As indicated in Table 2, the factor loadings for this construct range between 0.714 and 0.970 and the Cronbach-alpha coefficient is 0.866, suggesting that the scale used to measure *Owner-manager Commitment* is valid and reliable within the context of this exploratory study.

TABLE 2:
Owner-manager commitment

Cronbach's Alpha: 0.911			
Item	Factor Loading	Item Total Correlation	Cronbach Alpha After Deletion
The owner/manager is excited about the use of FB for marketing our business	.970	.847	.877
The owner/manager is enthusiastic about the use of FB for marketing our business	.863	.750	.898
The owner/manager appreciates what FB can do for the marketing of our business	.810	.744	.898
The owner/manager is passionate about using FB for marketing our business	.747	.855	.875
The owner/manager is committed to using FB for marketing our business	.714	.692	.908

Content

While the approach to formulating the scales for *Owner-manager Commitment* and *Perceived Success of Facebook Marketing* have largely followed the well-practiced approaches to scale development proposed by Churchill (1979) and Nunnally (1978), there have however been some criticisms of this approach, particularly due to the fact that unless a construct reaches a coefficient alpha of 0.70, it is generally not acceptable to most academic journals (Diamantopoulos, 1999). Rossiter (2002) however proposes that it is acceptable to a one item measure, particularly in the case of a "concrete" attribute, known as the C-OAR-SE approach to item formulation. Although this does seem inconsistent with the traditional approach of distinguishing between the (observable) items and the (unobservable) latent variable, this approach can be justified if only one item would be suitable to operationalise a latent variable, as the item then becomes both the extent and the limit of the theoretical meaning of the construct (Diamantopoulos, 2005).

TABLE 3:**Content**

Construct	Item
Product Information (H ³)	We have our product information (including pictures and other related informative posts) on our Facebook page
Competitions (H ⁴)	We create competitions on our Facebook page.
Events (H ⁵)	We use our Facebook page to keep people informed about events

In respect of the components of the measures under the content, it is argued that the use of a single item is both justified theoretically (see above) as well as appropriate. As such the measures for the three independent variables are set out in Table 3.

Paid Advertising

Paid Facebook advertising, also called sponsored content, is a form of paid media (Sharethrough, 2015) which can be used to increase traffic to a website or a Facebook page and in so doing encourage potential consumers to follow particular Facebook pages (Sharethrough, 2015). Facebook advertising has been on the rise and its success as an online advertising tool has been well established (Gerber, 2013).

In the respect of Facebook paid advertising, a similar approach was followed to that of the “constructs” used under Content and the item used to measure this construct (H⁵) was “*We use paid advertising to gain followers on our Facebook page*”.

RESULTS AND FINDINGS

Prior to conducting a multiple regression, the relevant assumptions of this statistical analysis were considered. Firstly, the assumption of singularity was met by all the hypothesised variables. The correlations were all below the cut-off point of below +0.80 and -0.80, suggesting the absence of multi-collinearity (Grewal, Cote and Baumgartner, 2004). In addition, the collinearity statistics (i.e., Tolerance and VIF) were all within acceptable limits, the so assumption of multicollinearity was deemed to have been met. No extreme univariate outliers identified in initial data screening were observed and an examination of the Mahalanobis distance scores indicated no multivariate outliers.

TABLE 4:**Predictors and Dependent Variable Model Summary**

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.491 ^a	.241	.195	3.82953
a. Predictors: (Constant), O-M Commitment, Product Information, Competitions, Events, Paid Facebook advertising				
b. Dependent Variable: Perceived Success Of Facebook Marketing				

It is apparent from Table 4 and Table 5 that the total variance explained by the model was 24.1 % with, $F(5,83) = 5.267$, $p < .001$, suggesting that the R² is significant in this study.

TABLE 5:
ANOVA Summary and Results

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	386.217	5	77.243	5.267	.000 ^b
	Residual	1217.221	83	14.665		
	Total	1603.438	88			
a. Dependent Variable: Perceived Success Of Facebook Marketing						
b. Predictors: (Constant), O-M Commitment, Product Information, Competitions, Events, Paid Facebook advertising						

Hypotheses

It is apparent from the Table 5 that the relationship between *Owner-manager Commitment* is positively (standardised beta = .416) and significantly ($p < 0.01$) related to the *Perceived Success of Facebook Marketing*. As such H^1 is supported, however in respect of all the other hypotheses (H^2 , H^3 , H^4 and H^5), no such support was found and the respective null hypotheses could not be rejected.

TABLE 5:
Coefficients Summary and Results

Coefficients ^a													
Model		Unstandardized Coefficients		Standardised Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	21.015	3.064		6.859	.000	14.921	27.108					
	O-M Commitment	.394	.139	.416	2.838	.006	.118	.671	.478	.297	.271	.426	2.346
	Competitions	.004	.364	.001	.010	.992	-.721	.729	.174	.001	.001	.781	1.280
	Events	.382	.674	.086	.567	.572	-.958	1.723	.366	.062	.054	.398	2.510
	Paid Facebook Advertising	.234	.227	.112	1.032	.305	-.217	.685	.171	.113	.099	.780	1.282
a. Dependent Variable: Perceived Success Of Facebook Marketing													

The Owner-manager commitment to the use of Facebook for marketing is a significant factor in the success of this initiative. This result, yet again, stresses the influential role played by the Owner-manager in the activities of small businesses (Cohen, 2013). This is because of the importance of managing relationships in the marketing of small businesses. The fact that owner-mangers are able fulfil this role remotely, through a technological medium such as Facebook, does not change the principle that the owner manger needs to initiate and develop the small businesses network of personal contacts.

While the trust and commitment engendered by personal relationships cannot be completely automated, technology driven relationship applications do allow owner manager to leverage certain “economies of scale” in the management of relationships, which in the past, they were unable to achieve. This is because social media enables small businesses to cost-effectively engage with current and new markets (Smith, 2014), which they were unable to accomplish in the past, with their limited financial and technological resources. In addition, the owner-

manger's consistent involvement in social media will ensure a consistent theme between online and offline marketing communications (Siu, 2014).

PRACTICAL MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

The incorporation of social media into business marketing strategies has created a demand for empirical research on what successful social media marketing encompasses. In a comprehensive review published by Treem and Leonardi (2012), it was revealed that the lack of empirical understanding of the business implications of using social media technologies was primarily due to the fact that the adoption of these technologies in organisations are outpacing empirical and theoretical understanding of how these technologies are used (Aral, Dellarocas and Godes, 2013; Saldanha and Krishnan, 2012; Treem and Leonardi, 2012). Therefore, the interval between the research cycle and the rapid evolution of social media models continues to pose challenges for evidence-based digital communication strategies (Treem and Leonardi, 2012; Aral et al., 2013).

In this dynamic research area, methodologies need to adapt. As such it is argued that a binary approach to research methodologies (i.e. either qualitative or quantitative) is outdated. In particular it is proposed that the traditional approach of first developing scales to measure constructs to be used in subsequent studies, might well result in inappropriate or outdated measures. One possible solution could be for scales to be updated for each study, but obviously this has practical implications in terms of increasing the nature and scope of particular research projects. However one possible solution to this issue is to use the C-OAR-SE approach (Rossiter, 2002) where one item is used to measure a particular variable.

The fast moving nature of social media, may also account for the importance of the Owner-manager in implementing marketing applications such as Facebook. As such, a practical managerial implication of this study is that Owner-managers need to support their businesses' social media initiatives on a personal and intimate level if they want their social media marketing to succeed. This is because much of the content (and other attributes) which consumers find appealing in social media is not necessarily created by the "creator" of the social media site. As such, managing social media for the benefit the small businesses will require a subtle and nuanced approach by the owner-manger. This will enable their marketing initiative to be dynamic and adapt quickly to changes in technology and consumer preferences.

Although it is argued that this study has made a meaningful contribution in terms of understanding the factors that drive the success of the use of Facebook for marketing one obvious gap is the views of the users of Facebook. As such it is suggested that a similar study, *mutatis mutandis*, be conducted in respect of small businesses customers would add richness and depth to the findings of this study.

CONCLUSION

Small businesses making up this sector often regard their inability to access markets as one of the factors inhibiting their growth, and social media has been proposed as a solution to this challenge. In this regard, this research not only contributes to the body of knowledge in respect of social media marketing, but also in respect of effective small business social media use. The focus of this research was to identify what could be broadly described as management and marketing factors that are relevant to social media marketing success. As such this exploratory study confirms the importance of the Owner-manager in the management of social media marketing. However one of the challenges associated with this study is that much of the literature about social media marketing is anecdotal, conceptual or based on case studies (Divol et al., 2012).

Variables derived from these various sources were consolidated to understand the factors that drive the successful implementation of social media for the use of marketing small businesses in South Africa. Scales were developed for each of the variables contained in the model and for the measurement of perceived success. Although where possible, existing scales were used, the majority of the items in the instrument used to measure the various constructs were developed especially for this research and, in addition of confirming the importance of the personal contribution of the Owner-manager, developing a scale for the measurement of the success of Facebook marketing is a major contribution of this study.

The results provide a foundation for smaller businesses to appreciate what comprises an effective Facebook page in order to create an online community to support a businesses' relationships with its customers. In this regard, this study is unique as many of the extant academic studies focus on large brands and multinational organisations. Compounding this problem is that much of the evidence on what constitutes social media "best practice" is anecdotal. This study attempts to fill this gap.

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Creating a positive digital customer experience to foster loyalty: a Generation Z perspective

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ABSTRACT

The creation of customer experiences is a strategic approach that can be used to connect with the ever-demanding and disloyal Generation Z consumer. However, businesses do not fully understand what this generation values and needs. This presents the impetus of this study, which aims to examine the drivers of a positive digital experience and determine whether experience creation addresses the dwindling loyalty rates, amongst this cohort. A cross-sectional, convenience sampling approach was used to gather data from 187 Generation Z health-and-fitness mobile application users. The results confer that creating a positive digital experience does in fact influence loyalty. Moreover, drivers of challenge, personalisation, and emotion are valued by Generation Z, as the afore-mentioned variables play an influential role in the creation of a positive digital experience. This paper not only makes practical recommendations regarding how businesses can address the mentioned drivers, but also fills a gap in knowledge in terms of understanding this emerging generation.

INTRODUCTION

Managers are experiencing immense pressure to create value for ever-demanding consumers. In addition, competition levels are continuously rising, whilst profit margins are dwindling. As a result, businesses have had to be innovative in their strategising (Bedgood, 2015; Prahalad and Ramaswamy, 2003). The latest strategic approach revolves around managing the consumer's entire experience across all the interactions with the business; conceptualised as Customer Experience Management (CEM) (Human and Hill, 2016). With the emergence of technology, the facilitation of company-customer interactions and experiences has become easier to attain, giving rise to the Online Customer Experience (OCE) (Lemon and Verhoef, 2016:70; Chang, Chen and Zhou, 2009). However, companies should understand that a "one size" approach does not necessarily fit all; and for companies to create a successful digital customer experience-understanding customer needs is a prerequisite (Bijmolt, Leeflang, Block, Eisenbeiss, Bruce, Lemmens and Saffert, 2010).

Prior studies have intensively investigated the changing needs and behaviours of demographic generations ranging from Baby Boomers, Generation X, and even Millennials. Nevertheless, a research gap has been identified as businesses do not fully understand how to connect and engage with the emerging generation, Generation Z. This generation includes individuals born from 1995 to 2010 (Beall, 2017). The distinguishing factor of Generation Z's is that they are "digital natives" born into a digitised world in which they perform most tasks on a digital device (Burkard, 2016; Autry and Berge, 2011). Additionally, this generation prefers to part-take in experiences, they appreciate realness and originality, expect instant response, are great multi-taskers, engaging, open-minded, strongly opinionated, lack patience, enjoy spending money, entrepreneurial, and highly informed (Jiri, 2016:109). Generation Z consumers are "hardwired" as they think from a technological perspective (Autry and Berge, 2011). With everything they do, they expect it to have some sort of digital platform available, whether it be ordering food, shopping, playing games, learning, reading, and watching programmes (Autry and Berge, 2011). These digital platforms make it easier to gather and compare product and price information, hence there is little to inhibit customers from switching (Chiou and Pan, 2009). As a result of the extensive digital exposure, this generation is easily distracted by trends which makes them the least loyal to a brand and most likely to be impulse buyers (Priporas, Stylos and Fotiadis, 2017: 376; Williams and Page, 2016:3).

PROBLEM INVESTIGATED

A brand's long-term success is determined not by the number of customers that buy once, but rather by the number of regular buyers (Odin, Odin, Valette-Florence, 2001). Customer loyalty is a commitment made by a customer to repeatedly purchase from the same store, or use the same brand consistently, regardless of competition offering something of greater quality (van Asperen, de Rooij and Dijkmans, 2018, Ahmed and Moosavi, 2013:5). Loyalty is proven to assist with consumer retention which, in turn, leads to stronger relationships between the consumers and the brand (So, Danaher and Gupta, 2015); potentially resulting in positive long-term financial performance (Mostert, Petzer and Weideman, 2016).

Unfortunately, Generation Z's are impulsive buyers, with minimal intention to remain loyal (Priporas *et al.*, 2017; Williams and Page, 2016); notoriously known to be switchers. Switchers are those customers who are continuously purchasing different products due to low switching costs (Aaker, 1991). Generation Z's switch to the next trending product that either offers an extra feature, higher quality or an offering that is more affordable (Peterson, 2014).

Given the sheer number of digital applications and avenues available in the market, it is becoming more challenging to ensure users develop an inherent inertia to keep using an application, despite the appeal of new entrants. This study therefore seeks to investigate the drivers of a positive digital experience and whether this could be the solution to the deficiency of loyalty amongst Generation Z consumers. These considerations provide the impetus for the current study, which intends to address the following research question:

RQ1: Could loyalty be fostered in Generation Z consumers, through the creation of a positive digital experience?

To address the afore-mentioned research question, the remainder of the paper is structured as follows: Firstly, an overview of the relevant literature regarding the creation of customer experiences, particularly in a digital context. The relevance of the research is explained in the form of objectives and hypotheses. The methodology and results are then described. Lastly, the discussion and managerial implications are presented, as well as the limitations and directions for future research.

LITERATURE REVIEW

Conceptualisations of a digital customer experience

Research conducted in the field of customer experience draws on the evolution of service marketing, relationship marketing, and experiential marketing theories (Human and Hill, 2016; Klaus and Maklan, 2013). Suitably, customer experience comprises of an amalgamation of all cues and touch-points that a consumer has with an organisation which, in turn, creates an overall experience (McLean, Al-Nabhani and Wilson, 2018). Consumer expectations, in terms of an experience, include sensory stimulations, seeking pleasure to avoid pain, and challenge to avoid boredom (Brakus, Schmitt and Zarantonello, 2009). Generation Z's, in particular, are searching for experiences that help them temporarily escape the realities they face (Priporas *et al.*, 2017). Consequently, customer experience is holistic in nature and involves the customer's cognitive, emotional, social and physical responses to the retailer across various channels (McLean & Osei-Frimpong, 2017; Verhoef, Lemon, Parasuraman, Roggeveen, Tsiros and Schlesinger, 2009; Brakus *et al.*, 2009).

Considering the rate of technology development, greater interest has been placed on developing an understanding of customer experience in the context of online/digital channels. A comprehensive review of the literature, spanning over the past fifteen years, has discovered numerous key variables that influence the customer experience in the digital context, namely: ease of use, personalisation, interactivity, connectedness, usefulness, web aesthetics, enjoyment, perceived benefits, telepresence, time distortion, and challenge (Lee and Crange, 2011; Lee and Jeong, 2010; Hoffman and Novak, 2009; Gounaris, Dimitriadis and Stathakopoulos, 2005; Loiacono, Watson, & Goodhue, 2007; Zeithaml, Parasuraman and Malhotra, 2000).

Resultantly, Rose, Clark, Samouel and Hair (2012) developed an integrated framework, based on the afore-mentioned literature, to encapsulate the antecedents as well as the outcomes of an OCE, by considering the consumer's cognitive and affective states. Drivers such as interactivity, challenge, telepresence, and skill were hypothesised to influence the cognitive experiential state. Moreover, personalisation, aesthetics, perceived benefits, ease-of-use, and connectedness were hypothesised drivers of an affective experiential state; holistically contributing to outcomes of satisfaction, trust, and repurchase intention. Brakus *et al.*, (2009) reiterated that a consumer's experience comprises of feelings and cognitions; but amalgamated these aspects into one construct named: Brand Experience. Resultantly, this study followed a similar approach and developed a single construct to measure a positive digital experience.

For the context of this study, Generation Z consumers were kept in mind when selecting the drivers of a positive digital experience. Drivers related to technology acceptance were eliminated, considering the fact that Generation Z's are digital natives who have no problem accepting and using technology (Autry and Berge, 2011). This is justified by Rose *et al.* (2012) who reported that skill and technical capability no longer influence the user's experience. Additionally, the role of emotions was brought into the context of this study, based on the findings reported by Hawkins (2017) and Brakus *et al.* (2009) which confirm a consumer's positive emotions (including feelings of joy, excitement and entertainment), play an essential role in the formation of customer experience. A revised conceptual model (Figure 1) was thereby developed, based on the afore-mentioned theoretical findings.

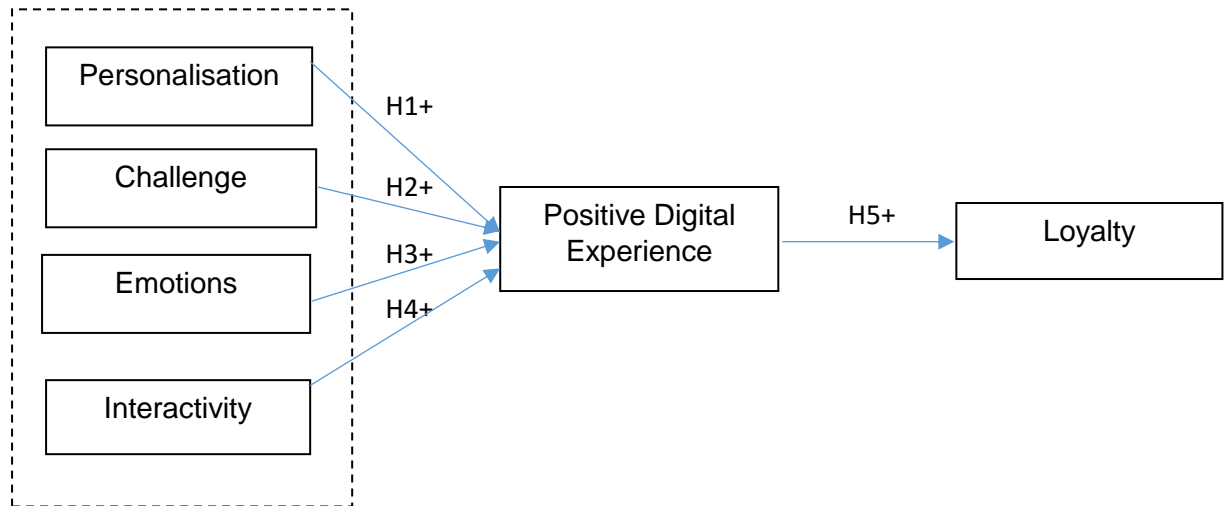
RESEARCH OBJECTIVES

In order for the research question to be addressed, this study's objective was to empirically test the conceptual model illustrated in Figure 1, in order to ascertain the drivers needed to create a positive digital experience. Additionally, this study aims to

determine the extent to which a positive digital experience influences consumer loyalty; within Generation Z consumers.

FIGURE 1

Conceptual model of a positive digital experience



Source: Based on the conceptual framework developed by Rose *et al.* (2012) and Brakus *et al.* (2009).

HYPOTHESES DEVELOPMENT

The use of personalisation to enhance a digital experience.

According to Imhof, Loftis and Geiger (2001), personalisation is having the ability to notice, understand and regard a customer as an individual and in doing so, sending them personalised content. Personalisation can be obtained by asking for feedback from customers by allowing them to select information / topics they are interested in (Anand and Mobasher, 2003).

Tam and Ho (2006) report that users exposed to relevant and personalised content will seek less information and spend less time on decision-making than when exposed to irrelevant content. Henceforth, the development of relevant content, managing and adapting it to suit a customers’ interest, while synchronising user information, can contribute to providing a customer with an effective and efficient experience (Tam and Ho, 2006). Thus, particular to the context of the current study, it is hypothesised that:

H1: Personalisation influences a positive digital experience.

Challenge as a determinant of a positive digital experience

Nicholson (2015) verifies that humans enjoy being challenged. For the purpose of this study, challenge is defined as the cognitive state of complete absorption and mental immersion in an activity (Huang, 2006). If an activity challenges an individual beyond what can be handled, the individual is more likely to experience anxiety (Chen, Wigand and Nilan, 1999). On the other hand, if the challenge is not demanding of the individual, it may lead to boredom (Chen *et al.*, 1999). To attain a successful experience, there needs to be an optimal level of challenge, which takes into account the individual’s needs, preferences and skills (Chen *et al.*, 1999).

Research shows that Generation Z's are digital natives and have the necessary skills to utilise digital devices to their advantage (Autry and Berge, 2011). However, the barrier lies with companies struggling to provide a challenging experience. With this, if the challenge is set and the user has the necessary skills to use the technology, then the optimal experience can be achieved (Hawkins, 2017). Based on the preceding discussion, the following hypothesis is presented:

H2: Challenge influences a positive digital experience.

The role of emotions on a positive digital experience

Flavián-Blanco, Gurrea-Sarasa and Orus-Sanclemente (2011) report that customer emotions are prevalent in the online environment whether it be prior, during and/or post search. Emotions, as stated by Hawkins (2017) and Brakus *et al.* (2009), are key role-players in creating an engaging and positive experience. Positive emotions can include: enjoyment, contempt, surprise, and interest which, in turn, can be elicited by different aspects such as service experiences, in-store / online features and the interactions with the service personnel (Ladhari, Souiden and Dufour, 2017). Consequently, emotions may cause customers to either abandon or continue their online activity. As proven by Mattila and Enz (2002), emotions do not only impact the consumer's assessment of the experience, but also the quality of the experience itself. It is therefore hypothesised that:

H3: Emotions influence a positive digital experience.

Interactivity as a driver of a positive digital experience

Interactivity is considered to be an experiential phenomenon that occurs when a user interacts or communicates in a two-way, controllable and responsive manner (Mollen and Wilson, 2010; McMillan and Hwang, 2002). Interactivity highlights the role of communication (in this case, in a digital context); which according to Song and Zinkhan (2008) influences a consumer's overall experience. A highly interactive online experience entails quick responses to user's actions and requests; treating users as active participants who feel that their opinions are heard (Liu and Shrum, 2002). This results in users feeling less frustrated with waiting or feeling ignored by the company; potentially resulting in a more satisfying experience (Liu and Shrum, 2002). Based on the preceding discussion, the following hypothesis is presented:

H4: Interactivity influences a positive digital experience.

Digital experience as a driver of loyalty

According to Alton (2017), exceptional customer experience is deemed a loyalty factor. This is attributed to the fact that if a consumer's experience is positive, they are more likely to repeat the experience and re-purchase/repeatedly use the brand thus, affecting past-directed satisfaction judgements and future-directed loyalty (Brakus *et al.*, 2009). Moreover, re-purchase, revisit, and continued-use intentions have been verified as outcomes of a positive customer experience (McLean and Wilson, 2016; Castañeda, 2011; Verhoef *et al.*, 2009). Henceforth a consumer's experience greatly influences their intentions to remain loyal. Against this background, the following hypothesis was developed:

H5: A positive digital experience influences customer loyalty.

RESEARCH METHODOLOGY

Sampling Frame and Context

The study population comprised of Generation Z individuals at the University of the Free State, specifically between the ages of 18-22; who have access to smartphones and use a mobile-based health-and-fitness application. The decision to limit the target population to the stipulated criteria stemmed from the primary objective of the study; which addresses Generation Z consumers, in the context of a digital experience. Additionally, as recommended by Rose *et al.* (2012), further research could be conducted to test elements of their conceptual framework on younger respondents, especially emerging generations (18-24 years); as their initial sample was limited in this regard. This serves to justify the sample at hand.

Health-and-fitness mobile applications served as the digital context of this study, based on its relevance and appeal to the Generation Z market. This is justified by Wartella, Rideout, Montague, Beaudoin-Ryan and Lauricella (2016) who confirm that 84% of Generation Z's value receiving health-related information and are consequently downloading the aforementioned type of applications. This study did not focus on one particular health-and-fitness mobile application, as most available applications help users to fulfil a common goal of living healthier lives. As a result, respondents could use any health-and-fitness based application that fulfils basic functionalities including: establishing personal goals, monitoring progress, recommendations for workout regimes and/or cooking methods as well as connecting users to people who have similar goals. These over-arching functionalities address the constructs of the conceptual model.

Data Collection and Instrumentation Used

The data for the study were collected via a web-based questionnaire. This approach made it possible to reach a larger number of potential subjects, while serving as an economical and reliable method for gathering empirical data. Furthermore, a web survey is consistent with the context of this study, which focuses on the usage of mobile applications.

In order to reach the maximum number of respondents, a hyperlink connected to the web survey was shared via social media platforms as well as via email. This non-probability convenience sampling approach was beneficial in building a sample in which respondents had the shared characteristic of being a Generation Z health-and-fitness mobile application user. To ensure the sampling criteria was met, two screening questions were added, to ensure that the prospective respondents qualified to take part in the study (age and health-and-fitness mobile application usage). Following a comprehensive literature review, the questionnaire was developed using multi-scale items adapted from previous studies and measured using a 7-point Likert scale. Table 2 presents the various scale items which were adapted and used for this study, together with their respective sources. Upon review of Table 2, it is evident that scale items were primarily adapted from Hawkins (2017). This is attributed to the fact that Hawkins (2017) focused on aspects of experience creation, in the context of a fitness application which, in turn, aligns to the context of this study.

Preliminary data screening was conducted, before the main analysis (Field, 2013). Any cases with missing values or statistical issues were removed, resulting in 187 cases suitable for further analysis.

Data analysis and Interpretation

This study made use of Structural Equation Modelling (SEM) to analyse the data as it is less sensitive to sample size and less strict in terms of data and model specifications. Furthermore, this approach performs factor analysis and regression

analysis in one step. Resultantly, it was decided that partial least squares path analysis, classified as variance-based structural equation modelling (PLS-SEM and its SmartPLS 3.2.7 software), be used (Ringle, Wende and Becker, 2015). This approach provided an assessment of both the properties of the measurement model and the structural model, with the results discussed in the section to follow.

RESULTS AND FINDINGS

Participants-sample characteristics

Of the 187 respondents, 101 (54%) were female, whilst 86 (46%) were male. Since the study specifically targeted Generation Z's using health-and-fitness applications, the demographic findings, reported in Table 1, reveal that majority (46%) of respondents use a health-and-fitness app. daily or between 5-6 times a week. The results further stipulated that 44.9% use the stated applications approximately one to four times a week. The remaining 9.1% of respondents use health-and-fitness applications once or twice a month. Furthermore, findings reveal that most respondents were using the Nike+Run/ Training Club mobile application (31.6%) followed by Google fit with 24.6% and S-Health with 23.0%. The remaining 20.9% included respondents that used iOs Health, Fitbit, Adidas miCoach and other apps, respectively.

TABLE 1.
Demographic profile of respondents

<i>Characteristics</i>	<i>Category</i>	<i>Frequency</i>	<i>Percentage</i>
Gender	Female	101	54.0%
	Male	86	46.0%
	TOTAL	187	100%
Health-and-fitness Application Used	Nike+Run/ Training Club	59	31.6%
	Google fit	46	24.6%
	S-Health	43	23.0%
	iOs Health	22	11.8%
	Fitbit	8	4.3%
	Adidas miCoach	5	2.7%
	Other	4	2.1%
	TOTAL	187	100%
Usage Rate	Daily	58	31.0%
	5-6 times a week	28	15.0%
	3-4 times a week	53	28.3%
	1-2 times a week	31	16.6%
	Once or twice a month	17	9.1%
	TOTAL	187	100%

Source: Compiled by researchers (2018)

Assessment of the measurement model

To assess the convergent validity, all indicator items in the measurement model namely: the standardised item loadings, Cronbachs Alpha, Composite Reliability (CR) and Average Variance Extracted (AVE) values were calculated. The standardised item loadings of the measurement model should range from 0.50 or higher, and preferably 0.70 or higher, to indicate adequate convergence and internal consistency (MacKenzie, Podsakoff and

Podsakoff, 2011). The Cronbach Alpha and Composite Reliability values should be greater than 0.7 and AVE scores should exceed 0.5 (MacKenzie *et al.*, 2011). As reflected in Table 2, all constructs and their respective items meet the afore-mentioned criteria, thereby verifying the reliability of the measurement model.

TABLE 2:
Measurement model assessment results

Construct	Item	Item/Statement Wording	Adapted from:	Item Loadings	Cronbach Alpha	Composite Reliability	AVE
Personalisation	P1	The app has interactive features that fit my needs.	Hawkins, 2017	0.883	0.869	0.911	0.718
	P2	I can adapt the features on the app to better serve my needs.	Hawkins, 2017	0.843			
	P3	The app creates the feeling of receiving personalized attention	Hawkins, 2017	0.822			
	P4	I value the personalized exercise plans the app creates for me	Hawkins, 2017	0.841			
Challenge	CH1	I find using the App stretches my capabilities to the limits.	Hawkins, 2017; Rose <i>et al.</i> , 2012	0.820	0.897	0.924	0.708
	CH2	Achieving my goals on the App increased my motivation to improve my physical wellbeing.	Hawkins, 2017	0.832			
	CH3	Using the App provides a good test of my skills.	Hawkins, 2017; Rose <i>et al.</i> , 2012	0.841			
	CH4	Using the App challenges, me to perform to the best of my ability	Hawkins, 2017; Rose <i>et al.</i> , 2012	0.884			
	CH5	Setting goals on the App increased my motivation to improve my physical wellbeing.	Hawkins, 2017	0.828			
Emotions	E1	This App makes a strong impression on my visual sense or other senses	Kim, Joo, Kwon and Reid, 2017	0.824	0.873	0.913	0.725
	E2	This App stimulates my curiosity	Brakus <i>et al.</i> , 2009	0.844			
	E3	I find using this app entertaining	Brakus <i>et al.</i> , 2009	0.853			
	E4	Using this app regularly makes me feel good	Brakus <i>et al.</i> , 2009	0.883			
Interactivity	IY1	The app enables a two-way communication between peers	McMillan and Hwang, 2002	0.905	0.799	0.882	0.717
	IY2	The App enables real-time conversation between peers	McMillan and Hwang, 2002	0.904			
	IY3	The App involves/ interacts with my fitness needs	McMillan and Hwang, 2002	0.717			
Positive Digital	PDE 1	When compared to other Apps, I find this App to be the best for me	Hawkins, 2017	0.863	0.880	0.918	0.736
	PDE 2	I got what I expected from the App	Hawkins, 2017	0.870			

	PDE 3	I find using the app to be a positive experience.	Hawkins, 2017	0.871			
	PDE 4	I find using the app to be a helpful experience.	Hawkins, 2017	0.826			
Loyalty	LY1	I seldom consider switching to another fitness Apps	Hawkins, 2017	0.721	0.877	0.905	0.576
	LY2	As long as the present App continues, I doubt that I would switch to another App.	Hawkins, 2017	0.774			
	LY3	When tracking my fitness, this App is my first choice	Hawkins, 2017	0.771			
	LY4	To me, this App is the best fitness tracking App.	Hawkins, 2017	0.798			
	LY5	I believe that this is my favourite fitness tracking App.	Hawkins, 2017	0.791			
	LY6	I will continue to use to use this brand because I am familiar with it.	Srinivasana, Andersona, and Ponnabolub,2002	0.735			

Source: Compiled by researchers (2018)

To assess the discriminatory validity of the measurement model, the Fornell and Larcker Criterion (1981) was used. Based on the Fornell and Larcker Criterion (1981), the squared root of the AVE is compared with the correlation between each pair of constructs in the measurement model. The results, in Table 3, reveal that the squared root of the AVE for all the constructs are greater than the correlation between each pair of constructs. These findings provide sufficient evidence of discriminant validity which serves to validate the constructs of the measurement model.

TABLE 3.

Average variance extracted compared with squared correlations

Latent variables	Challenge	Emotions	Interactivity	Loyalty	Personalisation	Positive Digital Experience
Challenge	0,841					
Emotions	0,764	0,851				
Interactivity	0,646	0,660	0,847			
Loyalty	0,646	0,733	0,625	0,759		
Personalisation	0,775	0,798	0,634	0,721	0,848	
Positive Digital Experience	0,835	0,796	0,659	0,702	0.819	0,858

Source: Compiled by researchers (2018)

NOTE: **Bold values represent the square root of the AVE's**

Unbolded values represent the correlation between constructs

Assessment of the structural model

In order to test the hypotheses, the bootstrapping function provided the path coefficients and their significance, based on a subsample of 5000. The results of the assessment of the structural model are summarised in Table 4. Empirical findings reveal that four of the five hypothesised paths yielded statistically significant results at the 95% confidence level,

resulting in the rejection of the null hypotheses for H1, H2, H3 and H5; in favour of the alternative hypotheses. Hypothesis four, related to the influence of interactivity on a positive digital experience has yielded results below the thresholds of significance and thus the acceptance of the null hypotheses was concluded.

In terms of explanatory power, the explained variance results reveal that the drivers of a digital experience namely: personalisation, challenge, emotional appeal and interactivity account for 79.0% ($R^2 = 0.790$) of the variance in positive digital experience. The hypothesised creation of loyalty has a variance of 49.3% ($R^2 = 0.493$). The reported R^2 values can be classified as “medium to large” effect (Cohen, 1992), hence showcasing that the predictive validity of the model is good.

TABLE 4:
Path analysis results

Hypothesis	Path	Path coefficient (β)	t Value	P Value (one-tailed)	Outcome of Hypothesis
H1	Personalisation → Positive Digital Experience	0.300	4.256	0.000	Supported
H2	Challenge → Positive Digital Experience	0.400	5.112	0.000	Supported
H3	Emotions → Positive Digital Experience	0.199	2.728	0.006	Supported
H4	Interactivity → Positive Digital Experience	0.078	1.397	0.163	Not supported
H5	Positive Digital Experience → Loyalty	0.702	14.117	0.000	Supported

Source: Compiled by researchers (2018)

DISCUSSION

Our results support the notion that Generation Z’s digital experience can positively influence their loyalty toward a business’s offering; hence answering the research question at hand. Furthermore, the study has demonstrated that in order to attain an overall positive digital experience, certain drivers have a significant influence. Challenge and personalisation were discovered to be the strongest predictors of a consumer’s positive digital experience ($\beta = 0.400$; sig = 0.000; $\beta = 0.300$; sig = 0.000) respectively. Cohen (1992) states that a β value greater than 0.2 and less than 0.5 is classified as a medium influence.

Additional findings emerging from this study extends our understanding of the significant role that emotions plays in creating a positive digital experience ($\beta = 0.199$; sig = 0.006), which according to Cohen (1992) is classified as a small influence. In terms of interactivity, although literature revealed that it served as a determinant of a positive digital experience (Rose et al., 2012; Mollen and Wilson, 2010), this study’s empirical findings find no significant relationship ($\beta = 0.078$; sig = 0.163). Lastly, based on the empirical results, the creation of a positive digital experience was established to have a large influence of loyalty ($\beta = 0.702$; sig = 0.000) (Cohen, 1992). Based on these empirical findings, practical managerial recommendations have been made, with the aim to advance management practices.

THEORETICAL CONTRIBUTION, PRACTICAL MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

The purpose of this study was to investigate the drivers of a positive digital experience and the impact thereof on loyalty amongst Generation Z consumers. Consistent with the extant literature, our findings show that through the creation of a positive digital experience, marketing managers are able to foster loyalty intentions within Generation Z consumers. The relevance of challenge, personalization and emotions are emphasized in this research as they are influential in the creation of a positive digital experience; thereby contributing to the body of knowledge regarding the drivers of digital experience creation and the impact thereof on loyalty creation within Generation Z consumers.

Since customers place great value on being challenged; one practical way of challenging a customer is through gamification. This allows for companies to integrate game features into a non-game context which drives the customers to continuously have a positive experience as they are motivated to attain points, badges, leaderboard progress or receive access to exclusive content (Hawkins, 2017). This presents an opportunity for further research, as gamification yields great potential as reported by Hawkins (2017). Furthermore, companies could ensure that recommendation systems are used to provide users with a sense of personal attention; empowering customers to share their voice by selecting what they like and what they are most interested in.

Both empirical and theoretical findings substantiate that emotions impact a consumer's experience. Organisations should thus prioritise online experiences that fosters positive emotions. This could be attained through customer support systems such as live chats and online help desks where users can connect with the business, as a means to resolve any frustrations that may reduce positive emotions (McLean and Wilson, 2016). Additionally, companies could incorporate aspects of curiosity and entertainment into their digital channels to keep consumers intrigued, whether it be in the form of special "one-day-only" deals or product-relevant tips. This provides impetus for future research, where curiosity initiatives could be investigated, in relation to the consumer's digital experience.

In terms of interactivity, this study's empirical findings find no significant relationship. Perhaps this generation interacts across other social media platforms and websites and does not value interaction in a mobile application context? This research could be subject to certain limitations due to the method of data collection, focusing on the digital experience in a fitness-based mobile application. Future research could test interactivity, from a Generation Z perspective, using one specific mobile application or across other digital platforms such as websites.

Additionally, since our findings account for 79.0% ($R^2 = 0.790$) of the variance in positive digital experience, further research could explore alternative cognitive and affective components that yield larger influences. This provides impetus for future research, to investigate alternative mobile application functionality features, across various industries. Lastly, the creation of a positive digital experience was established to have a statistically significant influence of loyalty. Previous studies conducted by McLean and Wilson (2016) and Verhoef *et al.*, (2009) found similar results. Although countless studies have tested loyalty, limited research has been conducted from a Generation Z perspective, resolving a gap in our knowledge.

CONCLUSIONS

While technology has provided managers with new avenues to create experiences for ever-demanding and expectant consumers; little was known on what Generation Z's expect and value. This study has illustrated the importance of acknowledging Generation Z consumers in the creation of a digital experience and the impact thereof on loyalty. Specifically, the antecedents of a positive digital experience have been established and the outcome of loyalty

has been verified, thus addressing the research question and objectives. The findings of this paper provide companies with research-based insight into Generation Z. Through this understanding, tailored digital experiences can be created that foster customer loyalty and, in turn, advance management practices to obtain a competitive advantage.

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Predicting the continuance intention to use mobile payment services

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Keywords: Mobile Payment Services, Partial Least Squares Path Modelling (PLS), Expectation Confirmation, Continuance Intention, Developing Economy.

ABSTRACT

The purpose of this study is to explore the predictive power of the E-ECM-IT in the mobile payment context and in a developing economy. There is a paucity of research applying the model to additional new technology contexts, such as mobile payment services. A quantitative survey research method was employed to collect data from 426 users of mobile payment services across South Africa. A partial least squares - structural equation modelling (SEM) - ("PLS-SEM") modelling approach was performed to examine the measurement and structural model of the study. The study revealed that ease of use does not significantly influence continuance intention to use mobile payment services. Users' satisfaction and perceived usefulness remain significant predictors of continued intentions. The study suggests that the extended expectation confirmation model in the context of information technology (EECM-IT) could be an appropriate model to measure new technology continuance intentions in an African context.

INTRODUCTION

Mobile payment technology is one of the fastest growing evolutions in modern history, accounting for dramatic changes in the way service providers create and deliver their services. Factors such as advances in mobile technology, socio-economic conditions, and the high smartphone penetration rate are the driving forces behind mobile payments in emerging markets (Kshetri & Acharya, 2012:9). It is estimated that about 74% of the global mobile phone users appreciate the need for being connected anywhere and at any time, while 70% agree that the mobile phone has made life better (Nielson Global Survey, 2016). This need for constant connectivity has changed the way people communicate, shop, bank, get paid and pay for goods and services.

Mobile payments have been a key driver of socio-economic development in emerging markets (Kshetri & Acharya, 2012:9). The world's gross transaction value of mobile payments exceeded \$300 billion in 2013 (Kim, Mirusmonov & Lee, 2010:310), and it is now expected to

reach \$930 billion by 2018 (NFC, 2017). In harmony with this occurrence, mobile payments have now become a prominent feature of daily living (Schierz, Schilke & Wirtz, 2010).

The mobility of modern society has rendered mobile payment most ideal because of its ubiquitous nature and pervasiveness (Groß, 2016). However, as reported by Yang, Lu, Gupta, Cao and Zhang (2012:129), the anticipated returns from investments in mobile payment services depends not only on their initial adoption but also on their continuing use by the consumer. Individuals who use mobile payment services regularly will benefit from this method of payment; and companies would recoup their investments if consumers adopt and use their services continuously (Setterstrom, Pearson & Orwig, 2013:1140). In support of this assertion, Alshurideh (2016:384) reported that retaining customers by a mere 5% can lead to a 75% increase in profitability. Therefore, understanding factors that lead to users' continued use of mobile payments services is crucial for unlocking shareholder value.

Of the estimated world's two billion five-hundred million people who do not have a bank account at any financial institution, about 56% are adults in developing economies (World Bank, 2017). These unbanked populations cite not only poverty as the main cause, but also costs, travel distance and the amount of paperwork involved (World Bank, 2017). In countries such as Zimbabwe, Uganda and Côte d'Ivoire, an increasing number of adults use a mobile payment account instead of a traditional bank account (World Bank, 2017). South Africa is reflective of other developing economies because it is estimated that 7 million people in South Africa are on payrolls yet they do not own any bank account (Vodacom, 2015). With this sizeable unbanked population that depend on cash, mobile payments are expected to fill an important gap.

Despite the risks of carrying cash, the regular users of mobile payments are surprisingly low. Of the one million registered users for M-Pesa (one of the mobile payment apps in South Africa) since its inception in 2010, only 76 000 consumers were actively using the service by the end of 2016 (van Zyl, 2016). Of the estimated 20 million people who owned smartphones in South Africa in 2014, only an estimated 2.1 million people were reportedly using QR-code based mobile payment apps (World Wide Worx, 2014). Other examples exist in Africa, for example, In Nigeria, of the total number of people who know about mobile payment services, only 29% were actively using mobile payments in 2013 (Phillips Consulting, 2013). Thus, more research is needed to know why mobile payments are not always readily accepted and used continuously by consumers particularly in emerging economies where the local market factors support mobile payments (Fichardt, 2015). For instance, in South Africa, both banks and non-banks are allowed to provide mobile payment services and there is an increasing number of merchants signing up for various mobile payment options. Furthermore, mobile payment apps can be linked to a wide range of VISA, MasterCard, cheque card and mobile payment enabled debit cards. Despite these inviting conditions, the use of mobile payment services are still rather sluggish.

A central element in the survival of many firms in the mobile-technology industry is users' continued use of that technology (Vedadi & Warkentin, 2016:7). However, little attention has been given to understanding the continuance intention in the mobile payment environment, where consumers decide whether to continue or discontinue using the services (Thong, Hong & Tam, 2006:799). Consumer adoption is an important initial step, but the sustainability of mobile payments depends largely on users' continued use (Thong *et al.*, 2006:799). As suggested by several studies (Thong *et al.*, 2006; Bhattacharjee, 2001), meeting customers' needs and expectations is the cornerstone in gaining customer commitment. Therefore, to bridge this research gap and to aid service providers to understand consumers' continued use intentions, this study examines the predictors of continuing use intentions of mobile payment services, grounded in the extended expectation confirmation model in the context of information technology (E-ECM-IT) (Thong *et al.*, 2006).

This study contributes to both theory and practice. Theoretically, the findings examine the predictive power of the E-ECM-IT by exploring this in the mobile-payment context in a developing economy. The E-ECM-IT has previously been applied to predict the continued use of differing technologies; but there is a paucity of research on applying the model to additional new technology contexts, such as mobile payments. As reported by Cho (2016:76), psychological models applied in the social sciences are bound by the specific technology characteristics of that chosen technology. Therefore, the application of the E-ECM-IT with a focus in mobile payments would further validate the predictive power of the model. Furthermore, the model has been widely used as a theoretical underpinning in developed countries; but due to the differences in cultural, social, and economic factors, these models would not necessarily be applied uniformly in different contexts (Cho, 2016:76). Therefore, the application of the E-ECM-IT in the context of an emerging economy would not only validate its predictive utility but it would also further expand the theoretical scope of the model. Practically, the study examines the factors that predict the continued use of mobile-payment services, in order to suggest strategies that would increase their usage.

THEORETICAL FRAMEWORK AND THE DEVELOPMENT OF HYPOTHESES

Mobile payments in context

Mobile payment can be described as payments made for goods, services and retail accounts by using a mobile phone, with the wave being transmitted by radio (Dahlberg, Mallat, Ondrus & Zmijewska, 2008:165). This definition is suitable because it indicates some of the useful features of mobile payment services. Firstly, mobile-payment services are ever-present, allowing consumers to make payments whenever they need to do so (Jia, Hall & Sun, 2014:3).

Secondly, mobile phones are regarded as personal gadgets that can easily be used as a payment instrument (Mallat, 2007:414). Thirdly, because consumers have already been conditioned to using their mobile phones to purchase digital products, such as ring tones, music and videos clips, this suggests that they can easily use their mobile phones to pay for tangible goods as well (Dahlberg *et al.*, 2008:165).

Mobile payment services available in South Africa can be categorised on the basis of firstly, the industry (For example, Retail, banking and telecommunications) where the mobile payment options are prevalent, and secondly, on the method used to execute such payments. The methods used to execute such payments are primarily proximity and remote mobile payments. Proximity mobile payments are mainly mobile points of sale (mPOS) and Quick Response (QR) code-based; while remote payments comprise payments that are conducted via a mobile web browser or a smartphone application (Qasim & Abu-Shanab, 2015:1024).

Mobile payments offer benefits to all the partners. From the consumers' point of view, mobile payments mitigate the risk of carrying cash, and they can be used for small value purchases, such as paying for restaurant meals, courier and beauty services, in an easy, safe and convenient way (Kim, 2010:312). Retailers on the other hand can reliably transact business with the use of relatively cheap POS terminals. However, to reap the benefits consumers' need to adapt but more importantly continue to use these mobile payment services (Zhou, 2013:1086).

Setterstrom *et al.* (2013:1142) refers to continuance intention by describing how an individual consumer develops a need to continually use mobile payments in the future. Consumers' continuance intention is also described as repurchase intention; because both decisions (1) are as a result of an initial decision to adopt a product or service, (2) they are impacted by the initial product or service experience, and (3) they can result in an abrupt discontinued use thereafter (Bhattacharjee, 2001:355). To maximise the financial investment in mobile payment services, service providers ought to ascertain that customers will use their services

continuously (Susanto, Chang & Ha, 2016:515). Extant literature indicates that there are several theories that have been employed to describe the factors predicting the intention to continue using new technologies. These theories include the expectation-confirmation model (ECM) (Oliver, 1980), the expectation-confirmation model in the context of IT (ECM-IT) (Bhattacharjee, 2001), the extended expectation-confirmation model, also in the context of IT (E-ECM-IT) (Thong *et al.*, 2006), the information systems success model (DeLone & McLean, 2004), the technology acceptance model (TAM) (Davis, 1989), and the theory of planned behaviour (TPB) (Ajzen 1991), to name but a few.

These theories have been applied in different contexts, such as internet banking continuing use (Eshraghi, 2016), electronic-commerce success (DeLone & McLean, 2004) and continued online behaviour (Hsu, Yen, Chiu & Chang, 2006). However, none of these studies have investigated the continued use in the context of mobile payment services, characterised by the possibility of risks such as interruption of mobile data connections in some places that may compromise the perceived usefulness of mobile payments, leading to discontinuance (Zhou, 2013:1086).

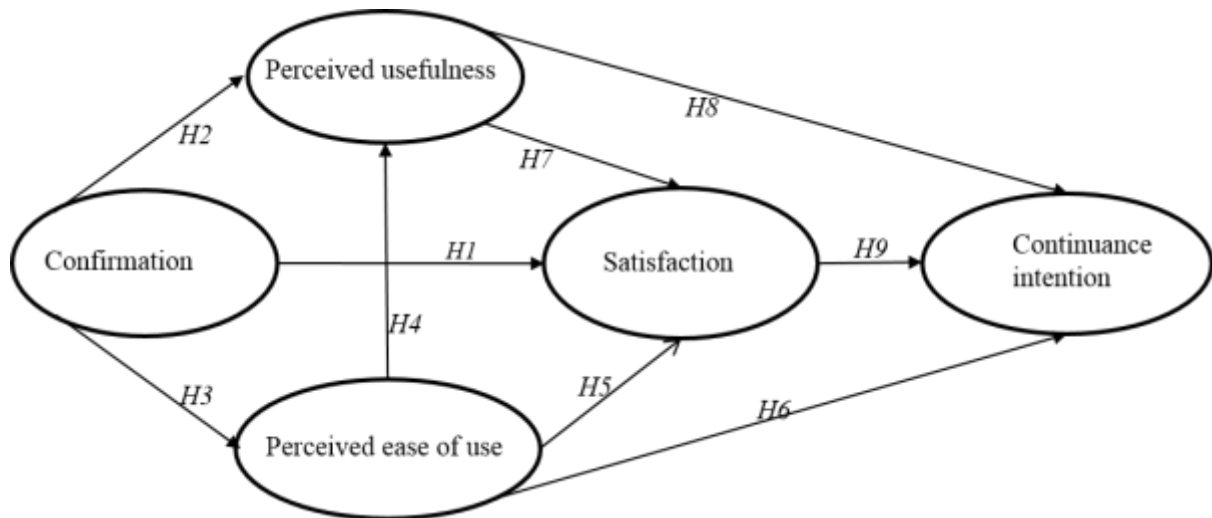
The Extended ECM-IT (E-ECM-IT)

The study draws on the value percept theory which was developed by Westbrook and Reilly, (1983). The theory holds that consumer satisfaction is a post consumption pleasant feeling resulting from an evaluation of pre-trial beliefs and the actual product performance. This study hypothesises that the confirmation of pre-trial beliefs and actual product performance as evident in ease-of-use and usefulness, influence satisfaction and continuance intention. More specifically, the E-ECM-IT model was used as a basis for the conceptual model.

The E-ECM-IT model is an extension of the ECM model and it encapsulates variables such as ease of use and usefulness that are reflected in TAM as important antecedents to behavioural intention. The choice of the hybrid model was further based on a study conducted by Hong *et al.* (2006:1819-1834) examining the utility of three models for understanding IT usage behaviour, namely the ECM-IT, the TAM and the E-ECM-IT amongst 1826 consumers. The E-ECM-IT emerged as having the highest explanatory power for consumers' continued IT use intentions. Furthermore, being a newer model, there are only a few available studies that have investigated consumers' continued intentions in contexts such as the continued use of health apps (Cho, 2016), the continued use of information systems (Bhattacharjee, 2001) and the continued use of learning-management systems (Mouakket & Bettayeb, 2015), none of which were on mobile-payment services. Therefore, the E-ECM-IT needs to be statistically validated in varying contexts so that the results can be generalised (Hong, Thong & Tam 2006:1822). Hence, this study determines the predictive utility of this newer hybrid model to measure users' continuance intentions of using mobile payment services in an emerging market context. The theoretical underpinning for the proposed conceptual framework and the hypothesised relationships to be tested and discussed below and depicted in Figure 1.

FIGURE 1:

The proposed extended expectation-confirmation-it model



The effect of confirmation on satisfaction, perceived usefulness and perceived ease of use

Empirical studies have shown that confirmation directly influences consumer satisfaction (Bhattacharjee, 2001; Thong *et al.*, 2006; Schierz *et al.*, 2010). Mobile payment users normally have expectations before use. After using the service, consumers would compare the performance of the product or service against their expectations before adopting its use. If the expectations are met, this results in confirmation, and the lack thereof results in discontinuance of the service.

However, the confirmation of mobile payment services can influence users' perceived usefulness. Consumers' perception of usefulness in this study describes how a consumer believes that using mobile payment services would improve their purchase decisions (Davis, 1989:320). This implies that consumers can use mobile payments to access useful information, make price comparisons, and expedite purchase and payment in a safe and convenient way. The expectations after the initial adoption are represented by the perceived usefulness which is considered by researchers as the most stable precursor behind the intention to use an innovation (Davis, 1989).

The relationship between perceived ease of use and confirmation was long ago confirmed by Davis, (1989). Thong *et al.* (2006:803) reported that the experience gained during the use of mobile-payment services would enhance users' perceptions of ease of use. The perceived ease of use is described by Davis (1989:320) as the extent to which an individual perceives that using a particular system such as mobile payment services is effortless. The incorporation of perceived ease of use in the E-ECM-IT has been lauded by researchers (Venkatesh, 2000; Thong *et al.*, 2006) because it allows for a better understanding of the role of seemingly complex technology, such as mobile-payment services. In the light of the above, the following hypotheses were formulated:

- H₁: Confirmation of mobile payment services has a positive effect on satisfaction.
- H₂: Confirmation of mobile payment services has a positive effect on perceived usefulness.
- H₃: Confirmation of mobile payment services has a positive effect on perceived ease of use.

The effect of perceived ease of use on perceived usefulness

Prior research has established the direct effect of perceived ease of use on perceived usefulness (Shierz *et al.*, 2010; Thong *et al.*, 2006). Davis (1989) argued that the usefulness of a technology depends on how easy users perceive it to be. In other words, the easier it is for individuals to initiate and complete transactions using their mobile phones, the more they regard it as being useful (Natarajan, Balasubramanian & Kasilingam, 2017:10).

More importantly, if mobile payment services can easily give users more control over their personal purchase decisions, they will be regarded as more advantageous and useful. Thus, usefulness is theorised to be influenced by the perceived ease of use, leading to the following hypothesis:

H₄: Perceived ease of use of mobile payment services has a positive effect on perceived usefulness.

The effect of perceived ease of use on satisfaction and continuance intentions

The effect of perceived ease of use on consumers' satisfaction and their intentions to continue using a technology has long been confirmed. Oliver (1980) defined satisfaction as an emotional or psychological state resulting from a cognitive assessment of the gap between the expectations and the actual purchase. Because satisfaction is an emotion of feeling, consumers' perception of how easily the new technology can be used would positively influence their satisfaction with the new technology (Thong *et al.*, 2006:802).

Thong *et al.* (2006:803) and Hong *et al.* (2006:1824) also found that the perceived ease of use is crucial in influencing consumers' intention to continue using information technology, referred to as mobile payment applications in this study. Given the limited visual space of the mobile phones and the limited mobile payment applications, consumers' perceptions of ease of use becomes an important antecedent to their continued use intentions (Venkatesh, 2000:343). According to these authors, ease of use relating to mobile payments includes straightforward symbols and keys, simpler and fewer step-by-step payment instructions, and accurate quick payment confirmations. Therefore, the functionality of the mobile payment apps can greatly affect users' satisfaction and their ultimate continued use. It is hypothesised that:

H₅: Perceived ease of use of mobile payment services has a positive effect on satisfaction.

H₆: Perceived ease of use of mobile payment services has a positive effect on continuance intentions.

The effect of perceived usefulness on satisfaction and continuance intention

Previous research has established that perceived usefulness influences both satisfaction and continued use (Mouakket & Bettayeb, 2015:493). Although the construct was initially meant to measure perceived usefulness within an organisational context, numerous studies pertaining to new technology continuance intentions have suggested that both satisfaction and continuance intentions are represented by perceived usefulness (Kim, 2010:7034).

In the context of our proposed model, perceived usefulness represents the practical benefits that an individual experiences by using mobile payments. In the same vein, if the use of mobile-payment services can contribute to a consumer's better life and productivity, it leads to satisfaction and the continued use thereof (Hong *et al.*, 2006:1821). Based on the above, it can be hypothesised that:

H₇: Perceived usefulness of mobile payment services has a positive effect on satisfaction.

H₈: Perceived usefulness of mobile payment services has a positive effect on continuance intention.

The effect of satisfaction on continuance intention

Previous studies have demonstrated that satisfaction positively impacts on the continued use in various contexts, such as the electronic banking service (Bhattacharjee, 2001) and learning management systems (Mouakket & Bettayeb, 2015). This study draws from these past studies to suggest that consumers who are satisfied with the use of mobile-payment services would develop a greater propensity to continue using the services. Consequently, retailers, banks and mobile network operators should improve their customer-satisfaction levels by meeting and exceeding the customers' expectations. Thus, it can be hypothesised that:

H₉: Satisfaction with the use of mobile payment services has a positive effect on continuance intentions.

THE RESEARCH METHOD AND DATA ANALYSIS

This study was designed to collect empirical data from adult (18 years and above) consumers already accustomed to using mobile payment services. The mobile payments in South Africa are predominantly linked to credit cards. The minimum age limit is in accordance with financial institutions' regulations that stipulate that eligible applicants for credit cards must be aged 18 years and older. A market research firm was appointed to administer the online survey. From a single round of data collection, the final convenience sample consisted of 426 usable responses, collected from the research firm's consumer panel base across South Africa. The participants were screened to ensure that they had downloaded and used a mobile payment app before, and owned a credit, debit or any mobile payment enabled bank card.

The questionnaire consisted of questions relating to the consumer use of mobile payment apps, statements measuring the various constructs of the E-ECM-IT model related to mobile payment apps, and the demographic profile of the respondents. The pre-validated measurement items were drawn from the literature. The confirmation scale (four items such as 'my experience with using mobile payment apps was better than what I expected'); continuance intention scale (three items including "my intentions are to continue using the mobile payment apps) and the three-item perceived usefulness scale (for example, I find mobile payment apps a useful possibility for paying) were adapted from Bhattacharjee (2001). The four item satisfaction scale with statements such as 'my experience with using the mobile payment app was satisfactory', were adapted from Susanto *et al.* (2016). The perceived ease of use scale were taken from Kim *et al.* (2010) and included five items such as 'I find the mobile payment app easy to use'. A 7-point Likert type response format was used to measure the items with scale points from 1 (Strongly disagree) to 7 (Strongly agree). Before the questionnaire was fielded, it was pre-tested among 30 consumers from the study population; and no concerns were identified.

Smart PLS3 software was employed to represent and test the model. Partial least squares structural equation modelling (PLS-SEM) is also known as variance-based SEM and it allows the use of a variance-based structural-equation modelling instead of a covariance-based SEM method. It is furthermore less restrictive than other software in terms of sample size, distributional assumption and model complexity (Hair, Ringle & Sarstedt, 2013). Therefore, it is highly recommended in studies relating to marketing and consumer behaviour (Henseler, 2010; Hair, Ringle & Sarstedt, 2011) and its use is expanding in marketing (Madupalli & Poddar, 2014; Sattler, Völckner, Riediger & Ringle, 2010) and in information systems research (Lin, Fan & Chau, 2014).

The PLS-SEM was deemed appropriate for the analysis of the results because researchers recommend it in studies of a predictive nature, and in cases where the data are not normally distributed (Groß, 2016:114), as well as for cause-effect-relationship models that are complex (Hair *et al.*, 2011). Because this study focuses primarily on predicting continuance intentions to use mobile payments, and the data are not normally distributed, it is applicable to use PLS-SEM. The PLS-SEM was analysed in two stages. Firstly, the measurement model (outer model) was analysed to confirm whether it was valid and reliable. Before evaluating the structural model, it was assessed for multi-collinearity. Secondly, the structural model (inner model) was evaluated by firstly estimating the statistical significance paths between the constructs by t-values (Groß, 2016:115), using the bootstrapping option (5000 resample), secondly, the level of the R² values and thirdly, the f² effect sizes were assessed.

THE RESULTS

A fairly equal gender distribution was realised, comprising 51.2% males and 48.8% females. The participants had an age distribution of 18-21 years (17.8%), 22-29 years (35.8%), 30-39 years (30.3%), 40-49 years (10.6%), and 50 years and older (5.5%). The age distribution suggests that the sample was slightly skewed towards younger and middle aged respondents. The majority of the participants (62%) had at least a certificate, diploma or a college degree. Although 13.9% of the participants opted not to answer any questions relating to monthly income, 33.4% of the actual respondents earned R15 000 (\$1100 equivalent) or less. The sample was representative of all nine provinces of South Africa, and as expected, respondents from the Gauteng province which is the economic hub of South Africa (Gauteng Department of Economic Development, 2015), constituted the majority of respondents (47.5%), and followed by Western Cape (21.4%) and KwaZulu Natal (13.9%). The percentages of participants from 'other' provinces ranged between two and four percent.

The most down-loaded mobile-payment app among the participants was SnapScan (35%), followed by Zapper (17%), Masterpass (9%) and FlickPay (5.3%). The respondents used their mobile payment apps to buy restaurant meals, groceries, and electronic products for the most part.

Evaluation of the outer measurement model

The first step of the two-step analysis is the evaluation of the measurement model. Evaluating the measurement model and the item loadings involved assessing the composite reliabilities (CR), the average variance extracted (AVE) and the Cronbach Alpha values (Gupta & Arora, 2017:4). The validity of the instrument was analysed, according to the three main criteria of Fornell and Larcker (1981): The loadings for all items should be >0.5; the values of the composite reliability (CR) for all constructs should be >0.7 and the AVE values must be >0.5. As indicated in Table 1, both CR and Cronbach Alpha's values exceeded the cut-off point of 0.7; and the AVEs were above the suggested threshold of 0.5, thereby indicating adequate internal reliability and convergent validity (Rezaei, 2014:8).

TABLE 1:
Results of construct validity

Variables	Items	Standardised loading	Cronbach's Alpha	CR	AVE
Confirmation	ADPT1	0.846	0.774	0.869	0.689
	ADPT2	0.841			
	ADPT3	0.802			
Continuance intention	CI1	0.943	0.935	0.959	0.886
	CI2	0.949			
	CI3	0.931			
Ease of use	EOU1	0.811	0.875	0.910	0.668
	EOU2	0.842			
	EOU3	0.817			
	EOU4	0.855			
	EOU5	0.760			
Satisfaction	SATIS1	0.897	0.908	0.936	0.785
	SATIS2	0.849			
	SATIS3	0.900			
	SATIS4	0.896			
Usefulness	USE1	0.837	0.830	0.898	0.746
	USE2	0.899			
	USE3	0.853			

Discriminant validity was assessed according to Fornell and Larcker's (1981) loading criteria. The assessment verified that each construct has a square root of the AVE greater than the squared correlation between any pair of other different constructs, and the loadings of all the indicators exceeded all their cross-loadings as well (Fornell & Larcker, 1981). Hence, the results displayed in Table 2 confirm the establishment of discriminant validity.

Table 2:

Discriminant validity

	Adoption	Continued use	Ease of use	Satisfaction	Usefulness
Adoption	0.830				
Continued use	0.589	0.941			
Ease of use	0.509	0.502	0.818		
Satisfaction	0.663	0.820	0.628	0.886	
Usefulness	0.605	0.651	0.583	0.698	0.864

* The square roots of the average variance extracted (AVE) are shown in the diagonal elements in bold. Adequate discriminant validity is achieved if the diagonal elements exceed the corresponding off-diagonal elements.

The Structural model (Inner model)

Before the structural model can be assessed, it is important to investigate multi-collinearity. To assess whether multi-collinearity was present, the variance inflation factor (VIF) values were calculated for all the constructs in the model. The VIF values exceeding 5 indicate the

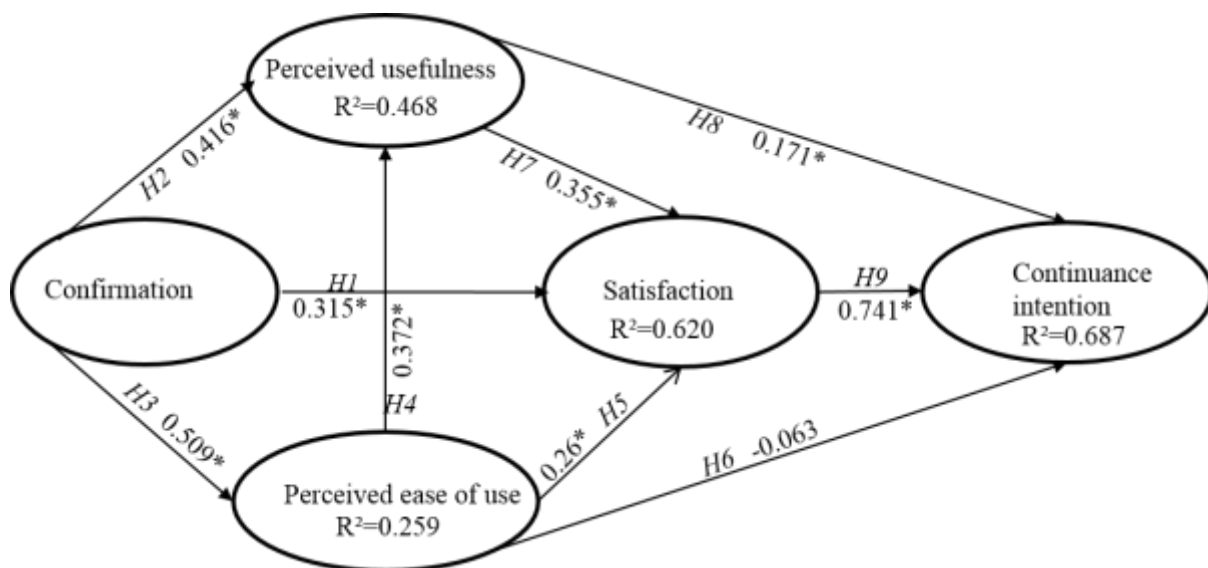
presence of multicollinearity (Hair *et al.*, 2011:145), and because the VIFs in the study did not exceed 3, multicollinearity did not influence the results of this study.

The second step was to assess the structural model. The criteria used to evaluate the structural model are the R^2 measures, as well as the level and significance of the path coefficients. To obtain the results of the significance of the path coefficients, the bootstrapping option (5000 resample) was used, as recommended in the literature (Gupta & Arora, 2017:5).

The rule-of-thumb regarding the R^2 values are 0.75, 0.50 and 0.25, representing substantial, moderate and weak predictive accuracy levels, respectively (Hair *et al.*, 2011:145). However, Hair *et al.* (2011:147) state that the R^2 values of 0.20 are regarded as high in studies relating to consumer behaviour.

Figure 2 shows the standardised path coefficients with the R^2 values. The results show that the model accounted for an R^2 of 0.687, suggesting 68.7% of variance explained in consumers' continuance intentions to use mobile payment services, 25.9% of variance in perceived the ease of use, 62% of variance in satisfaction; and 46.8% variance in the perceived usefulness. The majority of the R^2 values are moderate to substantial, and all the values exceed the threshold of 0.2 recommended for consumer behavioural studies (Hair *et al.*, 2011:145).

FIGURE 2:
PLS-SEM results of the E-ECM-IT.



*Indicates significant paths.

Figure 2 and Table 3 display the PLS-SEM output results from the assessment of the structural model. After verifying whether the relationships specified in the model are significant, it is important to consider the relevance of the significant relationships. According to Hair, Sarstedt, Hopkins and Kuppelwieser (2014:114), this step is important but it is often overlooked because although significant, the effect size may be too small to merit managerial attention.

The effect size for each path can be established by means of calculating Cohen's f^2 (Hair *et al.*, 2014:114). According to these authors, the criterion to determine the effect size is such that 0.02, 0.15 and 0.35 represent small, medium and strong effects, respectively.

TABLE 3:
Results for the hypotheses testing

Hp	Proposed path	Path coefficients	^a t-stat	f ²	Decision
H1	Confirmation -> Satisfaction	0.315	6.272*	0.156	Supported
H2	Confirmation -> Usefulness	0.416	6.400*	0.241	Supported
H3	Confirmation -> Ease of use	0.509	13.807*	0.349	Supported
H4	Ease of use -> Usefulness	0.372	6.294*	0.192	Supported
H5	Ease of use -> Satisfaction	0.260	3.953*	0.111	Supported
H6	Ease of use -> Continued use	-0.063	1.109	0.007	Not supported
H7	Usefulness -> Satisfaction	0.355	4.751*	0.177	Supported
H8	Usefulness -> Continued use	0.171	3.376*	0.450	Supported
H9	Satisfaction -> Continued use	0.741	13.963*	0.770	Supported

^at-values for two-tailed test:

1.65 (sig. level 10%),

1.96* (sig. level 5%),

2.58 (sig. level 1%) (Hair *et al*, 2011)

From Table 3, it is evident that eight of the nine hypothesised paths in the model were significant, at $p < 0.05$. The data suggest that confirmation has a significant positive effect on satisfaction ($\beta=0.315$, $t=6.272$, $p<0.05$), perceived usefulness ($\beta=0.416$, $t=6.400$, $p<0.05$) and perceived ease of use ($\beta=0.509$, $t=13.807$, $p<0.05$) with medium effect sizes. Thus showing support for H₁, H₂ and H₃, respectively. Perceived ease of use has a significant, medium positive effect on usefulness ($\beta=0.372$, $t=6.294$, $p<0.05$), and satisfaction ($\beta=0.260$, $t=3.953$, $p<0.05$). Thus, there is support for H₄ and H₅. Surprisingly, and contrary to previous studies (Thong *et al.*, 2006; Hong *et al.*, 2006), the path between perceived ease of use and continuance intention ($\beta=-0.063$, $t=1.109$, $p<0.05$) was insignificant and negative, with a negligible effect of size. Based on these results, H₆ was not supported.

On the other hand, perceived usefulness significantly influences satisfaction, with a medium-effect size ($\beta=0.355$, $t=4.751$, $p<0.05$) and it had a strong, positive effect on continuance intention ($\beta=0.171$, $t=3.376$, $p<0.05$). The results show support for H₇ and H₈. The results reveal that consumers' overall satisfaction with mobile payment services was the best predictor of continuance intention, with a strong positive effect ($\beta=0.741$, $t=13.963$, $p<0.05$), showing support for H₉.

DISCUSSION

The aim of this research paper was to appraise empirically the factors that predict consumers' intentions to continue using mobile payments after the initial adoption. Relying on the E-ECM-IT, as the theoretical underpinning for the study, nine hypotheses were tested. The findings support the E-ECM-IT's propositions that confirmation of mobile payment services positively influences consumers' usefulness, satisfaction and their perceptions of ease of use with which mobile payments can be made. This implies that if consumers are satisfied with the performance of the mobile payment app, their initial expectations are confirmed and they would regard the app as useful. Confirmation significantly impacts on consumers' post-adoption beliefs, from which consumers can either confirm or disconfirm whether the mobile payment service was useful, easy and gratifying. Therefore, the results of this study suggest

that consumers highly regard services that meet or exceed their initial expectations as being useful and satisfying.

Although ease of use of mobile payments positively influences usefulness and satisfaction, its impact on continued use intention in this study is insignificant. This finding is inconsistent with prior research results (Liao, Shi & Wong, 2014; Venkatesh, 2000; Thong *et al.*, 2006), in which perceived ease of use was found to be a significant predictor of continuance intentions. The results suggest that usefulness exerts a greater influence on consumer's satisfaction with mobile payment services than ease of use. A plausible explanation could be that since the study focused on consumers already using mobile payment services, this indicates that ease of use becomes less critical in influencing satisfaction and continuance intentions or that the mobile users are already accustomed to the interface as they buy ringtones, mobile data and airtime. Therefore, service providers should enhance this usefulness by increasing the benefits of mobile payment apps rather than focusing on the ease of use. However, developers should not disregard the impact that ease of use might have on elderly people, the less literate and the unbanked people in rural communities who might be prime targets for mobile payments services. It is also possible that ease of use has an indirect effect on continuance intention through satisfaction and usefulness, which are important antecedents of continuance intentions. However, these indirect relationships need further testing.

Although significant, ease of use (Beta=0.260) is a weaker predictor of satisfaction than perceived usefulness (Beta=0.355). This finding is in line with the findings of previous studies (Thong *et al.*, 2006; Lin & Lekhawipat, 2016) which confirmed that consumers' perception of how easily mobile payment services can be used would decrease over time as the users gain experience. This implies that although mobile payment apps are evolving rather rapidly, the innovations are not too sophisticated to require consumers to expend more effort to use them. Based on these results, it can be inferred that service providers should bolster satisfaction by developing mobile payment apps that make consumer payments quicker and easier, thereby ensuring that they are more productive in their personal lives.

One interesting finding is that consumers' satisfaction with the use of mobile payment services emerged as the strongest predictor of their intention to continue using the services. In the E-ECM-IT, satisfaction is predicted by consumers' confirmation, how easy and useful mobile payment services are, explaining 62% of the satisfaction variance. Since satisfaction is an overall attitude, this implies that if consumers feel positive about using mobile payment services, as a result of their expectation being confirmed, their propensity to continue using the app would be enhanced.

IMPLICATIONS OF THE STUDY

Theoretical contributions

The contribution of the study is two-fold. Firstly, the E-ECM-IT has been validated in the context of mobile-payments' services in an emerging economy. The validated model can be used in future studies related to various new mobile or banking technology continuance use in emerging economies. Secondly, this study is one of the first to investigate the factors that predict users' continued use of mobile payments in South Africa. Using the national data collected from all the nine provinces of South Africa, the results indicated empirical support for the proposed hypothesised relationships, with the exception of one. Perhaps a slightly altered E-ECM-IT, excluding a link between ease of use and continuance intention may be preferable in the mobile payment context in emerging countries.

Managerial implications

The primary objective of managers in the mobile payment space is to foster the continued use, and to reap the expected benefits from their investment. Thus, this paper enunciates the strategic implications to managers of mobile-payment services, in order to maximise their returns on mobile payment investments.

The results of this study form the basis upon which customer retention strategies can be formulated. Customer retention is important – not only because it reduces the promotional costs of attracting new customers, but it also helps service providers to move in tandem with the ever changing customer tastes and preferences caused by an increasing array of mobile payment apps. To retain regular users, service providers should monitor any changes in preferences, demand, expectations and competition in the marketplace, in order to evaluate the existing features of mobile-payment apps, and to identify new ones that consumers regard highly. The features that seemingly do not add value to consumers can be phased out and they could possibly be replaced by more highly valued features such as effective antivirus software.

The study found that satisfaction is influenced by three factors, namely confirmation, ease of use and perceived usefulness. Therefore, once the users have been incentivised to download the app, they must find them easy to use to enhance their perception of usefulness. One way of doing so is by use of informative and persuasive advertising that demonstrate easy steps from the initiation of payments to the completion of the transaction.

Secondly, consumers demand speed of service, failure of which can result in service discontinuance. Thus, service providers should shorten the system processing time to enhance user's perceived usefulness of the payment system. Another way of increasing the usefulness of the apps is to ensure that this payment method is readily available at a variety of retailers. Thus, app developers should embark on a marketing campaign targeting retailers to provide and encourage use of mobile payment apps as a preferred payment method.

The positive relationship between usefulness and the intention to continue using mobile payment services indicates that service providers should ascertain whether the apps tallies with what users view as useful. For example, the commonly used mobile payment apps in South Africa, such as SnapScan, Zapper and FlickPay cannot be used in neighbouring countries. This lack of usability beyond borders may defeat the perception of usefulness and can hamper continuance intentions. More so, these apps are applicable for small value items only, such as paying taxi fares and for restaurant meals. Service providers should develop mobile payment apps that are applicable to purchasing goods that users consider high valued in order to cultivate a sense of usefulness, thus leading to satisfaction and the intention to continue to use the apps.

Furthermore, the study also found that satisfaction is the most significant predictor of continuance intention. Satisfied customers are invaluable assets that contribute to increased revenues and they represent the best advertisement for the service providers via word-of-mouth communications. One way to ensure user satisfaction is to make mobile payment apps interoperate. Although an increase in different mobile payment apps provides consumer choice, not all payment apps are accepted as a payment method by all merchants. Users may not be satisfied if different apps are needed to pay at various retailers. Therefore, service providers should not only develop standard apps, but should also create a critical mass of merchants because consumers' decision to continue to use the app is significantly affected by the number of merchants using it (Mallat, 2007:417). It is, therefore, important for service providers to satisfy their customers by delivering memorable experiences and reaping thereby the benefits of customer loyalty.

The study also provides suggestions for long-term co-operation amongst the service providers such as banks, mobile network operators and merchants because they all 'play an integral role in the configuration of the industry architecture of the mobile payment market' (Gaur & Ondrus, 2012). To increase market coverage, service providers should develop apps that can be used across all current mobile operating platforms such as Android, iOS, Windows Mobile and Desktop.

Mobile payment apps that allow multiple bank cards may be more attractive to consumers. For example, in South Africa, the majority of mobile payment apps allow credit cards only, which could lead to a great loss of customers. Promotional strategies, such as the offer of discounts, bonus points, gifts, as well as brand associations with worthy causes can also be employed to generate positive emotions that encourage current users to perceive mobile payment services as being useful in their personal lives, and thus, lead to continuance intention.

LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

Despite the valuable contributions to theory and practice, the study is not without its limitations that require additional research. Firstly, the study was done through a consumer panel where the respondents and their representations are unknown, and that limits the generalisability of the findings.

Secondly, the dearth of studies engaging in empirical longitudinal studies needs to be addressed. Our study applied the cross-sectional design and because consumer behaviour is dynamic, future studies should conduct longitudinal studies to track consumer perceptions over time since consumers' perceptions can change during and after the use of a new technology.

Thirdly, only post-adoption beliefs specified in the E-ECM-IT model were used to predict satisfaction and continuance intentions. Future studies could incorporate other constructs such as perceived enjoyment, perceived quality, value and trust (Thong *et al.*, 2006; Yang *et al.*, 2012; Susanto *et al.*, 2016) to enhance the understanding of satisfaction and continuance intentions to use mobile payment services. Although the E-ECM-IT model explained 69% of variance in continued use, the fore-mentioned variables could contribute to explaining the other 31%.

Despite these limitations, this paper provides useful guidelines for the development and provision of mobile payment services from an emerging economy perspective. Based on the findings of this study, it can be recommended that companies should strive to ensure the continuous use of mobile payment services in order to maximise their return on the financial investment. Africa at large has entered a profound era of mobile payment technology revolution. Mobile payments can be used to address a myriad of social challenges in Africa, including the unbanked population, financial inclusivity and the digital divide. Service providers should take advantage of this huge untapped market and they should use customer satisfaction as the cornerstone for growing their businesses.

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The impact of digital signage on buying behaviour – comparing location-based services and actual sales in the retail environment

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Keywords: Electronic Display, Shopping Mall, Mobile Marketing, In-Store Advertising.

ABSTRACT

“In the fiercely competitive South African retail environment, technology is a game-changer for shopping malls” (Noble, 2017). Retail trade sales spending is declining (Business Reporter, 2017), with large retail groups struggling to survive whereas e-shopping will continue to increase to over R53bn by 2018 (Smith, 2017). Offline and online channels are becoming increasingly interconnected, with shoppers researching product specifications and prices online before buying (Wolfenbarger and Gilly, 2001) which can be aided by location-based services for digital display providing specific geo-targeting of advertising campaigns (GPSWorld, 2015) or a smartphone price comparison app allowing shoppers to scan a barcode (Dennis, Michon, Brakus, Newman and Alamanos, 2012). The current study focuses on digital signage as a technology development with the potential to increase sales. This study determines the impact of displaying promotions to shoppers on smart devices to deliver information based on their real-time location using the guest Wi-Fi network.

Digital signage is a specific out-of home (OOH) advertising media platform that consists of digital screens displayed in public places. While digital screens are installed to generally enhance shopping experience and promote certain items, the message content can be tailored using location-based services to deliver the right message in the right location at the right time to the right target audience (Schaeffler, 2012). As shopping malls are increasingly facing competition from the online retail sector such as Amazon, digital signage has become a key focus to help increase sales in the retail environment.

Despite the continuing growth and potential revenues of digital signage; there is still limited scholarly research. Past research is restricted to developed countries, and shows that placement of the digital screen in the retail environment enhance shoppers' experience (Dennis, *et al.*, 2012; Dennis, *et al.*, 2010) and increases impulsive purchases and store loyalty (Garaus, Wagner and Manzinger, 2016). These studies disregarded the possible influence when displayed content is experimentally manipulated based on the location of shoppers in the shopping mall, such as displaying product prices or promotions specific to a particular store based on the location of shoppers in the retail environment.

The proposed study will follow a mixed research approach to collect primary data. Firstly, the researcher will gather qualitative information by conducting in-depth interviews with digital

signage experts, advertising agencies and retail managers to explore the possibilities to deliver marketing content using location-based services for digital signage. Secondly, two field experiments will be conducted. In the first study, marketing content will be displayed on digital screens and shoppers' smart devices based on real-time location in a retail environment; whether shoppers are inside the store or other locations of the retail environment. In the second study, marketing content will be displayed on digital screens and shoppers' smart devices without manipulating the message.

A follow-up online survey whereby 1 000 shoppers complete a short questionnaire will be conducted to confirm if purchasing behaviour of shoppers mediate the relationship between digital signage and sales. The empirical study will take place at two comparative shopping malls in Gauteng, South Africa, and one mall will be used as control variable to examine the long lasting effects of the new strategy on consumers following the strategy implementation. To improve research validity associated with 'before and after' concerns in longitudinal studies, this study will compare shoppers' buying behaviour in terms of sales receipts, time spent in the store and number of products purchased in a particular retail store against changes taking place at another mall whereby location-based services for digital signage are used. The role of the control mall will be to neutralize the effects of other variables such as seasonality and this approach was also applied in other research studies on the impact of digital signage on consumer behaviour (Dennis et al., 2012:9).

Findings from this study can be used for the planning of digital signage in a mall environment as a DOOH advertising media and will provide advertisers and shopping mall managers with meaningful information that will assist them in effectively targeting shoppers for improving their shopping experience and increasing sales.

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Deconstructing mobile-instant-messenger users' trust-loyalty behavioural relationship: An intricate mediation inquiry

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ABSTRACT

Mobile instant messenger applications (MIMs) are among the mobile applications most often used by smartphone owners. In the very competitive MIM sector, the main challenge for MIMs is to retain users. To address this challenge facing MIMs, this study investigated the processes by which MIM trust influences loyalty by testing intricate mediation effects based on satisfaction, commitment and inertia, and by testing for conditional indirect effects based on the perceived switching costs for users of a single MIM vs multiple MIMs. Data from 278 WhatsApp users were analysed. The results confirmed that satisfaction, commitment and inertia in different configurations mediate the MIM trust-loyalty relationship. Moreover, the results revealed that the MIM commitment-loyalty relationship is a conditional effect of perceived switching costs for users of a single MIM vs multiple MIMs. This finding has implications for the processes guiding the MIM trust-loyalty relationship. The paper concludes with theoretical and managerial implications.

INTRODUCTION

Mobile instant messenger applications (MIMs) are among the mobile applications most often used by smartphone owners. MIM apps are alternatives to using the short message service by offering users enhanced features such as photo and video sharing, emoticons, group chats, voice notes, and calling. It was estimated that about 2 billion smartphones users would be using MIMs in 2018 (Statistica.com, 2017). As of March 2018, the top three used MIMs were WhatsApp with 1.5 billion users, followed by Facebook Messenger with 1.3 billion users and by WeChat with about 1 billion users (Statistica.com, 2018).

One of the key characteristics of the MIM sector is that it is highly competitive: many MIMs are already operating in the market, and new MIMs are frequently introduced. The key challenge emerging from this market characteristic for MIMs is to retain existing users (Oghuma, Libaque-Saenz, Wong and Chang, 2016). One course of action is for MIMs to develop user loyalty by managing relationship quality using trust and satisfaction as levers (Liu, Guo and Lee, 2011). Deng, Lu, Wei and Zhang (2010) investigated the trust-satisfaction-loyalty relationship, and found that satisfaction is the mechanism by which trust influences MIM

loyalty. However, the testing of this mediation effect is simplistic, as it ignores other factors that could be mediators of the MIM trust-loyalty relationship or that could influence mediation effects underlying the MIM trust-loyalty relationship. To address this gap in the existing literature, the purpose of this study is to identify mediators of the MIM trust-loyalty relationship in order to provide a deeper understanding of the processes underlying this relationship beyond what was reported in Deng *et al.* (2010).

The theoretical contribution of the study can be described as follows. Mediation is the standard for testing the processes by which an independent variable influences a dependent variable (Rucker, Preacher, Tormala and Petty, 2011). Investigating these underlying processes between dependent and independent variables contribute to theory building beyond just testing the influence of X on Y. Therefore, the study makes a contribution to existing theory by investigating multiple mediators, in addition to MIM satisfaction, operating in parallel and serial to understand the processes by which MIM trust influences MIM loyalty. Additionally, conditional indirect effects (moderated-moderated mediation effects) are also tested, providing deeper insights into the processes inherent to the influence of trust on MIM loyalty. In summary, the theoretical contributions arise from the intricate mediation testings that revealed the multiple processes by which MIM trust influences MIM loyalty.

The rest of the paper is organised as follows. In the next section the theoretical framework is presented, followed by the development of the seven mediation hypotheses. After this the research methodology is briefly discussed. Next, the results of the data analysis are reported, including the results of the assessment of the measurement model and the testing of the mediation hypotheses. The paper concludes with a discussion of the main findings, theoretical and managerial implications, the limitations of the study, and directions for future research.

THEORETICAL FRAMEWORK

Social exchange theory

In the domain of marketing, social exchange theory (SET) is acknowledged as a pivotal theory to explain customer-firm relationships due to the seminal work of Morgan and Hunt (1994) on relationship marketing. Morgan and Hunt (1994), drawing on the principles of SET, theorised that trust and commitment are essential mechanisms in developing productive, effective and relational exchanges. They defined commitment as “an exchange partner believing that an ongoing relationship is worth working on to ensure that it endures indefinitely” and trust as “when one party has confidence in an exchange partner’s reliability and integrity” (Morgan and Hunt, 1994: 23). Additionally, they theorised that trust is highly valued in an exchange relationship, in that exchange partners would commit themselves to relationships where they trust the other partner. Therefore, trust positively influences commitment in exchange relationships.

SET postulates that relationships evolve over time into trusting, loyal and mutual commitments. The main premise that forms the foundation of SET is that a series of interactions between exchange partners generates obligations. A social exchange comprises the following elements: persons (the participants in the exchange), acts (items of behaviour performed by the persons), and the value of the acts (the reward or reinforcement a person receives from an act) (Meeker, 1971). Thus a social exchange is a set of acts performed between exchange partners that have value for both exchange partners.

Exchange relationships guided by SET are based on rules and norms. The two main types of rules are reciprocity rules and negotiated rules (Cropanzano and Mitchell, 2005). Reciprocity in interdependent exchanges refers to interpersonal exchanges in which the actions of one party lead to a response by another. For example, if one party supplies a benefit, the receiving party should respond in kind. This reciprocity of exchanges supports relationship commitment.

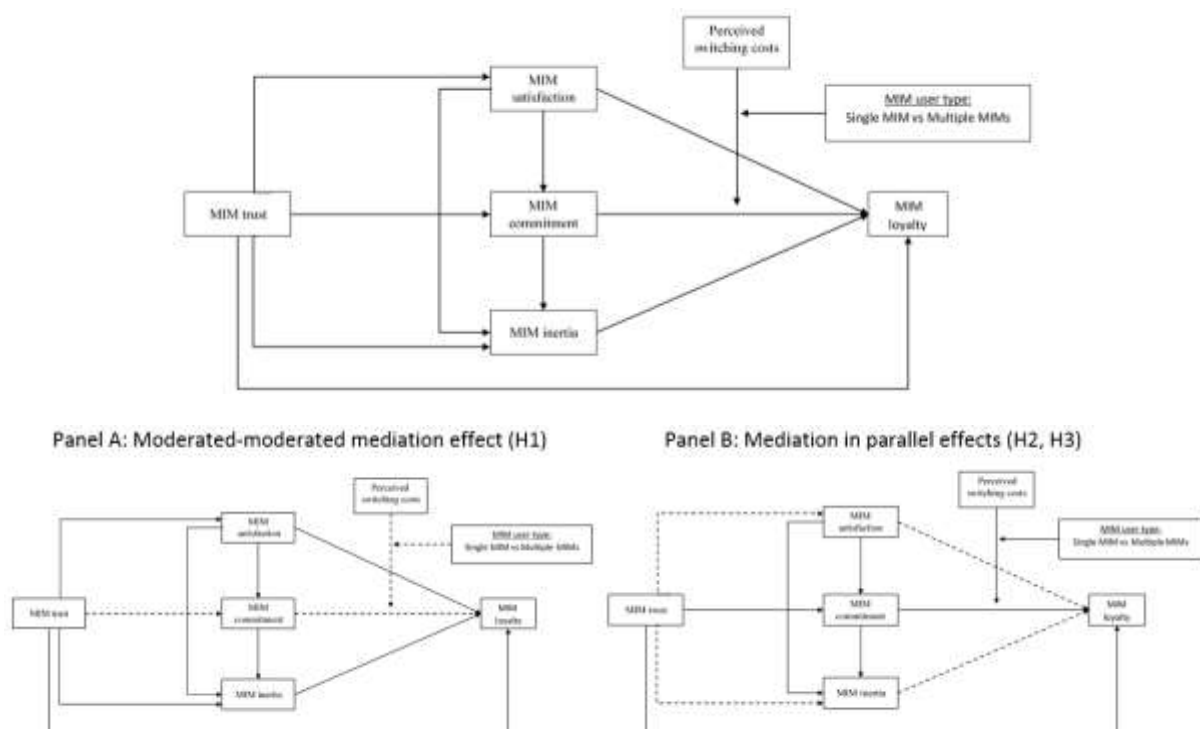
Reciprocal exchange relationships also do not include explicit bargaining, as one party's actions are contingent on the other party's behaviour. Moreover, the interdependence in reciprocal exchanges reduces risks and encourages cooperation. Consequently, this interdependence fosters trust between the exchange partners. In exchange relationships, rules are negotiated between the exchange partners in the endeavour to reach beneficial arrangements. These negotiated agreements are more explicit and *quid pro quo* in nature than reciprocal exchanges. Moreover, the negotiated rules detail the duties and obligations to be exchanged. Of the two types of rules, the reciprocity rules are probably the best known set of rules guiding exchange relationships. This can be explained in terms of reciprocity producing better work relationships by allowing for more trust and commitment between the exchange partners, as negotiated exchanges generate more unhelpful power use and less equality (Cropanzano and Mitchell, 2005).

MODEL DEVELOPMENT

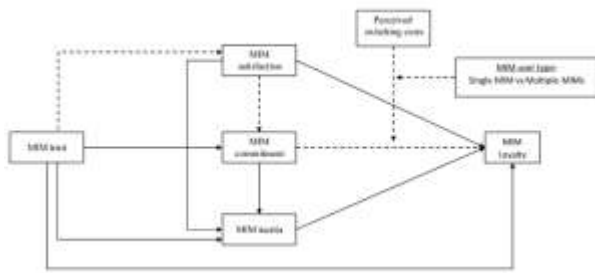
Figure 1 presents the conceptual model developed, based on the literature review, to address the primary objective of the study. In panel A to panel F, dashed paths depict mediation effects. As can be seen in the panels in Figure 1, various mediation effects were hypothesised to test the processes by which MIM trust influences MIM loyalty. Considering the length restriction for conference papers, the focus of the discussion in the rest of this section is on the theorising of the mediation effects. Thus, although theory is discussed for the direct effects in Figure 1, no hypotheses are developed for the direct effects.

FIGURE 1:

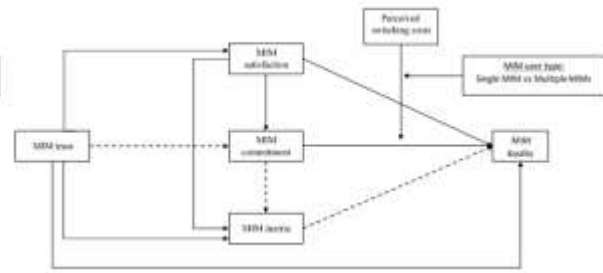
Conceptual model



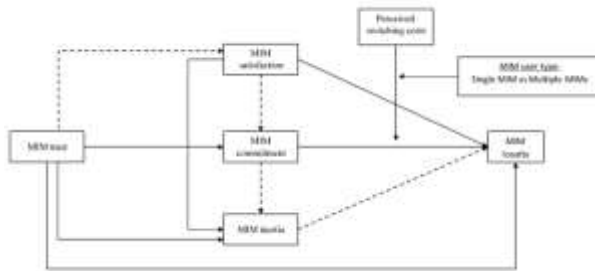
Panel C: Moderated-moderated serial mediation effect (H4)



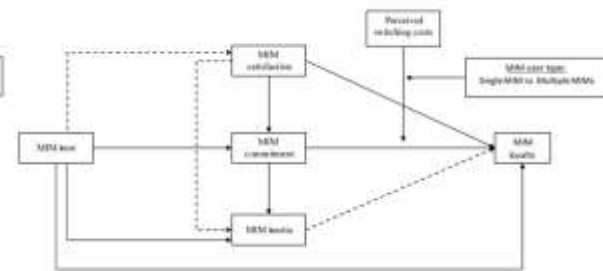
Panel D: Serial mediation effect (H5)



Panel E: Serial mediation effect (H6)



Panel F: Serial mediation effect (H7)



Hypothesis 1 – panel A

Loyalty can be defined from both an attitudinal perspective and a behavioural perspective (Jacoby and Kyner, 1973). Considering that the management dilemma underpinning this study is how to retain the users of a MIM, the behavioural perspective of loyalty is adopted in this study. Therefore, drawing on the definition of loyalty in Srinivasan, Anderson and Ponnaravu (2002), MIM loyalty is defined for the purpose of this study as an MIM user's favourable attitude towards a MIM that results in the continued use of the MIM.

Trust is an antecedent of customer loyalty in relational exchanges. The trust-loyalty relationship is justified by the reciprocity rule underpinning SET (Sirdeshmukh, Singh and Sabol, 2002). The more the user trusts the MIM, the more the user will support the MIM through loyalty behaviour. Additionally, congruence between customer values and firm values enhances the customer's embeddedness in the relationship, culminating in more reciprocity and enhanced relational commitment in the form of loyalty (Sirdeshmukh *et al.*, 2002).

As already explained, commitment-trust theory (Morgan and Hunt, 1994) postulates that trust influences commitment. Evanschitzky, Iyer, Plassmann, Niessing and Meffert (2006: 1207) assert that a "logical antecedent to loyalty is the extent to which the customer desires to maintain a continuing relationship with the firm or brand". They explain that commitment refers to economic, emotional and/or psychological attachments from a customer's perspective that are fundamental appraisal mechanisms by which a customer determines to have, or not to have, a loyal relationship with a firm or brand. Thus commitment is the mechanism by which trust influences loyalty in relational exchanges. The process by which MIM trust influences loyalty through commitment can be explained by SET. The MIM trust-commitment relationship represents the initial reciprocity in the relational exchange, while commitment leading to loyalty represents an extension of reciprocity by the MIM user in the form of loyalty towards the MIM.

We are also of the opinion that the MIM commitment-loyalty relationship is a conditional effect of the perceived switching costs for MIM users. Switching costs can be defined as the one-time costs that customers associate with the process of switching from one provider to another (Burnham, Frels and Mahajan, 2003). Lam, Shankar, Erramilli and Murthy (2004) argued that, as an alternative motivation to be loyal to a firm or brand, higher perceived switching costs suppress the influence of other factors contributing to loyalty. Similarly, we argue in this study

that the influence of commitment on loyalty is a conditional effect of perceived switching costs, such that, as switching costs increase, the influence of commitment on MIM loyalty decreases.

A widespread erroneous understanding of switching behaviour is that switching from one service provider to another service provider implies that the customer ceases to use the incumbent service. However, Hsieh, Hsieh, Chiu and Feng (2012) point out that switching behaviour does not necessarily entail a complete substitution of the incumbent provider by the alternative provider. Indeed, a customer can switch to another service provider and continue to use the incumbent service provider, depending on situational factors. This is frequently observed in the MIM sector, where users have accounts with more than one MIM and use MIMs for different purposes. By using multiple MIMs, the MIM user has developed switching experience that leads to familiarity with switching between MIMs. The result of this familiarity with switching between MIMs is that perceived switching costs are decreased (Burnham *et al.*, 2003). Therefore, we also propose that, for MIM users using only one MIM, the moderation effect of switching costs would be stronger than for users of multiple MIMs.

Based on the proposed mediation effect (the influence of MIM trust on MIM loyalty, mediated by MIM commitment), and the proposition that the MIM commitment-loyalty relationship is a conditional effect of perceived switching costs for users of a single MIM vs users of multiple MIMs (see Figure 1, panel A), the following moderated-mediation hypothesis was developed.

H1: Switching costs, moderated by MIM user type, moderate the indirect influence of trust on loyalty, through commitment, such that the mediation effect will be less pronounced (smaller positive indirect effect) for users of a single MIM than for users of multiple MIMs as perceived switching costs increase

Hypothesis 2 and 3 – panel B

Trust in the MIM increases satisfaction with the MIM (Deng *et al.*, 2010). MIM satisfaction can be defined as the MIM user's judgement that a MIM provides a pleasurable level of use fulfilment. In relational exchanges, trust lowers the risk in the exchanges (Morgan and Hunt, 1994). The lower perceived risk results in more positive consumption emotions, and leads to customer satisfaction (Johnson, Sivadas and Garbarino, 2008). On the other hand, satisfaction leads to loyalty towards the MIM. According to Lam *et al.* (2004), many previous studies have confirmed empirically the satisfaction-loyalty relationship. They explain that the satisfied customer's affect towards the service provider could motivate the customer to patronise the provider again. The process by which MIM trust influences loyalty through MIM satisfaction can be justified by SET. The MIM trust-satisfaction relationship represents the benefit of using the MIM, while the satisfaction-loyalty relationship represents the reciprocity rule. Thus, as shown in Figure 1 panel B, MIM satisfaction is a mechanism by which MIM trust influences loyalty towards the MIM. The following mediation hypothesis was therefore developed.

H2: Satisfaction mediates the influence of trust on loyalty, such that the indirect effect is positive

As also shown in panel B, the influence of trust on MIM loyalty is mediated by inertia. Inertia can be defined as "user attachment to, and persistence in, using an incumbent system (i.e., the status quo), even if there are better alternatives or incentives to change" (Polites and Karahanna, 2012: 24). Thus, for the purpose of this study, MIM inertia is defined as the MIM user's attachment to, and persistence in, using the current MIM, even if there are better MIMs to use or incentives to change to another MIM. Trust influences the affective-based component of MIM inertia, as it reduces the perceived risk of using the MIM, thereby supporting the 'stressful to change, enjoy using it, and comfortable using it' aspects underpinning affective-based inertia (Polites and Karahanna, 2012). Chircu *et al.* (2000) assert that trust reduces the

need to understand, monitor and control the detailed actions of the intermediary. Thus trust makes the use of the MIM effortless, as no understanding, monitoring or control is required. Given that individuals are cognitive misers, they will continue to use the MIM based on the trust they have in it to avoid the expending of cognitive effort to evaluate alternative MIMs. Therefore, trust would support behavioural-based inertia, which is the continued use of the MIM simply because that is what the MIM user has also done (Polites and Karahanna, 2012) and the cognitive component of inertia, which entails the continued use the MIM, even though they are aware that it might not necessarily be the best, most efficient, or most effective way of doing things (Polites and Karahanna, 2012). Inert customers also avoid making new purchase decisions, avoid learning new service routines and practices, and avoid making price decisions (Wu, 2011). Thus as inertia increases, loyalty increases (Anderson and Swaminathan, 2011). Based on the discussion of the relationships between trust, inertia and loyalty, MIM inertia is a mechanism by which trust influences MIM loyalty. The process by which MIM trust influences loyalty through MIM inertia is supported as follows by SET. The MIM trust-inertia relationship represents reciprocity due to a conscious choice to commit to the MIM based on trust in the MIM, while the inertia-loyalty relationship represents an extension of the 'respond in kind' that is part of the reciprocity rule. The following mediation hypothesis was developed to test MIM inertia as a mediator of the MIM trust-loyalty relationship.

H3: Inertia mediates the influence of trust on loyalty, such that the indirect effect is positive

Hypothesis 4 – panel C

Satisfaction also influences MIM commitment. Customer satisfaction results in the customer feeling a positive attitude towards the firm/brand, and thus continuing the relationship (Beatson, Coote and Rudd, 2006). In other words, MIM satisfaction positively influences commitment. The MIM satisfaction-commitment relationship is supported by SET, in that receiving satisfaction from the consumption experience would enhance the reciprocity of the exchange partner by being more committed to the other partner in the exchange.

Acknowledging the MIM trust-satisfaction relationship proposed as part of H2 and the conditional MIM commitment-loyalty relationship advanced in the development of H1, and including the proposed MIM satisfaction-commitment relationship, it can be hypothesised that the influence of MIM trust on loyalty is mediated by MIM satisfaction and MIM commitment in serial. To test this conditional serial-mediation effect depicted in panel C in Figure 1, the following hypothesis was developed.

H4: Switching costs, moderated by MIM user type, will moderate the indirect influence of trust on loyalty, through satisfaction and commitment in serial, such that the serial-mediation effect will be less pronounced (smaller positive indirect effect) for users of a single MIM than for users of multiple MIMs as switching costs increase

Hypothesis 5 – panel D

Commitment leads to high inertia (Jermias, 2001). Although Jermias (2001) made use of the cognitive consistency argument to justify the commitment-inertia relationship, this relationship can also be justified by SET. In line with SET, commitment refers to an exchange partner's belief that an ongoing relationship is worth working on, based on the benefit received. To work on the relationship requires the exchange partner to ignore alternatives and to continue investing in the relationship by using the product (in this instance, the MIM). Taking into account that the MIM trust-commitment relationship was argued in the development of H1, and the influence of MIM inertia on MIM loyalty in the development of H3, by including the theorised positive influence of MIM commitment on MIM inertia the following serial-mediation hypothesis was developed.

H5: MIM commitment and MIM inertia in serial mediate the influence of MIM trust on MIM loyalty, such that the indirect influence is positive

Hypothesis 6 – panel E

Having theorised the positive influence of MIM commitment on MIM inertia, this leads to an additional serial-mediation effect in which the MIM trust-loyalty relationship is mediated by MIM satisfaction, MIM commitment and MIM inertia in serial. The individual effects making up this serial-mediation effect are from the preceding developed hypotheses as follows. The MIM trust-satisfaction relationship was proposed in H2, and the MIM inertia-loyalty relationship in H3. In the development of H4 it was argued that MIM satisfaction influences MIM commitment, and for H5 it was argued that MIM commitment influences MIM inertia. The merging of these relationships leads therefore to the following serial-mediation hypothesis.

H6: MIM satisfaction, MIM commitment and MIM inertia in serial mediate the influence of MIM trust on MIM loyalty, such that the indirect influence is positive

Hypothesis 7 – panel F

Lastly, a serial-mediation hypothesis is developed for the serial-mediation effect depicted in panel F of Figure 1. According to Richard and Larry (2012), there are different views on the influence of satisfaction on inertia. For example, it is possible that dissatisfied customers may be highly inert because other factors hinder the switching from the current service provider to another service provider. Conversely, customers may be highly inert due to their high levels of satisfaction. In this study our point of view is that satisfaction positively influences MIM inertia, in agreement with SET. In the absence of satisfaction, the MIM user would not engage in a reciprocal relationship, which is at the core of SET. Merging the MIM satisfaction-inertia relationship with the MIM trust-satisfaction relationship argued in H2, and the MIM inertia-loyalty relationship argued in the development of H3, the following serial-mediation hypothesis was developed for the study.

H7: MIM satisfaction and MIM inertia in serial mediate the influence of MIM trust on MIM loyalty, such that the indirect influence is positive

METHODOLOGY

Sampling

The sample comprised undergraduate students at a South African university who were users of WhatsApp. Initially, 427 students participated in the study. Of these respondents, 139 were users of a single MIM (only users of WhatsApp) and the rest were using multiple MIMs. Considering the testing of two conditional indirect effects (see H1 and H4) based on MIM user type as the higher-order moderator, 139 respondents were randomly selected from the 288 users of multiple MIMs in the initial sample to ensure that the results of the hypotheses testing are not artefacts of the difference in the number of respondents using a single MIM and using multiple MIMs. Therefore, the sample of MIM users used in the testing of the hypotheses comprised 278 MIM users, including 139 users of a single MIM and 139 users of multiple MIMs. The mean age of the respondents was 20.67 years ($SD=2.597$). Males made up 41 per cent of the sample, and females 59 per cent.

Data collection

Data were collected using self-administered questionnaires that were handed out in class to the respondents. The first page of the questionnaire explained the purpose of the study to the respondents, and also stated that to be a participant the respondent must be a user of

WhatsApp. Section A of the questionnaire collected demographic information about the respondents, including information on the use of MIM applications. Section B of the questionnaire included the statements used to measure the latent variable constructs in Figure 1. Respondents were categorised as users of a single MIM or users of multiple MIMs, based on the MIMs the respondents indicated they were using in section A of the questionnaire.

Measurement

Twenty-three items, adapted from previous studies, were used to measure the six factors in Figure 1. In Table 1 the source for the items used to measure each construct is presented. All statements were measured using a seven-point Likert scale (1=Strongly disagree, 7=Strongly agree).

TABLE 1:
Latent variable scales

Constructs	Number of items	Source
Loyalty	4	Chuah, Marimuthu, Kandampully and Bilgihan (2017)
Commitment	4	Lin (2011)
Trust	3	Deng <i>et al.</i> (2010)
Satisfaction	4	Chuah <i>et al.</i> (2017)
Inertia	3	Lee and Neale (2012)
Perceived switching costs	5	Deng <i>et al.</i> (2010)

Analysis

The measurement model was assessed for construct validity using an exploratory factor analysis (EFA) before the hypotheses were tested. The method of factor analysis selected was the principal components analysis, as the primary concern was to determine the minimum number of factors that would account for the maximum variance in the data collected measuring the respondents' beliefs about the constructs in the conceptual model. An oblique rotation – direct oblimin – was also selected, as it was reasonable to expect that the factors were correlated. Only factors with eigenvalues higher than 1.0 were retained in the analysis. Construct validity was assessed in line with the guidelines in Churchill Jr (1979).

Before assessing construct validity, the internal consistency of each scale was assessed using Cronbach's coefficient alpha. An acceptable coefficient alpha is 0.7. Once internal consistency had been established, the measurements were assessed for convergent and discriminant validity. Evidence of convergent validity was that an item measuring a construct correlated highly with the other items selected to measure the same construct. On the other hand, evidence of discriminant validity was the extent to which an item measuring a factor was only measuring that specific factor, and did not also reflect another factor in the measurement model.

The mediation hypotheses were tested using SPSS macro, Process version 3.0. In testing the mediation hypotheses, the statistical significance or non-significance of the indirect effects was based on the 95 per cent bias-corrected confidence interval (from here on '95% BCCI') of each indirect effect, as recommended by Shrout and Bolger (2002) and Zhao, Lynch and Chen (2010). The acceptance or rejection of the moderated-moderated mediation hypotheses was based on the following decision-making process. First, the index of moderated-moderated mediation must be statistically significant to confirm that the indices of moderated mediation for the two types of MIM users were statistically significantly different (the 95% BCCI must not include '0'). The index of moderated mediation indicates whether the conditional indirect effect based on the values of the moderator is statistically significantly different from '0' (Hayes,

2015). Once the statistical significance of the index of moderated-moderated mediation had been confirmed, the next step was to interpret the statistical significance of the index of moderated mediation for each type of MIM user (users of a single MIM vs users of multiple MIMs), based on the 95% BCCI. H1 and H4 were accepted if the index of moderated-moderated mediation was statistically significant and if one of the following two results of the moderated-mediation effects was present: (1) the index of moderated mediation was statistically significant for users of a single MIM and not for users of multiple MIMs, and the estimated conditional indirect effect for users of a single MIM showed that, as the moderator (perceived switching costs) increased, the indirect effect decreased; or (2) the index of moderated mediation was statistically significant for users of a single MIM and for users of multiple MIMs, and the estimated conditional indirect effect for users of a single MIM and for users of multiple MIMs showed that, as the moderator (perceived switching costs) increased, the indirect effect was smaller for users of a single MIM than for users of multiple MIMs.

RESULTS

Assessment of the measurement model

After rotation, six components (factors) were extracted. The six factors together explained 75.164 per cent of the variance in the data. The Cronbach's coefficient alpha for each of the factors was above 0.7 (see Table 2). The EFA results in Table 2 show that the items had high or acceptable factor loadings on the same component with other items included in the survey to measure that specific factor. On the other hand, all factor loadings in Table 2 correlated highly with only one of the components. Thus, based on the evidence of convergent and discriminant validity, it was concluded that the measurement model exhibited sufficient construct validity to continue with the testing of the hypotheses.

TABLE 2:

Measurement model results

	Component					
	1	2	3	4	5	6
LOY4	.834	.012	-.029	.005	.037	.095
LOY1	.807	-.034	-.016	-.030	.133	.015
LOY3	.803	.027	-.037	.053	.037	.105
LOY2	.786	-.001	-.120	.081	-.028	.005
SC5	-.163	.876	-.025	-.024	.009	.092
SC2	.098	.854	-.023	.057	-.066	-.037
SC3	.076	.835	-.026	-.071	-.028	-.053
SC4	-.082	.827	-.026	-.105	.111	-.016
SC1	.078	.705	.075	.250	.045	.025
COM2	.070	.031	-.877	.016	-.083	-.010
COM1	.060	.079	-.822	.101	-.215	.088
COM3	.072	-.013	-.774	.048	.185	-.056
COM4	-.030	-.038	-.558	-.026	.354	.054
INERT2	-.016	-.041	-.008	.929	.015	.0143
INERT3	.033	.002	-.033	.886	.047	-.037
INERT1	.015	.049	-.051	.838	.018	.058
TRU3	-.030	.085	-.043	.035	.801	.105
TRU1	.136	.019	.075	.110	.798	-.014
TRU2	.102	.011	-.058	.011	.780	.070
SAT3	-.217	-.041	-.055	.095	.086	.842
SAT4	.123	-.010	.068	.099	-.031	.828
SAT2	.166	.026	-.010	-.092	.029	.801

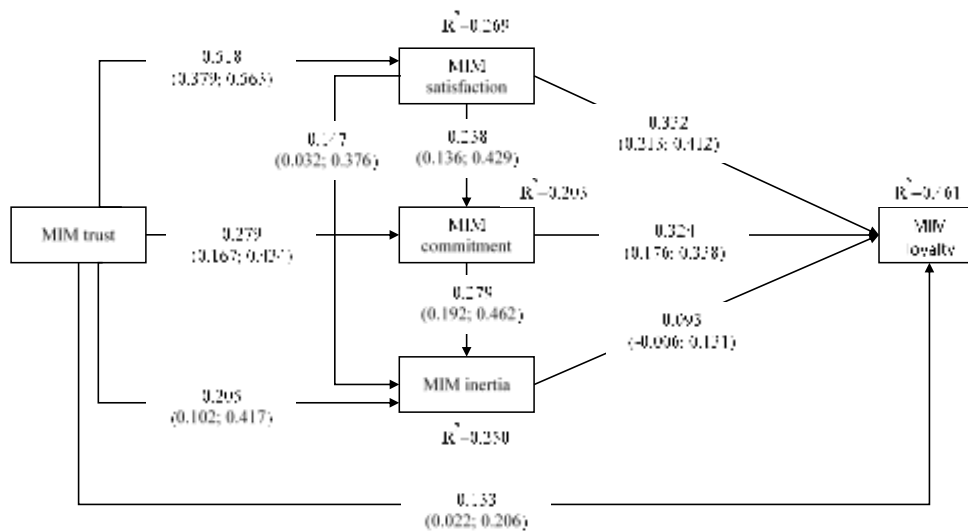
SAT1	.171	.043	-.033	-.070	.004	.694
% of variance	34.931	13.895	8.042	7.550	5.829	4.916
Cronbach's alpha	0.908	0.885	0.836	0.904	0.853	0.845

Main effects results

Although hypotheses were only developed for the mediation effects, we briefly report the results of the main effects in the conceptual model for the sake of comprehensiveness. As seen in Figure 2, the overall predictive accuracy of the model was good, as the tested model explained 46.1 per cent of the variance in MIM loyalty. All tested relationships were in the expected direction and statistically significant, except for the influence of MIM inertia on MIM loyalty, which was not statistically significant, as the 95% BCCI (-0.006; 0.131) included '0'. MIM satisfaction had the strongest influence on MIM loyalty, followed by MIM commitment. Also, MIM trust had the strongest positive influence on MIM satisfaction ($\beta=0.518$).

FIGURE 2:

Main effects results



In parenthesis the 95% bias-corrected confidence interval (lower limit; upper limit)

Testing of the total effect and the direct effect

The total and direct effect of trust on loyalty is reported in Table 3. The total effect was 0.403 and statistically significant (95% BCCI [0.314; 0.493]). The direct effect including the moderated-moderation effect was not statistically significant ($B=0.076$, 95% BCCI [-0.015; 0.167]). Thus it can be concluded that the satisfaction, inertia and commitment in the different configurations in Figure 1 overall fully mediated the relationship between MIM trust and MIM loyalty.

TABLE 3:**Total effect and indirect effect**

	B	95% bias-corrected confidence interval	
		Lower limit	Upper limit
Trust → Loyalty (total effect)	0.403	0.314	0.493
Trust → Loyalty (direct effect)	0.076	-0.015	0.167

Testing of the mediation and serial-mediation hypotheses

The results of the testing of the two mediation hypotheses (H2 and H3) in panel B in Figure 1 and the three serial-mediation hypotheses in panel D to panel F in Figure 1 (H5, H6 and H7) are reported in Table 4. The indirect effects of MIM trust on MIM loyalty, through MIM satisfaction and MIM inertia, were positive and statistically significant. Thus H2 and H3 were accepted. H5, H6 and H7 were rejected as the 95% BCCI includes '0'.

TABLE 4:**Results of the mediation and serial-mediation results**

	B	95% bias-corrected confidence interval		Conclusion
		Lower limit	Upper limit	
Trust → Satisfaction (mediator) → Loyalty	0.133	0.056	0.221	H2 accepted
Trust → Inertia (mediator) → Loyalty	0.029	0.002	0.067	H3 accepted
Trust → Commitment (mediator) → Inertia (mediator) → Loyalty	0.008	0.000	0.022	H5 rejected
Trust → Satisfaction (mediator) → Commitment (mediator) → Inertia (mediator) → Loyalty	0.004	0.000	0.009	H6 rejected
Trust → Satisfaction (mediator) → Inertia (mediator) → Loyalty	0.007	-0.001	0.026	H7 rejected

Testing of the moderated-moderation hypotheses

The 'switching costs by commitment' interaction was statistically significant ($B=-0.078$, 95% BCCI [-0.126; -0.030]), as was the increase in R^2 ($\Delta R^2=0.020$, $F=10.359$, $p=0.001$). Simple-slopes analyses showed that, when perceived switching costs were low (-1SD or 3.143), the influence of commitment on loyalty was 0.338 (95% BCCI [0.244; 0.433]). When perceived switching costs increased to medium (at the mean or 4.455), the influence of commitment on loyalty decreased to 0.236 (95% BCCI [0.154; 0.318]). When switching costs were perceived to be high (+1SD or 5.767), the influence of commitment on loyalty decreased to 0.024 (95% BCCI [0.023; 0.244]). These results provide empirical evidence that, as perceived switching costs increase, the influence of commitment on loyalty decreases. Additional analysis using the Johnson-Neyman technique showed that, when perceived switching costs reached the exact point of 5.976 and higher, the influence of commitment on loyalty decreased further, and was not statistically significant.

The three-way interaction 'commitment by switching costs by MIM user type' was also statistically significant ($B=0.125$, 95% BCCI [0.023; 0.227]), as was the increase in R^2 ($\Delta R^2=0.010$, $F=5.773$; $p=0.017$). These results are evidence that MIM user type moderated the moderation effect of perceived switching costs on the MIM commitment-loyalty relationship. To gain more insight into the moderated-moderation effect, results for the moderation effect (perceived switching costs moderating the commitment-loyalty relationship) for each type of MIM user were calculated. The results revealed that perceived switching costs

moderated the MIM commitment-loyalty relationship for users of a single MIM (the interaction effect was -0.134; 95% BCCI [-0.193; -0.074]), but not in the case of users of multiple MIMs (the interaction effect was -0.009; 95% BCCI [-0.092; 0.073]). These results confirmed that perceived switching costs moderating the MIM commitment-loyalty relationship were indeed statically significantly different for users of a single MIM vs users of multiple MIMs, as argued in the development of H1 and H4.

We also conducted a simple-slopes analysis for the moderation effect of perceived switching costs on the MIM commitment-loyalty relationship for users of a single MIM. The simple-slopes results indicated that the influence of commitment on trust decreased from 0.421 (95% BCCI [0.306; 0.536]) to 0.070 (95% BCCI [-0.070; 0.210]) as perceived switching costs increased from low (-1SD) to high (+1SD). The simple-slopes results confirmed that the moderating effect was indeed negative, as foreseen in the development of H1 and H4.

Testing the moderated-moderated mediation hypotheses

The index of moderated-moderated mediation for the indirect effect of trust on loyalty, through commitment, as a conditional effect of perceived switching costs by MIM user type was statistically significant (0.036; 95% BCCI [0.007; 0.074]). The index of moderated mediation for users of a single MIM and users of multiple MIMs is reported in Table 5, from which it can be concluded that the indirect effect was only a conditional effect of perceived switching costs for users of a single MIM and not for users of multiple MIMs.

TABLE 5:

Index of moderated mediation for the indirect effect of trust on loyalty, through commitment (users of a single MIM vs users of multiple MIMs)

MIM user type	Index	95% bias-corrected confidence interval	
		Lower limit	Upper limit
User of a single MIM	-0.040	-0.069	-0.017
User of multiple MIMs	-0.003	-0.026	0.021

TABLE 6:

Conditional indirect effect of trust on loyalty at values of perceived switching costs for users of a single MIM

Type of MIM user	Switching costs	Indirect effect	95% bias-corrected confidence interval	
			Lower limit	Upper limit
User of a single MIM	Low	0.132	0.066	0.215
	Medium	0.072	0.025	0.135
	High	0.022	-0.032	0.086

The results of the conditional indirect effect for users of a single MIM are presented in Table 6, from which it may be seen that the indirect effect decreased from 0.132 to 0.022 as perceived switching costs increased. When perceived switching costs were high, the indirect effect was not statistically significant (B=0.022; BCCI [-0.032; 0.086]). With the indirect effect for users of multiple MIMs being unconditional (B=0.056; 95% BCCI [0.012; 0.113]) and the indirect effect for users of a single MIM being smaller at higher values of perceived switching costs, H1 was accepted.

The index of moderated-moderated mediation for the influence of trust on loyalty, mediated by satisfaction and commitment in serial was statistically significant (0.017; 95% BCCI [0.002; 0.040]). Based on the index of moderated mediation for users of a single MIM and users of multiple MIMs reported in Table 7, it was concluded that the indirect effect was only a

conditional effect of perceived switching costs for users of a single MIM and not for users of multiple MIMs.

TABLE 7:

Index of moderated mediation for the influence of trust on loyalty, mediated by satisfaction, commitment and inertia in serial, for users of a single MIM vs users of multiple MIMs

MIM user type	Index	95% bias-corrected confidence interval	
		Lower limit	Upper limit
User of a single MIM	-0.063	-0.115	-0.027
User of multiple MIMs	-0.004	-0.041	0.031

The results of the conditional indirect effect for users of a single MIM are presented in Table 8. As seen in Table 8, the indirect effect decreased from 0.059 to 0.010 as perceived switching costs increased. When perceived switching costs were high, the indirect effect was not statistically significant (B=0.010; BCCI [-0.016; 0.036]). With the indirect effect for users of multiple MIMs not being statistically significant (B= 0.010; 95% BCCI [-0.003; 0.017]) and the indirect effect for users of a single MIM being smaller at higher values of perceived switching costs, H4 was accepted.

TABLE 8:

Conditional indirect effect of trust on loyalty at values of perceived switching costs for users of a single MIM

Type of MIM user	Switching costs	Indirect effect	95% bias-corrected confidence interval	
			Lower limit	Upper limit
User of a single MIM	Low	0.059	0.023	0.113
	Medium	0.032	0.010	0.065
	High	0.010	-0.016	0.036

DISCUSSION

Findings

The purpose of the study was to investigate the mediators of the MIM trust-loyalty relationship. In the development of the hypotheses, SET was drawn on to justify how MIM satisfaction, MIM commitment and MIM inertia were mechanisms in the processes underlying the MIM trust-loyalty relationship. The empirical support for the mediation hypotheses validated SET as a pivotal theory explaining the processes in the MIM trust-loyalty relationship.

The results of the study showed that the cognitive processes underlying the trust-loyalty behaviour of MIM users are intricate, and extend beyond MIM satisfaction as the only mediator. The results revealed that the influence of MIM trust on MIM loyalty is fully mediated by MIM satisfaction, MIM commitment and MIM inertia in different configurations of mediation effects. The processes by which MIM trust influences MIM loyalty were the following. MIM trust leads to MIM satisfaction, which leads to MIM loyalty. Likewise, MIM trust leads to MIM inertia which leads to loyalty. Furthermore, MIM trust leads to MIM commitment, which leads to loyalty. However, this indirect effect decreases for users of a single MIM as perceived switching costs increase, while the indirect effect for users of multiple MIMs is an unconditional positive indirect effect. Also, MIM trust leads to MIM satisfaction, which leads to MIM

commitment, which leads to MIM loyalty. This indirect effect decreases for users of a single MIM as perceived switching costs increase, while the indirect effect for users of multiple MIMs is not statistically significant.

Theoretical and managerial implications

The theoretical contributions of the study emanates from the intricate mediation effects tested in the study. In addition to presenting strict validation for satisfaction as a mediator of the MIM trust-loyalty relationship by controlling for other mediation effects, this study shows that MIM satisfaction in serial with MIM commitment mediate the influence of MIM trust on MIM loyalty. A second theoretical contribution is the inclusion of MIM inertia as a mediator of the MIM trust-loyalty relationship. Investigating the influence of inertia in relational exchanges has so far been neglected by scholars. The results of this study confirmed that inertia is a mechanism by which relational exchanges occur, but that inertia in serial with satisfaction and/or commitment do not mediate the MIM trust-loyalty relationship. A third theoretical contribution emanates from the moderated-moderated mediation effect and moderated-moderated serial-mediation effect. Compared with the prevalence of simple mediation effects as tested in H2 and H3, the testing of serial mediation effects is scant in the literature, and testing of moderated-moderated mediation effects and moderated-moderated serial-mediation effects is almost totally absent. The results of the tested moderated-moderated mediation effect and moderated-moderated serial-mediation effect contribute to filling this void in the literature. The new insights from the empirically tested moderated-moderated mediation hypothesis and moderated-moderated serial-mediation hypothesis are that the influence of MIM commitment on MIM loyalty is different for users of a single MIM than for users of multiple MIMs, based on the perceived switching costs, leading to non-invariant indirect effects of trust on MIM loyalty through MIM commitment, and MIM satisfaction and MIM commitment in serial.

The following managerial implications emanate from the results of the study. The results of the moderated-moderated mediation hypothesis (the indirect effect of MIM trust on MIM loyalty, through MIM commitment, as a conditional effect of perceived switching costs by MIM user type) highlight the importance of developing different strategies to develop the loyalty of users of a single MIM vs users of multiple MIMs. If users of a single MIM perceive switching costs to be low, the marketing strategy of the MIM should focus on developing the trust-commitment-loyalty relationship. On the other hand, when users of a single MIM perceive switching costs to be high, the focus of the marketing strategy should be to use the switching costs as a motivational factor for the user of the single MIM to be loyal to the MIM, instead of only leveraging the trust-commitment-loyalty relationship. Alternatively, the results of the moderated-moderated mediation hypothesis for users of a single MIM can also be interpreted that it is important for MIMs to develop switching costs in order to mitigate the dependence on reciprocity manifested through the trust-commitment-loyalty relationship to maintain user loyalty. For users of multiple MIMs, perceived switching costs do not influence the trust-commitment-loyalty relationship. Thus it would be best to develop high trust in order to retain their loyalty through commitment. The results of the moderated-moderated serial-mediation hypothesis lead to similar managerial recommendations, except that for users of multiple MIMs the indirect influence of MIM trust on loyalty, through MIM satisfaction and MIM commitment in serial, is not statistically significant. Thus for users of multiple MIMs the marketing strategy should focus on switching costs. Alternatively, the loyalty of users of multiple MIMs can be developed by enhancing trust in the MIM so that trust enhances loyalty through mechanisms such as satisfaction or inertia.

In addition to the managerial recommendations presented above, the general importance of developing trust in the MIM cannot be underestimated. Indeed, the stronger the influence of trust on satisfaction, commitment and inertia, the stronger the indirect effects from trust on loyalty. Trust emanates from beliefs about competence, benevolence and integrity. Thus delivering the promised benefits of the MIM would enhance belief in the competence of the

MIM. Developing privacy policies and MIM features to enhance the confidentiality of end-user communications would enhance belief in the MIM's benevolence. And lastly, strict enforcing of the privacy policy of the MIM would enhance belief in the MIM's integrity.

Limitations, and directions for future research

Although the respondents formed part of an age group that is highly associated with the use of MIMs, future research with a more representative sample of the general user-base of a MIM is required to validate the generalisability of the results. Also, age and gender are key market segmentation variables in developing a marketing strategy and have also been found to be important moderators of technology adoption behaviour. Therefore, it is also recommended that future studies investigate the moderated-moderation effect of age by gender to investigate how males and females, based on age, form loyalty in a MIM context.

CONCLUSION

MIMs have become a key application for smartphone users to communicate with friends, family and peers. However, this trend has led to the MIM sector being crowded with various MIM applications, with new MIMs entering the fray intermittently. Consequently, a main challenge facing MIMs is how to retain MIM users. This study provides insights for MIMs to understand how trust in the MIM influences MIM loyalty. MIMs should be cognisant of the results of the study, and incorporate its findings into their marketing strategies to enhance use loyalty.

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Online engagement and satisfaction – how do the puzzle pieces fit together?

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Keywords: Online Engagement, Satisfaction, Online Communities, Sense of Community Theory

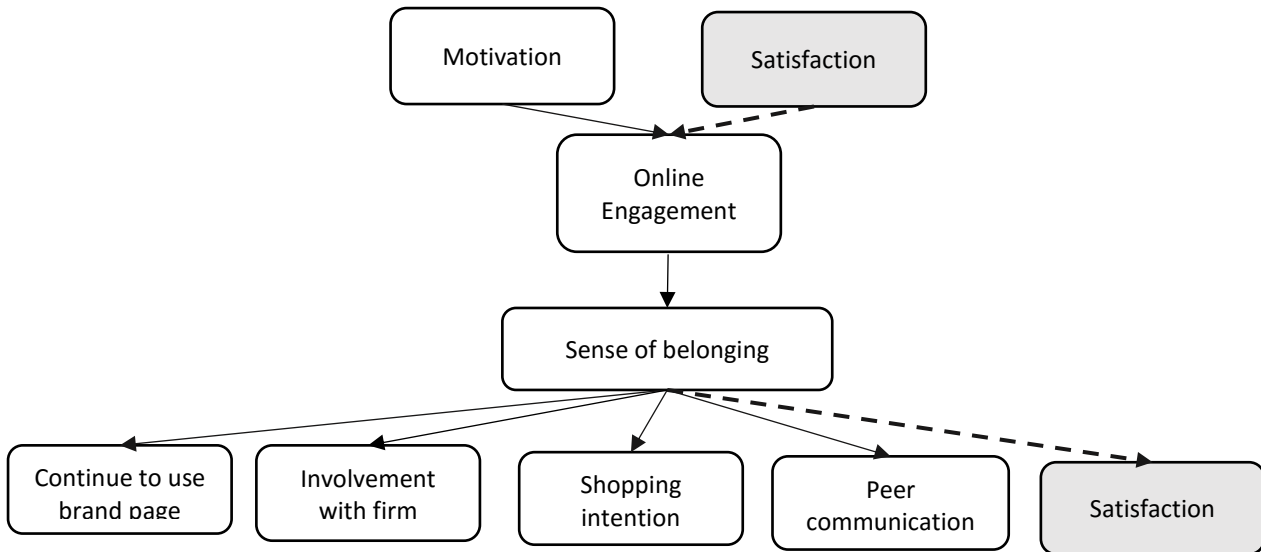
ABSTRACT

The rise of social media and growth in online brand pages are putting the spotlight on customer engagement in the online context. Initially engagement within brand communities, was defined as “the positive influences of identifying with the brand community, which are defined as the consumer’s intrinsic motivation to interact and cooperate with community members” (Algesheimer, Dholakia and Herrmann, 2005:21). A more recent definition is: “A psychological state of mind as well as an internal emotion of the consumer. The feeling of connection motivates consumers to interact with the brand and with other consumers...” (Paruthi and Kaur, 2017:127).

However engagement cannot be investigated in solitary if brands want to use it to their benefit. It is therefore important to explore and understand the antecedents and outcomes of engagement.

Numerous scholars believe satisfaction is an antecedent of engagement but there are also researchers who believe satisfaction to be an outcome. For this reason, this study will explore satisfaction to address the knowledge gap pertaining to whether satisfaction should be regarded as an antecedent or an outcome of engagement. The answer to this could inform managerial strategies and decision-making. Therefore, the purpose of this study is to investigate whether satisfaction predicts online engagement (OE) or whether online engagement predicts satisfaction.

The conceptual model depicts the antecedents of OE, OE, sense of belonging and the outcomes of OE, as well as satisfaction, that will be investigated. Motivations to engage can be regarded as antecedents of engagement.. The outcomes of OE can be classified as information value (use and involvement), social value (peer communication) and financial value (shopping intent). Satisfaction will be investigated as both antecedent and outcome.



The study is underpinned by sense of community (SOC) theory, therefore, it is of importance to understand satisfaction from the customer's perspective within the brand community. SOC theory is defined as: "a feeling that members have of belonging, a feeling that members matter to one another and to the group and a shared faith that members' needs will be met through their commitment together" (McMillan and Chavis, 1986). This addresses the consumer's sense of belonging, which can be strengthened and developed when a consumer has a satisfying experience. If a member is not satisfied, they will probably withdraw their membership which results in no community.

The target population is adults, 18 years and older, who are members of a Facebook brand community. Data collection will take place through the use of an online self-administered questionnaire to members a consumer data panel purchased from Qualtrics. All constructs will be measured using existing scales adapted to fit the context of the study. Structural equation modelling will be used to test the relationships between constructs in the conceptual framework.

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The impact of digital signage as a mall atmospheric tool in super regional malls

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ABSTRACT

A shopping mall can't hold you against your will, but it can be designed to make you stay longer than you intended. Researchers and shopping mall managers have realised that consumers do not visit shopping malls just to purchase products, but for other valuable benefits such as enjoyment and pleasure. A steady stream of research over the past few decades in developed markets such as the United Kingdom has shown that mall atmospheric stimuli can influence consumer behaviour. Digital signage is a recent addition to the mall atmospherics toolbox. The current study focused on digital signage as a mall atmospheric stimulus with the potential to enhance shoppers' favourable perceptions of a mall environment, elicit experiences of positive emotions and trigger some revisit intentions to the shopping mall.

The Mehrabian-Russell model of environmental influence was used as a guiding theory in this article. It is one the most commonly used models to assess and describe the effects of atmospheric stimuli on consumers' buying behaviour. This model proposes that atmospheric stimuli lead to an emotional reaction that causes consumers to display one of two behaviours in a selling environment: approach or avoidance.

A total of 400 regulars shoppers intercepted at two super-regional malls in Gauteng were surveyed using an interviewer-administered structured questionnaire. Shoppers were intercepted at two different locations in each mall. Half of them were intercepted in aisles close to stand-alone way-finding digital signage. The other half were intercepted, while sitting in the food court areas, in which the 360° digital signage was visible. To qualify for the survey, shoppers had to be 18 years and older, and be regular shoppers at the respective mall.

ypotheses were tested by means of regression analysis. The results revealed that digital signage had a significant positive direct influence to enhance shoppers' favourable perceptions of a mall environment, to elicit experiences of positive emotions and to trigger

revisit intentions to the shopping mall. The impact of digital signage on shoppers' revisit intentions was fully mediated by positive perceptions of the mall environment and experiences of positive emotions. This mediating effect was confirmed with a bootstrap technique applied in the mediation analysis.

Findings of this research paper provide insight into the effect of digital signage as mall atmospheric stimulus and the results could benefit shopping mall management. The study encourages shopping mall management to incorporate digital signage as an atmospheric stimulus in their mall environments. This investigation, which was executed in two super-regional mall environments, is the first of its kind in the South African context. It can serve as guide retailers on the use of digital signage as a technology development to improve the retail experience.

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The impact of moral identity on the intention to conserve water among Gauteng residents

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Keywords: Moral Identity, Theory of Planned Behaviour, Water Conservation, Gauteng, South Africa

ABSTRACT

Water security is a critical challenge confronting South Africa and the world in the 21st century. South Africa is a water scarce country and water security presents a profound challenge to the social wellbeing of the population and economic growth. Efforts to increase the awareness of water conservation are being implemented, however usage continues to be on the increase amongst households. This study aimed at understanding the Gauteng residents' intention regarding water conservation. A survey was undertaken in various suburbs and townships of Gauteng. Data was analysed using structural equation modelling. The key findings were that moral identity to attitude and perceived behavioural control were all significant in determining intention, while subjective norm was not a significant predictor of intention. The findings of this study provided support for the theory of planned behaviour and an extended model being used as an effective framework for examining water conservation among Gauteng residents.

INTRODUCTION

Water is considered as one of the most important and scarce resources on earth. However, due to population growth and climate changes such as the increasing frequency and severity of droughts and the unpredictable changing rainfall patterns, water availability is becoming more variable.

According to the water scarcity report by the United Nations (2016:1), the world population currently stands at 7.5 billion. This figure is predicted to rise to 8.6 billion in the year 2030 and to 9.3 billion in 2050 (United Nations, 2015:1). The projected rise in the population will have serious implications for fresh water resources globally. An increase of 80 million people is witnessed annually in the world's population, thus adding a corresponding cumulative increase of 64 billion cubic metres in the world's demand for fresh water annually. The Food and Agricultural Organisation (FAO) of the United Nations (2015:26) reveals that 42 000 km³ represents renewable water supply in the hydrological cycle of the world's water supply. Of the 3 900 km³ that is withdrawn from this amount for human uses from rivers and aquifers, 2 170 km³ (70%) is for irrigation, 19% goes to industries, while 11% feeds municipalities.

Given the limited availability of fresh water resources, various strategies are implemented across countries to preserve and increase the availability of fresh water supplies. According to Gasson (2017:8), the Millennium Development Goals had set out to achieve a water access rate of 88% by 2015 in 1990. This target has been exceeded as 91% of the world's population now has access to clean and safe portable water (Gasson, 2017:8). UNESCO (2015:2) cautions, however, that pressures such as an increased water usage by households, thermal energy generation activities and a growing manufacturing sector will result in the demand for

water increasing by 55% in 2050. The Water Resources Group (2014:9) predicts that in 2030, the world's demand for fresh water will outstrip supply by 44% if adequate measures are not put in place to conserve and generate enough water fresh water.

The conservation of water resources is a critical component of the effective and environmentally sustainable management of water supplies. It has been argued that if water conservation is to be implemented effectively, the public must understand the dimensions of the water problem (Thelwell, 2014; Schulz, 2011:1082) and also accept the urgency of water conservation (Schulz, 2011:1082). An increased number of researchers (Haidt, 2012; Yazdanpanah, Forouzani, Abdeshahi and Jafari, 2016) posit that moral identity may play a role in motivating people to engage in pro-environmental behaviour such as water conservation.

Thus, understanding the factors including moral identity that can ultimately increase the conservation of water is critically important. Being aware of these factors will inform municipal managers and public policy officers on how best to encourage water conserving behaviours, and thus reduce the need to augment existing water supplies. The aim of this study, therefore is to provide empirical data about the impact of moral identity on water conservation among Gauteng residents.

LITERATURE REVIEW

Water Conservation

The Department of Water and Sanitation (2016) defines water conservation as 'those activities designed to reduce the demand for water, improve the efficiency of its use, and reduce losses and waste'. Similarly, the Alliance for Water Efficiency (2016) state that water conservation can be defined as "the minimisation of loss or waste, care and protection of water resources and the efficient and effective use of water, and is the overall principle that requires the effective management and protection of water resources".

Water conservation serves two main purposes: 1) reduction of water loss over a prolonged period of time, and 2) suppressing peak demand requirements. This has a considerable impact on the size and capacity of facilities required to provide a reliable supply to consumers (Sarabia-Sanchez, Rodriguez-Sanchez and Hyder, 2014:208). In order to successfully implement water conservation measures, social and behavioural factors of water-use need to be considered, including the impact of behavioural influences on water consumption within the numerous socio-economic structures of the Johannesburg Municipality. This means that the municipality must strive for behavioural change that will maintain both the current and future water saving requirements, while simultaneously focusing on residential socio-economic sections within its jurisdiction in order to enhance water-related behaviours that exist. Also, the municipality must be able to assess the effectiveness of selected behavioural change models to positively influence water conservation.

A number of studies suggest that water conservation is predicted by highly diverse psychological factors such as, attitudes towards water conservation, awareness about climate change, socio-demographics (income, age, education), price of water, environmental knowledge and information sources, habits, and involvements in water consumption decisions (Aprile and Fiorillo, 2017:120; Dolnicar, Hurlimann and Grun, 2012:45). Dolnicar et al.'s (2012:45) findings revealed that attitudes play a significant role in influencing water conservation behaviour. Their study also found that when it comes to demographics, older people, people who are well educated, homeowners, people with active or passive membership in non-profit organisations and church goers, generally have strong pro-environmental behaviours. Another study by Yoo, Simonit, Kinzig and Perrings (2014:346) found that when it comes to the price of water, households with higher incomes are more price

inelastic than lower income earners and also that pro-environmental people are more engaged in water conservation and seek out information on conservation on water.

Theoretical background of the study

The Theory of Planned Behaviour (TPB) will be used as the overarching theory for this research study. The TPB (Ajzen, 1985) is a further development of the Theory of Reasoned Action (Fishbein and Ajzen, 1975). The theory provides a conceptual framework for understanding human behaviour. It hypothesises that behavioural intentions are a good predictor of human behaviour and are influenced by three factors: attitudes towards the behaviour, subjective norms and perceived behavioural control.

TPB has been useful in predicting consumer intention as well as behaviour in a wide range of pro-environmental areas, such as energy conservation and recycling (De Leeuw, Valois, Ajzen and Schmidt, 2015; Chen and Tung, 2014; Kim, Njite and Hancer, 2013) and has proven its applicability and robustness. Previous researchers (Yazdanpanah and Forouzani, 2015; Donald, Cooper and Conchie, 2014; Read et al., 2013) have advocated for the inclusion of other constructs in order to improve the predictive power of the framework. These researchers further suggested that the TPB framework can be deepened and broadened by adding a new construct or altering the path of the variables in it (Ajzen, 1991). On this basis, this study attempts to include moral identity as an additional construct in TPB in understanding water conservation among Gauteng residents.

Moral identity

Moral identity is defined as the degree to which being a moral person is important to an individual's identity. It is conceptualised as the cognitive schema of a person of his or her moral character (Aquino and Reed, 2002; Blasi, 1980). According to Aquino et al. (2009), moral identity may be treated as an individual difference variable, but may also be activated by situational factors (He, Zhu, Gouran and Kolo, 2016; Monin and Jordan, 2009). Individual differences in moral identity were found to moderate the effect of depletion on unethical behaviour, such that depletion did not promote unethical behaviour among individuals with high moral identity (Gino, Schweitzer, Mead and Ariely, 2011).

Social cognitive approaches to moral behaviour (Aquino et al., 2009) addressed situational variability in moral identity and moral behaviour. Research from priming experiments proves that moral cues can activate positive attitudes and the subjective experience of a strong moral identity and influence subsequent ethical judgment (Leavitt, Zhu and Aquino, 2016), prosocial behaviour (Reed et al., 2016), and unethical behaviour (Welsh and Ordóñez, 2014).

Moral identity is said to reflect the extent to which being a moral person (e.g., compassionate, fair, honest and kind) is important to an individual's identity. Moral identity is considered to be an important source of moral motivation (Hardy and Carlo, 2005, 2011) and predictive of moral behaviour (Hertz and Krettenauer, 2016). Previous research in moral psychology has emphasised that moral identity can play a key role in conservation and sustainability issues (Matsuba, Alisat and Pratt, 2017; Jia, Alisat, Sourcie and Pratt, 2015; Feinberg and Willer, 2013; Haidt, 2012).

Attitudes

Attitude toward the behaviour refers to "the degree to which a person has a favourable or unfavourable evaluation of the behaviour in question" (Ajzen, 1991). Moreover, attitude includes judgment on whether the behaviour under consideration is good or bad, and whether the individual wants to perform the behaviour (Ajzen and Fishbein, 1980). Perren and Yang (2015:1449) posited that attitude includes perceived consequences associated with behaviour.

According to Dolnicar et al. (2012:44), attitude is the main important predictor of behavioural intention. Attitude is the psychological emotion routed through consumers' evaluations and, if positive, behavioural intentions tend to be more positive (Chen and Tung, 2014).

Subjective norms

Subjective norm is defined as the perceived social pressure to perform or not to perform the behaviour (Ajzen, 1991, as cited in Perren and Yang (2015:1449). Petschnig, Heidenreich and Spieth (2014) highlighted the influence of others who are close/important to the individual, such as "close friends, relatives or colleagues". Subjective norm captures individuals' feeling about the social pressure they feel about a given behaviour. Moreover, consumers having positive subjective norms towards given behaviour rather than the concerned behaviour intentions, are more likely to be positive (Yadav and Pathak, 2016:733).

Previous studies have documented subjective norm as an important determinant of intention, including environmentally-friendly food purchase intention (Ha and Janda, 2012), environmentally-friendly hotel revisit intention (Teng et al., 2014; Chen and Tung, 2014) and environmentally conscious consumption (Khare, 2015; Moser, 2015). These studies noted a positive link between subjective norm and intention. When consumers perceive that their "significant others" endorse water conservation behaviours, they are more prone to adopt these behaviours.

Perceived behavioural control

Perceived behavioural control (PBC) refers to the perceived ease or difficulty of performing the behaviour (Ajzen, 1991) and reflects past experiences and anticipated obstacles. Zhou, Thøgersen, Ruan and Huang (2013) stated that behavioural control (i.e. ability) and motive determine behaviour. Previous studies have shown that PBC is positively linked with intention in various research contexts, such as recycling (Chan and Bishop, 2013), conservation (Albayrak, Aksoy and Caber, 2013), green hotels (Chang et al., 2014; Teng et al., 2014; Chen and Tung, 2014; Han et al., 2010), organic foods (Thøgersen, 2007; Tarkiainen and Sundqvist, 2005), and green products in general (Moser, 2015).

RESEARCH PROBLEM, OBJECTIVES AND HYPOTHESES

South Africa is a water scarce country with a growing demand for water to meet its developmental and economic growth objectives. The water challenges of South Africa are highlighted in the Water Development Report (2015) that has placed the country in the 142nd position out of 180 countries in terms of access to water. Practical efforts are therefore needed to conserve the available water resources, while implementing strategies to find and expand the current freshwater resources.

Various provinces such as Gauteng, Western Cape, Eastern Cape and Kwa-Zulu Natal have implemented a number of measures to reduce water consumption in their provinces. Amid a gripping drought and in line with the national objective of reducing water consumption by 15%, the Gauteng Provincial Government had to draft and implemented a Water Consumption/Water Demand Management strategy. The City of Johannesburg, which loses 192 000 millilitre per annum to non-revenue water, has opted to reduce water loss by improving its water infrastructure and operations so that there are no municipal pipe leakages (Wegelin and Jacobs, 2013). Some of the strategies also implemented that are aimed at water conservation include radio, print and television campaigns and also source management strategies such as improved water re-use, establishing wastewater re-use programmes, piloting water harvesting programmes and improving compliance with by-laws (Wegelin and Jacobs, 2013).

In spite of these initiatives, water consumption per household continues to be high (Onyenankeya, Caldwell and Okoh, 2015:16; Wegelin and Jacobs, 2013:415). This means that the strategies currently employed by the City of Johannesburg have not been effective in encouraging and persuading individuals and households to conserve water. Research is therefore necessary to understand the underlying reasons for high water consumption within households.

This study aims at understanding the impact of moral identity on the intention to conserve water among Gauteng residents. These findings will contribute to understanding water conservation behaviour, enable policy makers to effectively target water conservation education programmes, thus yielding higher water savings for such initiatives. Ultimately, research outcomes could be subsequently integrated into national water planning and management strategies to enhance long-term water conservation practices.

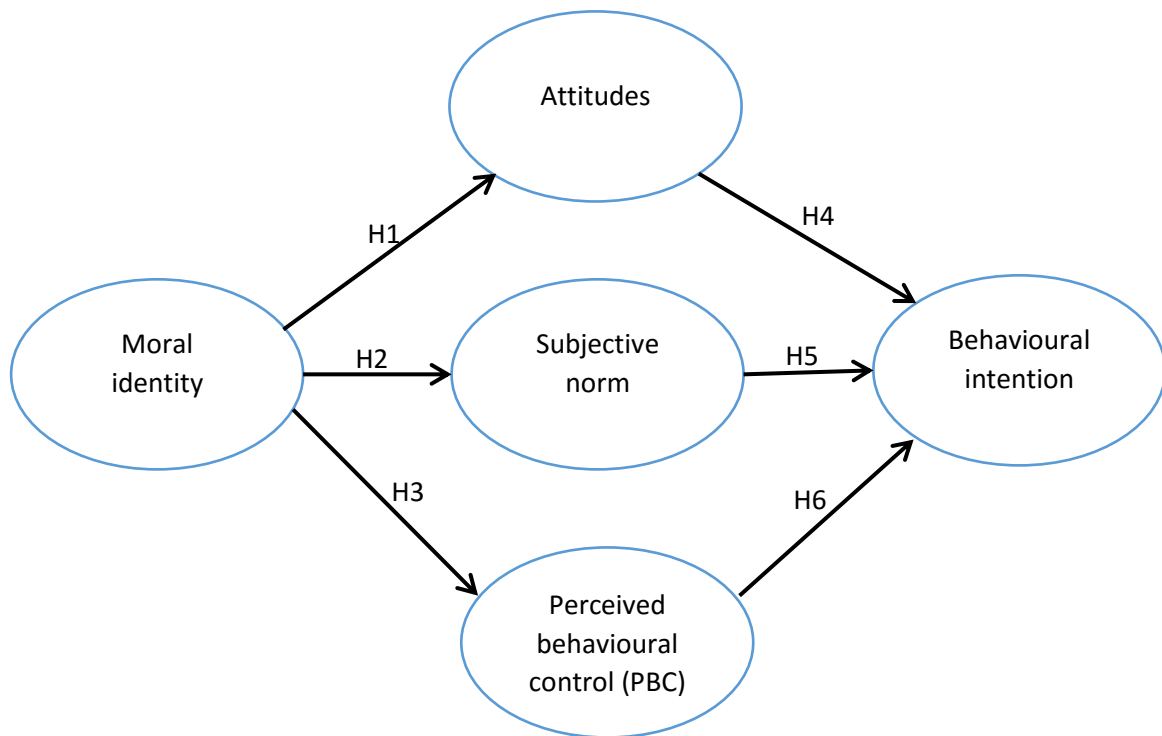
The primary aim of the study is to determine the impact of moral identity on the intention to conserve water among Gauteng residents. To achieve this aim, the following objectives are set, to examine the impact of moral identity on consumers' attitudes, subjective norms and perceived behavioural control in conserving water:

- to understand the impact of consumers' attitudes to intention to conserve water;
- to understand the effects of consumers' subjective norms to intention to conserve water;
- and to determine the impact of consumers' perceived behavioural control to intention to conserve water.

Based on the preceding objectives of this study, the proposed conceptual model and the hypotheses are as follows:

FIGURE 1:

The proposed conceptual model for the study



Source: Researcher's own construct

- H1: Moral identity among Gauteng residents will positively influence their attitude towards water conservation.
- H2: Moral identity among Gauteng residents will positively influence their subjective norm towards water conservation.
- H3: Moral identity among Gauteng residents will positively influence their perceived behavioural control towards water conservation.
- H4: Gauteng residents' attitudes towards water will positively influence their intention to water conservation.
- H5: Subjective norm will positively influence Gauteng residents towards the intention to water conservation.
- H6: Perceived behavioural control will positively influence Gauteng residents towards the intention to water conservation.

This study integrates moral identity into TPB to understand water conservation behaviour amongst Gauteng residents. It includes the original constructs from the TPB theoretical framework, i.e. attitudes, subjective norms, perceived behavioural control and behavioural intention. Thus the conceptual model proposed for this study (Figure 1) shows the relationship between the constructs, and how they have an influence on the intention to conserve water.

RESEARCH METHOD

Measurement

A survey was used to collect data using self-administered questionnaires from respondents and was comparable and useful for data analysis (Malhotra, 2010:335). The items from the constructs were adapted from previous literature with pretested, reliable and valid scales (Table 1). The language and items were modified to suit this specific study and there was no prescreening question – all respondents were legible to participate. The items from the constructs were measured using a 5-point Likert scale which is a popular rating scale that requires the respondents to indicate their level of agreement or disagreement (Malhotra, 2010: 308). The scales were ranked from 1 strongly disagree, to 5 strongly agree.

The three items used for measuring Attitude were adopted from the studies of Ek and Soderholm (2010); Zografakis et al. (2010) and Oikonomou et al. (2009). The three items used to measure subjective norm were adapted from the studies of Ajzen (1991) and John and Alice (2010) and Lin and Chang (2012). The four items used to measure Behavioural Intention were selected and adapted from the studies of Ajzen (1991). Lastly, the items used to measure Moral Identity were adopted from studies of Aquino and Reed (2002) and Yazdanpanah et al. (2016: 80). All of the items were measured on a five-point Likert type scale, with anchors ranging from 1 'strongly disagree' to 5 'strongly agree'.

Sampling and Data Collection

The sample used for this study consisted of residents from various suburbs and townships of Johannesburg. The study used a non-probability sampling technique in the form of convenience sampling, data was collected using selected trained fieldworkers in Gauteng. The researcher collected data through visiting people's homes and workplaces. After explaining the research purpose to them and receiving consent, they were given paper-based questionnaires to complete. Some respondents preferred the researcher to read the questionnaire and recorded their responses accordingly. Of the 500 sample respondents contacted to participate on the study, 347 took part, representing an effective response rate of 69%.

RESULTS AND FINDINGS

Data analysis for descriptive statistics was carried using the Statistical Package for Social Sciences version 24. The results of the descriptive statistics for the sample are presented in Table 1.

A structural equation modelling technique using the SmartPLS software was used to assess the measurement and structural models for the study. To analyse the measurement and structural model proposed for the study, the Statistical Package for Social Sciences (SPSS) version 24 and the Smart PLS3.2.6 software package for data coding, capturing and data analysis were used. The SPSS software package was further used to obtain descriptive statistics of the sample and of the constructs. In order to determine the convergent validity of the measurement model, the standardised factor loadings, Cronbach's alpha, composite reliability (CR) and average variance extracted (AVE) were examined. After obtaining the validity measures, the researcher proceeded to assess the hypotheses proposed for the study. The complete questionnaire together with the list of items used is presented in Appendix 1.

TABLE 1:
Descriptive statistics of the sample

Demographic characteristic	Frequency	Percent
Gender		
Male	155	44.8
Female	192	55.2
Age		
18 - 20	47	13.6
21 - 35	180	52.0
36 - 49	88	25.4
50 and above	29	8.4
Race		
Black	280	80.9
White	25	7.2
Coloured	29	8.4
Indian or Asian	11	3.2
Education		
Below Grade	15	4.4
Grade 12 (matric/st 10)	91	26.5
Post-matric Certificate or Diploma	96	28.0
Bachelor's Degree	96	28.0
Postgraduate Degree	45	13.1
Economic Status		
Poor	22	6.3
Below average	38	11.0
Average	235	67.7
Above average	45	13.0
Affluent	7	2.0

Structural Equation Modelling

A Structural Equation Modelling (SEM), using a partial least squares technique was used to conduct further analyses of the data. The SmartPLS 3.2.6, software package (Ringle, Wende and Becker, 2015) was used to conduct the SEM analysis. Following the two-step approach recommended by Anderson and Gerbing (1988), the measurement model was assessed to confirm its convergent and discriminant validities. Thereafter, an assessment of the structural model was done to assess and test the hypotheses proposed for the study.

Measurement model analysis

The validity of the measurement model was confirmed for its convergent and discriminant validity. In order to determine the convergent validity of the measurement model, the standardised factor loadings, Cronbach's alpha, composite reliability (CR) and average variance extracted (AVE) were examined. The results of this analysis are presented in Table 2. To achieve convergent validity, Hair, Black, Babin and Anderson (2010) recommend that the standardised factor loadings and AVE estimates should be above 0.5, and Cronbach's alpha and CR should exceed 0.7. As per the results presented in Table 2, the factors loadings of the various items range from 0.614 to 1.0, and the computed AVE values vary between 0.554 and 0.665. These are above the 0.5 recommended minimum thresholds. The Cronbach's alpha values for intention, and moral identity are above the recommended minimum of 0.7, whereas those for attitude (0.578), perceived behavioural control (0.620) and subjective norm (0.597) are below the 0.7 thresholds. However, Hair et al. (2010) argued that Cronbach alpha values of 0.5 and above are acceptable measure of internal reliability. Lastly, the computed CR values are between 0.782 and 0.888. These are above the 0.7 threshold. These results generally confirm the convergent validity of measurement model.

TABLE 2:
Convergent validities

	Standardised factor loading	Cronbach's Alpha	Composite Reliability	AVE
Attitude EA1 EA2 EA3	0.643 0.804 0.761	0.578	0.782	0.547
Intention to conserve water BI1 BI2 BI3 BI4	0.764 0.820 0.822 0.855	0.832	0.888	0.665
Moral identity MIS1 MIS2 MIS3 MIS4	0.682 0.803 0.786 0.808	0.775	0.854	0.595
Perceived behavioural control PC3 PC4 PC5	0.568 0.840 0.825	0.620	0.794	0.570
Subjective norm SN1 SN2 SN3	0.665 0.816 0.743	0.597	0.788	0.554

The discriminant validity of the measurement model was tested using the procedure recommended by Fornell and Larcker (1981). According to this procedure, discriminant validity is said to be achieved when the square root of the AVEs are greater than the correlations amongst the factors. The results of the discriminant analysis performed for this study are presented in Table 3.

TABLE 3:
Discriminant validities

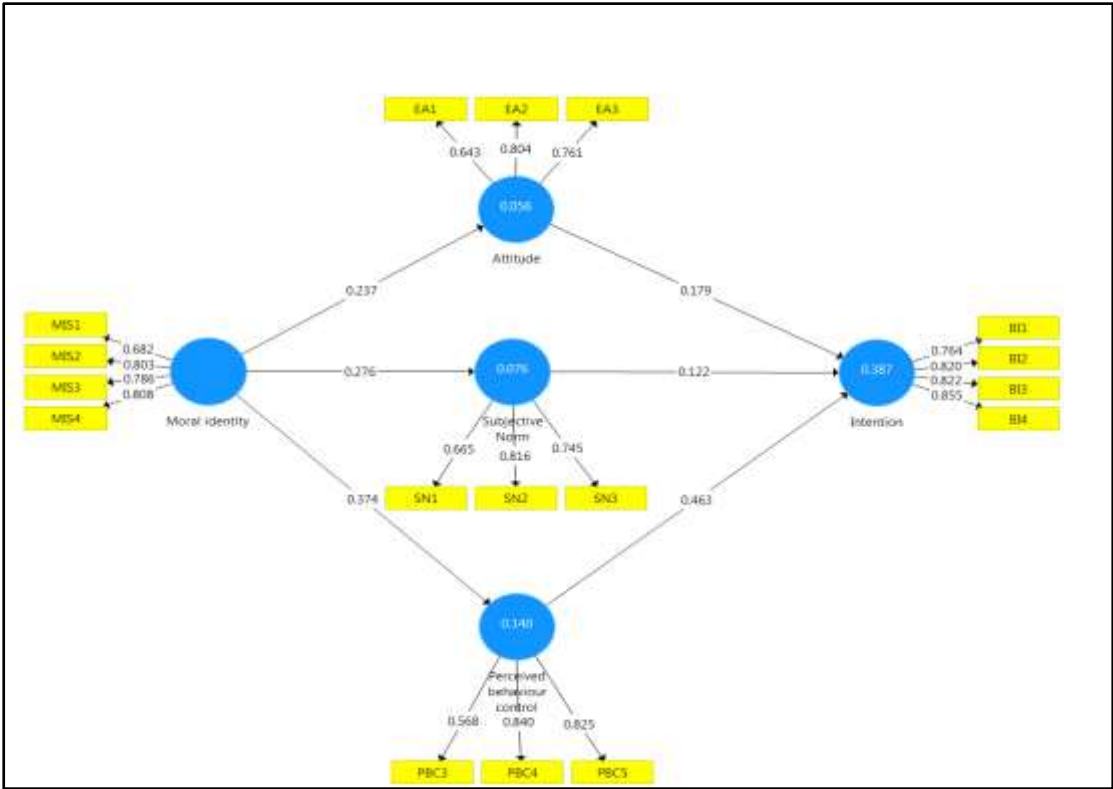
	Attitude	Intention	Moral identity	Perceived behaviour control	Subjective norm
Attitude	0.739				
Intention	0.427	0.816			
Moral identity	0.237	0.372	0.772		
Perceived Behaviour Control	0.436	0.581	0.374	0.755	
Subjective norm	0.373	0.343	0.276	0.332	0.745

According to the results from Table 3, the square roots of the AVEs (diagonal bold values) are greater than the correlation amongst the factors, thus providing us evidence of good discriminant validity.

Structural model analysis

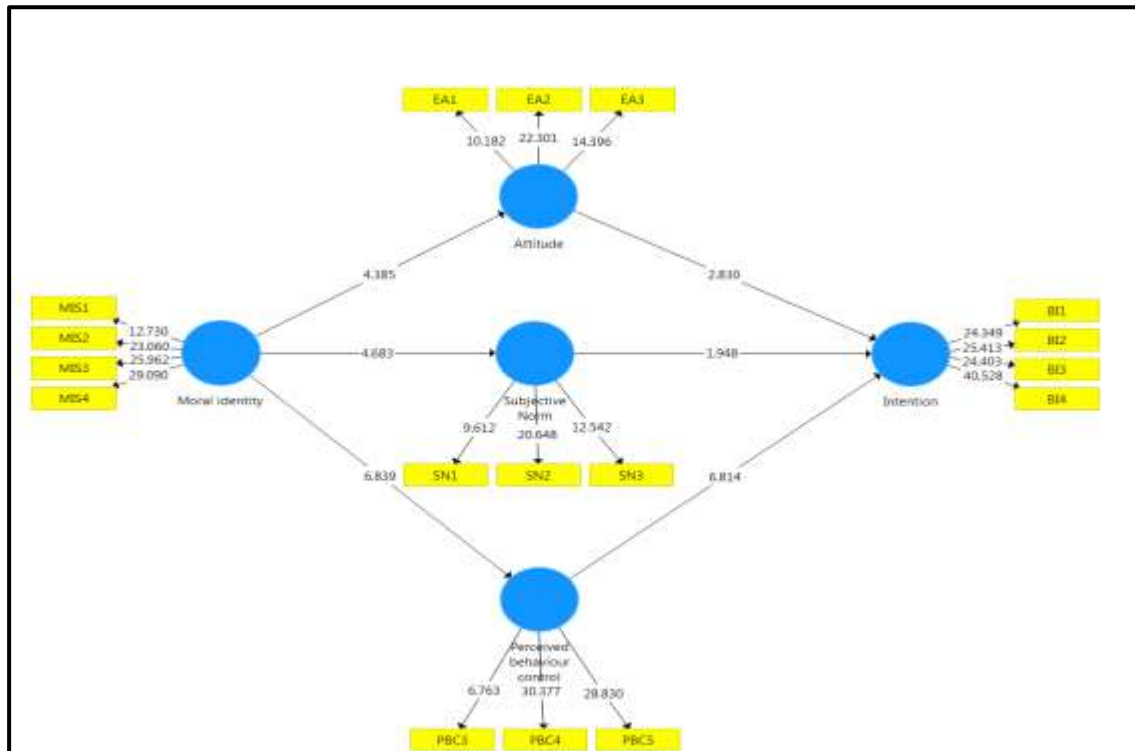
Upon confirming the validity of the structural model, the structural model was assessed to test the hypotheses proposed for the study. The results of the analyses are presented in Figures 2 and 3.

**FIGURE 2:
Measurement and structural model analysis**



Source: Researcher’s own construct

FIGURE 3:
Bootstrapping for T-Statistic



Source: Researcher's own construct

The results of the analyses show that moral identity has a positive effect on attitudes to conserve water ($\beta=0.237$, $t=4.385$). Therefore, H1 is supported. The results further indicate that moral identity has a positive influence on subjective norm to conserve water ($\beta=0.276$, $t=4.683$). Thus, confirming and supporting H2. A further test show that moral identity has a positive influence on perceived behavioural control ($\beta=0.374$, $t=6.839$), so hypothesis H3 is supported.

Concerning the relationship between attitudes and intention to conserve water, the results of the analysis confirm a positive relationship ($\beta=-0.179$, $t=2.830$), thus supporting H4. Furthermore, the results also suggest a positive relationship between Perceived Behavioural Control and intention on water conservation behaviour ($\beta=-0.463$, $t=6.814$), thus confirming H6. However, the relationship between subjective norm and intention to conserve water was not positive and therefore, H5 was not supported.

As shown in Figure 2, moral identity is positively related to the three dependent variables and explains 5.6% of the variance in Gauteng residents' attitudes, 7.6% of the variance in subjective norm, and 14% of the variance in perceived behavioural control. This is with respect to the collective effect of two variables, which are attitudes and perceived behavioural control on the intention to conserve water. The two independent variables explained 38.7% of the variance in the dependent variable. The beta coefficient for subjective norm was low at a ratio of 0.122 and did not support its influence to Gauteng residents' water conservation intention.

PRACTICAL MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

The present research examined the impact of moral identity, attitudes, subjective norm, and perceived behavioural control on respondent's intention to conserve water. Data was obtained predominantly from a convenience sample of respondents residing in Gauteng, South Africa.

The results suggest that all the variables with the exception of subjective norm have a positive influence on respondents' water conservation behaviour. The insights gained from this study can be used to inform policy makers on intervention programmes aimed at promoting water conservation behaviour in households.

The study finds that Gauteng residents' moral identity on water conservation primarily relates to attitudes, subjective norm and perceived behavioural control, while attitudes and perceived behavioural control are in turn related to the intention to conserve water. Although a few studies have examined the factors affecting the intentions to conserve water (Martinez-Espineira, Garcia-Valirias and Nauges, 2014; Mini, Hogue and Pincetl, 2014), the present research is perhaps the first in South Africa to identify the role of moral identity and its influence towards water conservation.

The empirical results indicate that moral identity is the strongest predictor to perceived behavioural control and PBC is also the most significant predictor of the intention. The findings show that Gauteng residents can realise the individual's responsibility in water conservation. This finding is in line with the results of the study by Jia et al. (2017) which indicated that the moral identity of an individual's behaviour could make a difference in affecting people's actions towards water conservation. Moral identity refers to the extent to which being a moral person (e.g. compassionate, fair, honest, and kind) is important to an individual's identity, whilst PBC refers to the degree to which an individual feels that the performance of behaviour is under his/her volitional control. The perceived ease, fairness, honesty and kindness towards water conservation are expected to have an impact on the possibility of carrying out the water conservation behaviours.

This significantly implies that marketing plans of institutions such as municipalities, provincial governments and corporates, can actively educate and encourage residents using caring and kindness appeals, providing strategies that ensure people find it easy to engage in water conservation behaviours, and that they understand the importance of being environmentally conscious and care for water resources, with the aim of ultimately changing their behaviour towards water.

The results also suggest that moral identity plays a significant role in the attitudes towards water conservation, in turn attitudes also have a significant influence towards the intention to conserve water. These findings are in consistence with previous studies (Untaru et al., 2016; Ajzen, 1991:88), which suggest that attitude has a significant influence on individuals' intention to conserve water. This finding provides municipalities and corporates with an understanding on where water educational programmes should be targeted to obtain the highest effective household water savings. Significant water savings within homes can be achieved if pro-environmental attitudes can be effectively instilled. Corporates with strong existing social responsibility image can also possibly benefit from consumers' moral identity in influencing their attitudes towards their water conservation campaigns.

The research results further indicate that moral identity is the significant predictor of subjective norm, however, the relationship between subjective norm and intention proved to be insignificant. These findings are consistent with the previous study done by Yazdanpanah et al. (2016).

LIMITATIONS AND FUTURE RESEARCH

The present study was conducted in certain areas of the Gauteng Province, using a convenience sample. This means that, not all the residential areas were included and hence the results of the study cannot be generalised.

Future studies can apply the same conceptual model in investigating water conservation behaviours in other provinces of South Africa. Researchers can possibly examine water conservation issues at cultural level by performing a cross-cultural comparison based on race. In addition, future studies could target different age groups for a comparison. Perhaps older people care more about how they are viewed by others, and moral identity will have a more substantial effect among older people. Finally, future studies could look at including additional predictors such as values and cultural belief that have been successfully used in other pro-environmental behaviour studies to improve the variance explained in the model.

CONCLUSIONS

The findings of the study contribute to literature by integrating the moral identity into the TPB to empirically investigate the drivers of water conservation behaviour among consumers in the Gauteng Province of South Africa. The integration of the moral identity into the TPB to understand water conservation behaviour is particularly important because even prior studies (Moore and Nelson, 2010; Warburton and Gooch, 2007), have emphasised the role of moral identity in influencing pro-environmental behaviours. Studies on the effect of moral identity on conservation/pro-environmental behaviour are limited. This study therefore contributes to addressing this research gap particularly from a developing country's perspective. The findings of this study also present practical implications for municipalities, policy makers and others that are or might be interested in water conservation behaviour among consumers.

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Appendix 1 - Questionnaire
SECTION A: BACKGROUND INFORMATION

Please answer the following questions by marking an X on the option that best describes you.

A1. Please indicate your gender.

Male	1
Female	2

A2. Please indicate your age category.

18 – 20	1
21 – 35	2
36 – 49	3
50 and above	4

A3. Please indicate your racial group.

Black	1
White	2
Coloured	3
Indian or Asian	4

A4. Please indicate your level of education completed.

Below Grade	1
Grade 12 (Matric/st 10)	2
Post-matric Certificate or Diploma	3
Bachelor's Degree	4
Postgraduate Degree	5

A5. How would you describe your economic status?

Poor	1
Below average	2
Average	3
Above average	4
Affluent	5

A6. Are you responsible or do you contribute to paying water bills in your household?

Yes	1
No	2

A7. Do you think it is necessary to conserve water?

Yes	1
No	2

A8. On average, how often do you try to conserve water in your daily use of it?

Never	1
Rarely	2
Sometimes	3
Often	4
Always	5

SECTION B: BEHAVIOUR TOWARDS WATER CONSERVATION

Please rate the extent to which you agree/disagree with each of the following statements by crossing (X) on the value that correctly reflects the extent to which you agree or disagree with each statement.

		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
EA1	I am concerned about media coverage of water shortage issues.	1	2	3	4	5
EA2	I get concerned when hearing about our water shortage related issues.	1	2	3	4	5
EA3	The water shortage problem is for the whole society, every person and every family have responsibility to save water.	1	2	3	4	5
SN1	My family and friends think I should take water-saving behaviour seriously.	1	2	3	4	5
SN2	People who are important to me will approve of my water-saving behaviour.	1	2	3	4	5
SN3	Most people who are important to me think that engaging in water-saving activities is desirable.	1	2	3	4	5
PBC1	Water saving initiatives costs so much money.	1	2	3	4	5
PBC2	I do not have time to engage in water-saving activities.	1	2	3	4	5
PBC3	Water saving is entirely within my control.	1	2	3	4	5
PBC4	I would be able to save water.	1	2	3	4	5
PBC5	I have the knowledge on how to save water.	1	2	3	4	5
BI1	I will be more inclined to implement water-saving measures.	1	2	3	4	5
BI2	I plan to start saving water in the near future.	1	2	3	4	5
BI3	I am willing to share my water-saving methods with other people in the future.	1	2	3	4	5
BI4	I intend to engage in water-saving activities in the future.	1	2	3	4	5

SECTION C: MORAL IDENTITY

Caring, Compassionate, Fair, Friendly, Generous, Helpful, Hardworking, Honest and Kind

The person with these characteristics could be you or it could be someone else. For a moment, visualise in your mind the kind of person who has these characteristics. Imagine how that person would think, feel, and act. When you have a clear image of what this person would be like, answer the following questions:

		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
MIS1	It would make me feel good to be a person who has these characteristics.	1	2	3	4	5
MIS2	Being someone who has these characteristics is an important part of who I am.	1	2	3	4	5
MIS3	The types of things I do in my spare time (e.g. hobbies) clearly identify me as having these characteristics.	1	2	3	4	5
MIS4	I am actively involved in activities that communicate to others that I have these characteristics.	1	2	3	4	5
MIS5	Having these characteristics is not really important to me.	1	2	3	4	5

Looking forward... Is there light at the end of the tunnel for the domestic South African wine market?

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Keywords: Best-Worst Scaling; Wine; South African Market; Generation Y

ABSTRACT

In 2017, South Africa (SA) was the eighth largest wine producer in terms of volume, however, did not feature amongst the top ten wine drinking nations in terms of per capita wine consumption (OIV 2017). Furthermore, the SA wine industry is through strategic thinking aiming to increase local wine consumption by directing marketing efforts towards better understanding and growing the domestic wine market. This effort mainly stems from wine holding a low market share in the SA liquor market, with beer being the most popular alcoholic beverage. Fortunately, it seems that this situation is changing with clear indicators that especially younger SA consumers increasingly associate themselves with wine (Sawis 2016). Marketing efforts have thus shifted onto the young wine consumer, namely Generation Y (Gen Y), born between 1981 and 1996. The segment offer an industry striving for increased domestic wine consumption the greatest potential for growth, with 50% of the segment said to be becoming core wine drinkers (VinIntell 2013). Although numerous studies worldwide have focused on Gen Y in the field of wine, limited knowledge exists on the South African Gen Y consumer pertaining to their wine selection and consumption behaviour.

Hence, this study focused on the wine selection behaviour of Gen Y wine consumers through qualitative exploration and quantitative investigation. Semi-structured interviews were conducted with wine industry role-players to explore and better understand the SA wine market. Thematic text analysis was performed to identify choice themes that Gen Y consumers might use in their wine selection. Results of this exploratory phase were used to design a questionnaire using Best-Worst Scaling (BWS) to investigate the relative importance of choice cues in this consumer segment. For example, 'It's something different', 'Has sensory appeal', 'The consumption or purchase situation is important', 'I want to be informed', 'It must connect to me personally or socially', and 'What is on or around the bottle is important'.

BWS offers marketers a technique that alleviates problems associated with the use of rating scales, such as the lack of discrimination between attributes. Using a Balanced Incomplete Block Design (BIBD), attributes are organised into choice sets under which respondents choose the most and least important item within each set. The BIBD ensures that each subset contains a unique combination of items and that each item appears the same number of times across all subsets (Cohen 2009). Thus, the relative importance of attributes guiding a wine selection are obtained. It is anticipated that the results from this study will help guide marketers and winemakers in reaching the Gen Y wine consumer more effectively, ultimately helping wine to take a larger share of the overall alcohol repertoire.

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A matter of trust: understanding customer citizenship in the online retail environment

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ABSTRACT

In the last decade technological advances in the retail industry has been abundant, where almost all retailers today have an online web presence as well as a physical store, while others have moved towards having an online store only. Owing to these developments, customers' behaviours is to a large extent triggered by their interactions with the virtual interface of the online retail website, rather than by their physical interactions with employees (Anaza, 2014). In the online retail environment customer behaviours may involve expected in-role behaviour, such as completing online transactions as well as extra-role behaviour, involving helping fellow customers in using the service. The additional voluntary behaviours customers perform are referred to as customer citizenship (Groth, 2005) and generally emanate when customers perceive they have been treated in a fair and honest manner and thus want to reciprocate by ensuring more customers adopt and use the self-services provided (Blau, 1964; Konovsky & Pugh, 1994). Cognisant of these advantages, extant literature offers a comprehensive account of antecedents leading to customer citizenship. Interestingly, however, the impact of initial trust towards the online retailer on customer citizenship has not been comprehensively investigated before. Trust is essential, as it determines whether or not a consumer will use a retail website (Agag & El-Masry, 2017; Grabner-Kraeuter, 2002) and is also a prerequisite for reciprocity to occur. Without trust, a relationship is not meaningful enough for the other party to give something in return for the service or benefits they received from the relationship (Gouldner, 1960; Blau, 1964). It further appears that several factors may predict initial trust towards an online retailer, which can be categorised as central cues, relating to the cognitive processing of beliefs about the online retail service as well as peripheral cues, encouraging trust based on physical clues and emotions (Zhou, 2012). Accordingly, the aim of the proposed study is to extend knowledge on these matters by examining the impact of selected central and peripheral cues on customers' initial trust towards the online retailer and ultimately helping intention as a form of customer citizenship. From a theoretical perspective, the proposed study may provide new insight into the link between initial trust towards the online retailer and helping intention as a form of customer citizenship. Insight may also be gained into the effect of central and peripheral factors on initial trust from a South African online retail perspective. Practically, the

proposed model may allow online retailers to make the necessary adjustments for ensuring customers' initial trust and helping behaviour towards fellow customers.

The methodology will entail a quantitative and descriptive research design, involving the distribution of 500 self-administered questionnaires to customers that have purchased from an online retailer in the last twelve months. Previously validated measurement scales will be included in the survey and respondent participation will be based on convenience. Data analysis will include confirmatory factor analysis and structural equation modelling.

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The effect of virtual experiential marketing on customer satisfaction and its impact on revisit and repurchase intention: Kekambas online multi store-delivery platform

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ABSTRACT

Today, the marketplace has grown to be increasingly diversified as consumers encounter more choices and options than ever before. Globally there has been an enormous shift toward experiential marketing because of the multisensory and immersive nature of experiences.

Gilmore and Pine [1999] define experiential marketing “as memorable events or experiences that engage the consumer in a personal way, such that he/she feels as being part of them, while exhilarating the senses and providing him/her with sufficient information to make a Decision.” The prevalence of the Internet coupled with the fierce competition among online retailers has led to virtual experiential marketing (VEM). VEM makes use of the Internet and its numerous channels, comprising of blogs, virtual communities, chat rooms, multi-play, interactive images, and game playing, and technology to create an improved environmental experience through visual and audio signals and produce an immersive experience. VEM dimensions selected for this study are described in the following paragraph.

Sense. Sense plays an important role in differentiating the products or services, motivating customers and adding value to products. **Interaction.** Interacting with the channel enhances positive attitudes towards the online retailer and instil the desire to browse or willingness to purchase online. **Pleasure.** Pleasure can produce favourable attitude towards future approach behaviour and create a preference for more stimulating arousal in subsequent interactions. **Flow.** When consumers pursue the Internet and become immersed in its navigation, they experience “flow”. **Community relationship.** A community allows its members to share particular interests usually in a consumption context of a product or service, with one another community allows its members to share particular interests, and focuses on achieving personal as well as shared goals.

While extant studies on experiential marketing has focused on the traditional physical store (i.e., brick and mortar) settings, there has been limited studies done in South Africa that has examined the experiences in online retailing. The objective of this study is to test the five virtual experiential dimensions to test the influence thereof on consumer emotions, satisfaction and behavioural intentions (revisit and repurchase). A survey approach as used to collect data from respondents who have purchased from the Kekambas application. A questionnaire will be distributed to customers through the Internet and in hard-copy. A total of 500

questionnaires will be distributed. The data will be analysed using structural equation model and interpretations will be done using inferential statistics, such as cross tabulation, chi-square, one-way analysis of variance (ANOVA), t-test and Pearson correlation coefficient for analysing.

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Who are the potential buyers of energy-efficient product? A market segmentation based on consumption values

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Keywords: Energy-Efficiency, Market Segmentation, Consumption Values, Consumers' Attention.

ABSTRACT

Consumption values are important determinants of the consumer's decision to purchase eco-friendly products. Notwithstanding previous attempts to segment and profile eco-friendly buyers, a segmentation based on consumption values is lacking in the South African context. This study thus aims at segmenting and profiling the potential buyers of energy-efficiency product based on their consumption values in combination with their attention to energy-efficiency label and intention to purchase, which are key determinants of consumer's energy-efficiency purchase. A survey was conducted to gather and analyse quantitative data from 550 users of electronic appliances that have energy-efficiency labels affixed to them. Through a cluster analysis, three distinctive segments were identified. The segments were further profiled across demographic variables. The findings of this study shed light on strategies that marketers, retailers and manufacturers can use to design eco-friendly offers tailored to the needs of each consumer segment.

INTRODUCTION

There is a pressing need for global efforts to preserve and protect the environment (IEA, 2017; ASSAF, 2014; Death, 2014). In South Africa, resources such as water and energy are under the greatest demand, yet the current supply cannot sustain the consumption level in the country (Hoogendoorn, Grant & Fitchett, 2015; Death, 2014). There is a particularly unrelenting need for intervention strategies to champion a parsimonious use of energy resources and minimise the environmental impact of energy consumption in South Africa (Issock, Mpinganjira & Duh, 2017; Mtutu & Thondhlana, 2016; ASSAF, 2014). In this respect, the South African Bureau of Standards (SABS) introduced a mandatory environmental labelling scheme for electronic home appliances sold in South Africa (SABS, 2014). Environmental labels are product seals or communication tools used to provide consumers with environment-related and product-specific information at the point of purchase to assist consumers in making an

environmentally informed purchase decision (Taufique et al., 2017). Energy-efficiency labelling is a form of an environmental label that provides information about the energy efficiency of electronic products.

Despite the various attempts at 'greening' the South African economy, advancements in mitigating environmental damages remain slow (Swilling, Musango & Wakeford, 2016; Hoogendoorn et al., 2015). Studies globally (Issock et al., 2017; Haws et al., 2014; Park & Lee, 2014; Finisterra do Paço & Raposo, 2010) indicate that there are various consumer segments with idiosyncratic differences in the value they attach to environmental protection, which is crystallised by an eco-friendly purchasing behaviour. In the South African context, previous research suggests that the majority of consumers are not willing to trade-off the perceived lower price of conventional products against environmentally friendly offers (Dreyer, et al., 2016; Hoogendoorn et al., 2015; Sonnenberg, Erasmus, & Schreuder, 2014;). This is because eco-friendly products are often perceived to be overpriced (Dekhili & Achabou, 2013)

Notwithstanding the reported prevalence of South African consumers with little regards for environmental attributes of products in a purchase situation (Dreyer, et al., 2016; Sonnenberg et al., 2014; Hoogendoorn et al., 2015), there are few consumers that integrate the environmental credentials of a product in a purchase situation. Limited information is available on the profile of South African consumers who take into consideration the energy-efficiency rating specific to electronic products in their decision to purchase. Yet, in this new environmental trend, it is crucial for retailers and manufacturers to identify the consumers that are most likely to pay attention to environmental labels in a purchase situation.

Evidence suggests that consumers' purchasing behaviours are strongly influenced by underpinning consumption values (Gonçalves, Lourenço & Silva, 2016; Biswas & Roy, 2015b; Lin & Huang, 2012; Sheth, Newman & Gross, 1991). Understanding the motives behind environmentally friendly consumption and the profile of green consumer segments is central to devising green marketing strategies to spur more eco-friendly consumption behaviours (Yildirim & Candan, 2015; Park & Lee, 2014;)

The overarching aim of this study is to identify potential South African energy-efficient consumer segments and assess whether there are significant differences between these segments in terms of their consumption values, eco-friendly purchase intention, and attention to energy-efficiency labels in a purchase situation. Once identified, the segments can be further profiled as per their demographic profiles. South Africa's growing need to conserve energy and the ever-spreading range of energy-efficient labelled appliances in South African store shelves (ASSAF, 2014) makes this study a timely contribution to the body of knowledge and marketing practitioners.

LITERATURE REVIEW

Green Marketing and Green market segmentation

Green marketing is described as the integration of environmental issues into corporate marketing strategy, especially the 4P's (Zhu & Sarkis, 2016). Green marketing strategies encourage consumers to reduce the usage of natural resources, change their lifestyle and consume environment-friendly products to meet the current needs and aspirations of the future generations (Biswas & Roy, 2015b). The concept of green or environmental marketing was introduced in 1975 by the American Marketing Association (AMA) through a workshop on ecological marketing (Zhu & Sarkis, 2016; Finisterra do Paço & Raposo, 2010). Since then, practitioners and academics have put in more efforts into determining and understanding the relationship between marketing initiatives, customer buying behaviour and the environment (Testa, Iraldo, Vaccari & Ferrari, 2015; Finisterra do Paço & Raposo, 2010;). Consequently, terms such as energy-efficiency, fuel-efficient, recyclable or organic food have permeated

advertising messages of many organisations in the automobile, electronic, and consumer packaged goods industries (Park & Lee, 2014).

Given that consumer segmentation is a cornerstone of strategic marketing (Kotler & Keller, 2016), there have been many attempts to segment and profile green customers in various countries such as United States of America (Park & Lee, 2014), Germany (Tabi, Hille & Wüstenhagen, 2014), Turkey (Yildirim & Candan, 2015), Portugal (Finisterra do Paço & Raposo, 2010). In South Africa, some studies (Sonnenberg et al., 2014; Issock et al., 2017) have investigated potential segments of energy efficient consumers but have neither used consumption values nor consumer's attention to eco-labels as segmentation criteria. Globally, few studies have attempted to segment eco-friendly customers based on their consumption values (Gordon et al., 2018; Yildirim & Candan, 2015). Most environmentally-related segmentation studies reported in the literature are mainly premised on a mixture of socio-demographic characteristics, psychographic variables, personal values, lifestyle and behavioural variables (Park & Lee, 2014; Finisterra do Paço & Raposo, 2010). Yet, consumption values are one of the most important underpinning motives of purchasing behaviour and constitute a good base for dividing consumers into homogeneous segments (Gordon et al., 2018; Yildirim & Candan, 2015; Sweeney & Soutar, 2001; Long & Shiffman, 2000). Consumption values provide insights into the types of consumers who hold particular value perceptions (Gordon et al., 2018). In the following section, the consumptions values are discussed in detail.

Underpinning theory: the theory of consumption value

The Theory of consumption value developed by Sheth et al., (1991) sheds light on why consumers choose to buy or not to buy (use or not use) a product and what motivates them to choose a specific product type over another (Gonçalves et al., 2016; Sheth et al., 1991). The theory has been the most appropriate and valuable framework to provide relevant insights into the motives for eco-friendly consumption behaviours (Gonçalves et al., 2016; Biswas & Roy, 2015b; Lin & Huang, 2012).

The consumption theory was also used for consumer segmentation. For example, Long and Schiffman (2000) applied the theory to segment consumers according to their consumption values and relationships with service providers. Gordon et al (2018), as well as Yildirim and Candan (2015), further used the theory to identify green consumers in Australia and Turkey respectively.

While the consumption value literature lacks a consensus on the number of the dimensions of consumption value, all different sets of consumption values proposed in the literature are premised on Sheth et al's (1991) pioneering work. According to Sheth et al's (1991) five consumptions values determine customer purchasing behaviours, namely functional, emotional, social, epistemic and conditional values. Building from these values, Sweeney & Soutar (2001) proposed four consumption values adapted to durable goods. These are functional, economic, social, emotional (Gonçalves et al., 2016; Lin and Huang, 2012; Sweeney & Soutar, 2001). Other studies (Koller et al., 2011; Biswas, 2017, Gordon et al., 2018) expanded from these two studies and added environmental (or ecological) values to cater for eco-friendly products. Given that this study investigates energy-efficient appliances which are eco-friendly durable goods, the four consumption value dimensions of Sweeney and Soutar (2001) was used as the foundation for the study, with the inclusion of the environmental value dimension to evaluate the concern for energy-efficiency rating in consumer choices. The five dimensions are therefore expanded in the subsection below.

Environmental value

Haws et al. (2014:337) define environmental values as “the tendency to express the value of environmental protection through one's purchases and consumption behaviours”. Environmental value is an important consumption value to explain eco-friendly consumption behaviour (Biswas, 2017; Gordon et al., 2018; Khan & Moshin, 2017; Biswas & Roy, 2015b). This value is relevant in situations where there is an environmental imperative (such as energy conservation) because of the nexus between consumption and potential harm to the natural environment (Koller et al., 2011). Extant research reveals that environmental value can be used to group energy-efficient consumers in segments (Gordon et al., 2018).

Functional value

Functional value reflects the consumers' perception of the product performance as durability, permanence, dependability, reliability and quality (Biswas & Roy, 2015b). Studies show that functional value strongly influences consumer decision to purchase green products (Khan & Moshin, 2017; Biswas & Roy, 2015b). Moreover, functional value has been used as a segmentation criterion that helps to significantly distinguish consumer segments (Gordon et al., 2018, Yildirim & Candan, 2015).

Economic value

Also known as price value, economic value is described as the utility derived from the product due to the reduction of its perceived short-term and long-term costs (Sweeney & Soutar, 2001). Economic value is a critical determinant of consumer purchase of eco-friendly products (Khan & Moshin, 2017; Biswas & Roy, 2015a) because these products are usually more expensive than conventional products (Haws et al., 2014). Sonnenberg et al. (2014) posit price as the most important attribute of consumer choice behaviour in home eco-friendly appliances in South Africa. Prior research revealed that customers significantly differ as per the economic value they hold towards a product (Gordon et al., 2018, Sonnenberg et al., 2014; Yildirim & Candan, 2015).

Emotional value

Emotional value alludes to the perceived utility that consumers associate with the ability of a product to arouse emotional reactions after its usage (Khan & Moshin, 2017). Using eco-friendly products usually make people feel good because of their positive contribution to the protection of the environment (Lin & Huang, 2012). Emotional value has a strong impact on consumers' choice of eco-friendly offers (Khan & Moshin, 2017; Lin & Huang, 2012), and has been used to differentiate green consumers (Yildirim & Candan, 2015).

Social value

This value represents the perceived net utility derived from a product consumption based on the perception of social pressure or prestige gained through engagement in energy-efficient buying (Biswas & Roy, 2015a). The symbolic value conveyed by energy-efficient products can signal to others that a consumer contributes to the protection of the environment (Koller et al., 2011; Sweeney & Soutar, 2001). Evidence suggests that social value has a strong influence on consumer eco-friendly purchasing behaviour (Lin and Huang, 2012; Gonçalves et al., 2016; Khan & Moshin, 2017) and is a significant criterion for clustering pro-environmental customer segments (Yildirim & Candan, 2015; Long & Shiffman, 2000).

Purchase intention and Paying attention to energy-efficient labels

Many studies have been carried out to explore the key drivers shaping the consumers' energy-efficient buying (Sonnenberg et al., 2014; Testa et al., 2016) highlighting the importance of variables such as personal and social norms, attitudes, knowledge or trust. Research on the determinants of eco-labelled products such as electronic appliances with energy-efficiency ratings revealed that the consumer's purchase intention and attention to environmental label affixed to the product are two important proximal antecedents of the purchase decision of such products (Issock, Mpinganjira & Roberts-Lombard, 2018; Klockner, 2012; Thøgersen, 2000).

The attention that consumers pay to environmental labels is of critical importance because details about the environmental credentials of the product depicted in such labels can prompt the final decision to purchase the eco-friendly product (Issock et al., 2018; Klockner, 2012; Thøgersen, 2000). The direct effect of purchase intention on actual purchasing behaviour is widely supported in the green literature (Yadav & Pathak, 2017; Klockner, 2012). Consumer intention to purchase eco-friendly is described as the willingness of consumers to give preference to eco-friendly products over conventional products in a purchase situation (Yadav & Pathak, 2017).

Previous studies have segmented consumers based on their intention to purchase eco-friendly products (Issock et al., 2017; Tabi et al., 2014; Finisterra do Paço & Raposo, 2010). Although no studies have used consumer's attention to energy-efficiency labels as a segmentation criterion, this study is of the opinion that consumers can be clustered based on their attention to energy-efficient labels because this attention emanates from a various factors inherent to consumers such as values the attitudes towards the environment, the knowledge of environmental issues, the perceived social influences or the intention to purchase eco-friendly products (Issock et al., 2018; Thøgersen, 2000). It is accordingly hypothesised in this study: H₁: There are significant subgroups of users of electronic appliances with an energy-efficiency rating based on their consumption values, attention to energy-efficiency labels and intention to purchase energy-efficient appliances.

RESEARCH OBJECTIVES

The foregoing discussion suggests that there is limited research on energy-efficient segments based on a combination of consumption values, consumer's attention to energy-efficiency labels and intention to purchase eco-friendly products in the South African context. Therefore, the primary objective of this research is to identify the number of potential segments of electronic appliance users based on their consumption value, attention to energy-efficiency labels, and intention to adopt energy-efficient buying. The secondary objectives of this research are:

To examine whether segments of electronic appliance users differ in terms of their consumption values, eco-friendly purchase intention, and attention to energy-efficiency labels

To profile the potential segments in terms of the demographic characteristics of consumers

To provide managerial recommendation befitting each consumer segments.

RESEARCH METHODOLOGY

This study applied a cross-sectional research design, which was quantitative in nature. A survey was conducted among users of electronic home appliances living in the Gauteng province. Given that the South African Bureau of Standards launched a mandatory energy-efficient labelling scheme in the year 2014, all appliances purchased after 2014 display the energy-efficiency rating of the appliance. Thus, only users who purchased at least one

electronic home appliance after the year 2014 were eligible to participate in this survey. Screening questions were used to identify and select respondents that have an experience in purchasing and using electronic appliances with energy-efficiency labels affixed to them. A non-probabilistic quota sampling technique was used to ensure that major demographic groups were represented. Gender, income level and ethnicity were taken into consideration when selecting respondents.

Nine trained field workers were used to collect the data from various places including malls, university campuses and workplaces. A total of 550 were found usable after collecting the data. Using existing scales developed and validated in the extant literature, the measurement instruments were adapted to energy-efficiency products. The five consumption values and the purchase intention constructs were measured by a five-point Likert scale ranging from totally agree (5) to totally disagree (1) and adapted from studies by Khan and Moshin (2017) and Yadav and Pathak's (2017) respectively. The construct paying attention was built from Thøgersen's (2000) work and was measured by a five-point scale ranging from never (1) to always (5). Details of statements used for each scale are provided in Table 1.

The data were analysed in IBM SPSS and AMOS version 25. A confirmatory factor analysis was conducted to assess the validity and reliability of the scales before grouping customers using the cluster analysis technique. A chi-square test of independence was further used to profile the clusters according to the consumers' demographic profile.

RESULTS AND FINDINGS

Reliability and validity of the constructs

Given that scales were used to measure the variables forming the segmentation base, the construct validity and reliability of the scale need to be ascertained in order to confidently report the results of the segmentation. A confirmatory factor analysis was conducted in IBM AMOS version 25 to validate the structure of the scales. The results on convergent validity and the reliability of each scale are summarised in Table 1.

The results show that each construct has a Cronbach's Alpha and composite reliability above the common cut-off of 0.7 suggesting that they are all reliable (Hair et al., 2014). The values of the factor loadings all above 0.7 and the average variance extracted (AVE) all above of 0.5 indicate that there is a convergent validity within each construct (Hair et al., 2014).

TABLE 1:
Validity and reliability tests

Constructs	Items	Factor loadings	Mean (Std. Dev)	CA	CR	AVE
GPI	GPI1: The probability that I will purchase more energy-efficient home appliances is very high	0.85	3.91 (0.86)	0.90	0.90	0.71
	GPI2: I am willing to purchase home appliances that are more energy efficient	0.87				
	GPI3: I will make an effort to purchase home appliances that are more energy efficient	0.82				
	GPI4: I intend to buy home appliances that are more energy-efficient the next time I make a purchase	0.83				
PA	PA1: Pay attention to the energy efficiency label pasted on it before the purchase	0,87	3.02 (1.11)	0.93	0.94	0.79
	PA2: Compare environmental information on the energy efficiency labels between home appliances	0,87				
	PA3: Show interest to the energy-efficiency labels on home appliances	0,93				

	PA4: Take notice of information about the energy efficiency performance of home appliances	0,88				
FV	FV1: My appliance is very reliable	0.83	4.09 (0.75)	0.89	0.89	0.69
	FV2: My appliance is very dependable	0.87				
	FV3: My appliance functions very well	0.81				
	FV4: My appliance has an acceptable standard of performance	0.80				
SV	SV1: Colleagues, friends and family members envy me for my appliance	0.79	3.29 (1.13)	0.94	0.94	0.81
	SV2: My appliance improves the way I am perceived by others	0.90				
	SV3: My appliance helps me to feel accepted in the society	0.96				
	SV4: Buying this appliance gives me social approval	0.93				
EmV	EmV1: My appliance makes me feel good	0.82	3.94 (0.84)	0.87	0.88	0.7
	EmV2: My appliance gives me joy	0.88				
	EmV3: Buying my appliance gives me pleasure	0.82				
EcV	EcV1: My appliance offers value for money	0.83	3.95 (0.75)	0.86	0.86	0.62
	EcV2: My appliance is fairly priced	0.74				
	EcV3: My appliance has a reasonable price	0.76				
	EcV4: My appliance is a good product for the purchase price	0.81				
EV	EV1: My appliance is environmentally friendly	0.84	3.54 (0.96)	0.89	0.88	0.71
	EV2: My appliance pollutes the environment only marginally	0.84				
	EV3: My appliance is more environmentally friendly than other appliances	0.85				
GPI: Green Purchase Intention; PA: Paying attention; FV: Functional Value; SV: Social Value; EmV: Emotional Value; EcV: Economic Value; EV: Environmental Value; AVE: Average Variance Extracted; CA: Cronbach's Alpha; CR: Composite Reliability						

Cluster analysis for segmentation

A two-step clustering approach combining the hierarchical and *k*-means methods was used (Park & Lee, 2014; Hair et al., 2014). Using the centroid clustering method with the squared Euclidean distance measure, the initial hierarchical cluster analysis found a three-cluster solution to be the most theoretically sound and with a rational level of membership stability and equilibrium. This result was confirmed by *k*-means cluster analysis where the convergent was achieved at the eighth iteration. The two-step cluster analysis identified three groups of energy-efficient product buyers as depicted in Figure 1.

According to the ANOVA results provided in Table 2, all the five consumption values, green purchase intention and paying attention to energy-efficiency labels were found to differ across the three clusters ($p < 0.05$). Accordingly, the hypothesis H1 is supported. There are three distinct segments of energy-efficient product users that significantly differ in terms of their consumption values and green purchase intention. The final cluster centres displayed in Table 2 represents the clustering variable means for the cases in the final cluster (Malhotra, Birks & Wills, 2012). Given that all the constructs were measured using a five-point scale, the mid-point has the value 3. Thus, the variable means below 3 indicates that the consumer perception is negative and those above 3 are deemed positive.

To further examine the profile of segments according to the demographic characteristics, a Chi-square test of association was conducted between the respondents' cluster membership and demographic variables. The results of the cross-tabulations between segments and the demographic variables summarised in Table 3 revealed that the three segments significantly vary in their age groups ($\chi^2 = 22.84$; $\varphi = 0.22$; $p < 0.05$), education ($\chi^2 = 21.19$; $\varphi = 0.21$; $p < 0.05$) and ethnicity ($\chi^2 = 19,38$; $\varphi = 0.20$; $p < 0.05$). Surprisingly, the segments do not differ in terms of their gender ($\chi^2 = 0.95$; $\varphi = 0.04$; $p > 0.05$), and income level ($\chi^2 = 17.73$, $p > 0.05$).

FIGURE 1:
Graphic representation of segments

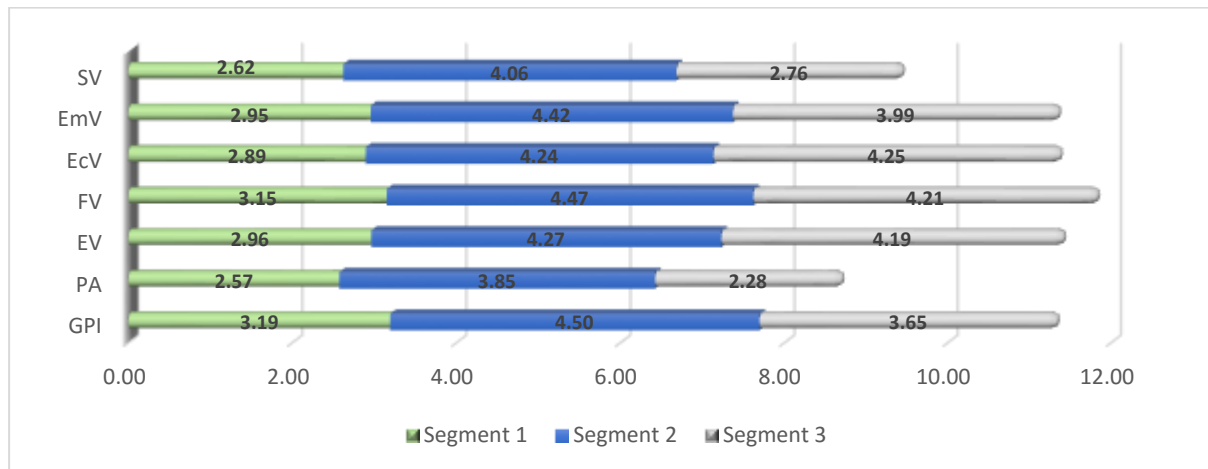


TABLE 2:
Final cluster centres and ANOVA results

	Sample Mean	Final cluster centre			ANOVA	
		Segment 1 (22%)	Segment 2 (43%)	Segment 3 (35%)	F	p-value
GPI	3.91 (0.86)	3.19	4.50	3.65	160.39	0.01
PA	3,02 (1,11)	2.57	3.85	2.28	190.55	0.01
EV	3.54 (0.96)	2.96	4.27	4.19	239.09	0.01
FV	4.09 (0.75)	3.15	4.47	4.21	221.81	0.01
EcV	3.95 (0.75)	2.89	4.24	4.25	253.72	0.01
EmV	3.94 (0.84)	2.95	4.42	3.99	201.36	0.01
SV	3.29 (1.13)	2.62	4.06	2.76	137.17	0.01
Sample Total	550	112	217	176		

TABLE 3:
Demographic profiles of the three segments

		Percentages			
		Segment 1	Segment 2	Segment 3	Sample total
Gender	Male	41.44%	43.52%	38.64%	41.40%
	Female	58.6%	56.5%	61.4%	58.60%
Age	18 – 25	15.74%	10.33%	16.48%	13.70%
	26 – 35	36.11%	23.47%	32.39%	29.40%
	36 – 45	25.00%	29.11%	20.45%	25.20%
	46 – 55	10.19%	22.54%	17.05%	17.90%
	56 – 65	7.41%	13.15%	11.36%	11.30%
	Above 65	5.56%	1.41%	2.27%	2.60%
Education	None	0.00%	0.47%	0.00%	0.20%
	Primary School	0.92%	0.00%	1.74%	0.80%
	High School	26.61%	20.09%	29.07%	24.60%
	Diploma	31.19%	18.69%	17.44%	21.00%
	Degree	22.94%	38.32%	31.40%	32.50%
	Postgraduate	18.35%	22.43%	20.35%	20.80%
Ethnicity	Black	50.00%	37.38%	52.57%	45.50%

	White	17.59%	36.92%	26.29%	29.00%
	Coloured	18.52%	13.08%	10.29%	13.30%
	Indian	13.89%	12.62%	10.86%	12.30%
Income	Less than 5	14.15%	7.48%	8.14%	9.10%
	5001 - 10 000	21.70%	12.62%	15.70%	15.70%
	10 001 - 20 000	20.75%	20.56%	20.93%	20.70%
	20 001 - 30 000	17.92%	15.42%	20.93%	17.90%
	30 001 - 50 000	11.32%	21.96%	19.77%	18.90%
	Above 50 000	14.15%	21.96%	14.53%	17.70%

Description of segments and discussion

Segment 1 has 112 members representing 22% of the population studied and is distinguished by a relatively low mean for the variables environmental values, economic value, emotional value and social value, and paying attention, which is all below the mid-point 3 of the five-point scale. Although this segment has a mean above 3 for the variables functional value and purchase intention, they are the lowest among the three segments. This cluster represents a market segment characterised by a low interest in the economic, emotional and social values when purchasing green products. Moreover, consumers in this segment pay no attention to energy-efficiency labels and do not integrate the environmental values of the product in their purchase decision. Compared to other segments, this segment has a lower mean in terms of purchase intention and functional value, suggesting that consumers in this segment are the least likely to adopt energy-efficient buying and have somehow a lower interest in the functional value attached to green products. The demographic profile of this segment summarised in Table 3, shows that this segment consists of female in majority (58.6%), the highest proportion is within the age group of between 26 – 35 (36.1%), holding a diploma (31.2%), mostly black (50%) and earning between R 5001 and R 10 000 (21.7%).

Segment 2 shows higher means for all the clustering variables compared to the other segments. This segment represents customers who take into consideration the emotional, environmental, economic and social values. They perceive the functional value of a product as of higher importance and are willing to purchase green products. Customers in this segment tend to pay attention to environmental labels compared to other segments. With 217 members, this segment is the largest and represent 43% of the total sample. Amongst the three consumer segments found in this study, consumers in segment 2 seem to be the most prone to adopt energy-efficient products. This is explained by their consideration for the environmental value, their high intention to purchase green products and their higher level of attention to energy-efficiency labels affixed to electronic products compared to the other segments. Compared to other segments, segment 2 has the highest number of consumers earning above R30000 a month. The segment consists of female consumers in the majority (56.5%), with most of them having a degree (31.4%), with an almost equal proportion of blacks (37,4%) and whites (36.9%). The highest age group is between 36 – 45 years old (29.11%).

Segment 3 represents consumers that are committed to eco-friendly purchase but to a lesser extent than Segment 2. Consumers in this segment to some degree intend to purchase energy-efficiency labels but pay no attention to energy-efficiency labels. They place great importance on the environmental, economic and emotional values of the product. They consider economic value as the priority and have no regards for social value conveyed by the product. This segment represents 35% (n=176) of the selected sample and consists of women in the majority (61.4%). Consumers in this segment are typically between 26 and 35 years old (32.4%), black (52.6%) and hold a degree (31.4%). All the income groups are somehow well represented but the largest is those earning between R10 001 and R20 000 as well as those earning between R20 001 and R30 000 which represents 20.9% of the sample studied respectively.

PRACTICAL MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

This study raises important managerial implications that manufacturers, product designers, marketers and policymakers need to integrate when devising strategies to improve the adoption of energy-efficient products. Among the three segments, consumers in segment 2 are the most likely to purchase appliances with high energy-efficiency ratings. However, given the significant importance of consumption values in the consumer's purchase decision of this segment, appliances should be performant, affordable and convey to consumers an emotional fulfilment and a social recognition among the peers. For this segment, manufacturers ought to ensure that appliances with high energy-efficiency rating remain of high standards and reasonably priced.

Segment 3 is an important segment given the consumers' high interest in environmental value, their willingness to purchase energy-efficient products, and the size of the segment. The focus, however, needs to be on drawing consumers' attention to energy-efficiency labels affixed to electronic products. This lack of attention to energy-efficiency rating might be caused by their high focus on the economic (or price) value when purchasing an electronic appliance. Intense marketing communication on the long-term economic benefits of energy-efficiency products (Gordon et al, 2018; Issock et al., 2017) might help this segment to shift their focus on the energy-efficiency attributes of appliances. Interestingly, consumers in this segment are not influenced by the social value of energy-efficient products. Thus, interventions that involve the social norms as a lever for the adoption of energy-efficient products might not work for this segment.

Segment 1 is the smallest segment but the most problematic. Although consumers in this segment seem to be to some extent willing to purchase energy-efficient products, they have no interest in the environmental value conveyed by energy-efficient products, and they pay no attention to energy-efficiency labels. Their low score on consumption values suggests that the decision to purchase energy-efficient appliances is not value-driven but might be motivated by other factors such as the availability of the product at the point of purchase, the brand of the appliance, or the advertisement around the product not included in this study. Moreover, their behavioural patterns might suggest that they are impulsive buyers. Marketers and retailers should organise promotional activities for all appliances highly rated in energy-efficiency and then communicate on these sales promotions within the store.

As a key antecedent of the consumer decision to purchase energy-efficient products, the extent to which consumers pay attention to energy-efficiency labels appears to be low in segments 1 and 3 and medium in segment 2. Improving consumers' attention to the energy-efficiency rating of an electronic product might be achieved through making the energy-efficiency labels more visible and encouraging retailers and particularly sales representatives in stores to communicate on the benefits of environmental credentials of the product (Klockner, 2012). Sales staff therefore need to be properly trained to understand and explain all the benefits of high energy-efficient appliances.

CONCLUSIONS

The purpose of this study was to classify users of electronic appliances with energy-efficiency rating according to their consumption values, intention to purchase energy-efficient products and their attention to the energy-efficiency rating of products in a purchase situation. Using a quantitative approach, a cluster analysis revealed that there are three heterogeneous segments that significantly differ across their purchase intention, attention to energy-efficiency labels and five consumption values namely functional, economic, emotional, social and environmental values. This research addresses the dearth of market segmentation research based on a combination of consumption values, consumer's attention to energy-efficiency labels and purchase intention for eco-friendly products in the South African context.

Just like any study, this study has some limitations. These include the fact that the sample studied was restricted to the Gauteng province. Another limitation can be the absence of other demographic characteristics such as marital status or household size, and other information specific to the appliances such as the type of appliances or usage frequency that could provide more insights into the profile of each segment. Future studies must investigate consumers across South Africa and capture more information relating to the products usage and the socio-demographic background of the respondents.

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Initial validation of the Materialism Values Scale (MVS) among South African emerging adults

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ABSTRACT

The study investigated the psychometric properties of the Materialism Values Scale (MVS) among South African emerging adults as a first step toward the establishment of the MVS as a valid and reliable measure of materialism in a South African context. Data were collected among university students and analysed using a five stage procedure consisting of (1) initial reliability analysis, (2) CFA, (3) EFA, (4) CFA, and (5) final reliability analysis. Linear regression analyses were conducted in a preliminary attempt to establish the criterion validity of the MVS. Results indicate that an 11-item two factor structure best explains materialism. The first factor combines the Success and Centrality dimensions of the original MVS while the second factor concerns the Happiness dimension. Materialism was also found to be related to both status and conspicuous consumption, preliminarily establishing the MVS as a valid and reliable measure of materialism in a South African context.

INTRODUCTION AND BACKGROUND

The Oxford English Dictionary (2001) defines materialism as, “an emphasis on or preference for that which is material, at the expense of spiritual or other values or the tendency to treat material possessions and physical comfort as more important or desirable than spiritual values; a way of life based on material interests”. Shrum et al. (2013: 1180), goes on to say that Materialism is “the extent to which individuals attempt to engage in the construction and maintenance of the self through the acquisition and use of products, services and experiences”. In essence, materialism refers to how important material goods are to a person’s life with the implication that materialistic people have an excessive concern for material objects (Goldsmith & Clark, 2012).

In consumer research, materialism is a prominent individual difference variable regarded by authors such as Richins and Dawson (1992) and Kasser and Ahuvia (2002) as a unique set of interpersonal values while the likes of Belk (1984) and colleagues consider materialism as a personality trait, leading to two dominant schools of thought on materialism emerging in the literature. Authors subscribing to each school of thought have conceptualised and operationalised materialism in a different manner leading to differential definitions and measurement instruments emerging in the literature.

Belk (1984: 291) conceptualises materialism as a personality trait and defined materialism as “the importance a consumer attaches to worldly possessions. At the highest levels of materialism, such possessions assume a central place in a person's life and are believed to provide the greatest sources of satisfaction and dissatisfaction in life either directly (as ends) or indirectly (as means to ends)”. According to Belk (1984) materialism is assumed to consist of three dimensions namely Possessiveness, Envy and Non-generosity. Possessiveness refers to the inclination and tendency to retain control or ownership of one's possessions (Belk, 1984). Envy is the displeasure and ill will at the superiority of another person in happiness, success, reputation or the possession of anything desirable (Schoeck 1966, in Belk 1985). Non-generosity is an unwillingness to give possessions to or share possessions with others (Belk 1985). Based on these theoretical underpinnings Belk (1984) developed a 24-item measure assessing each of the three dimensions of Possessiveness (9 items), Non-generosity (7 items) and Envy (8 items). Ger and Belk (1990, 1996) on two occasions revised the original Belk (1984) scale in an attempt to develop cross-cultural measures of materialism. The original and revised measures exhibited questionable to adequate levels of reliability and validity but cannot be considered measures of materialism applicable across diverse cultures and demographic populations.

Richins and Dawson (1992: 308) on the other hand regard materialism as a unique set of interpersonal values and defined materialism as a “set of centrally held beliefs about the importance of possessions in one's life”. Richins (2004: 210) goes on to say that materialism is “the importance ascribed to the ownership and acquisition of material goods in achieving major life goals or desired states”. According to Richins and Dawson (1992), materialism is assumed to have three dimensions namely Success, Centrality and Happiness. Success is the extent to which an individual judges their own and other's success and achievement in life based on the number and quality of possessions accumulated, Centrality can be thought of as the extent to which one places possession acquisition at the centre of one's life while Happiness can be regarded as the belief that possessions are essential to satisfaction and well-being in life (Richins & Dawson, 1992).

Noting the reliability and validity issues of the Belk materialism scales, and based on the above mentioned theoretical underpinnings, Richins and Dawson (1992) developed the Materialism Values Scale (MVS), an 18-item measure assessing the Success (6 items), Happiness (5 items), and Centrality (7 items) dimensions. The MVS has become one of the most widely used measures of materialism (Richins, 2004). The MVS exhibits excellent psychometric properties across student and adult populations and is regarded as an excellent measure of materialism (Richins & Dawson, 1992). Richins (2004) later revised the MVS to develop a 15-item measure assessing the Success (5 items), Happiness (5 items), and Centrality (5 items) dimensions to showcase the generalisability of the MVS scale across samples and to further improve its psychometric properties.

The most recent and novel approach of measuring materialism is the use of the Aspiration Index (AI) developed by Kasser and Ryan (1993, 1996). The AI was designed to measure

intrinsic and extrinsic life goals. According to Kasser and Ryan (2001) extrinsic goals focus on outcomes that are not primarily inherently satisfying but are rather engaged in for the reflective or public admiration they typically embody. For example, wealth, appearance, and fame goals all concern outcomes that likely heighten a person's status in the eyes of others within a consumption context. In contrast, intrinsic goals are more directly satisfying of inherent psychological needs such as relatedness, autonomy, or personal growth. The AI has been improved and expanded from a 21-item measure assessing 4 aspiration dimensions (Self-acceptance, Affiliation, Community feeling, and Financial success) developed by Kasser and Ryan (1993) to a 57-item measure assessing 11 dimensions (Financial success, Image, Popularity, Conformity, Self-acceptance, Affiliation, Community feeling, Physical fitness, Spirituality, Hedonism, and Security/safety) of intrinsic and extrinsic life goals (e.g. Kasser & Ahuvia, 2002).

Although the scale was not initially designed to measure the level of materialism among consumers, it has proven to be a useful tool in this regard nonetheless. The idea behind the use of the AI as a measure of materialism is that respondents who score higher on the three extrinsic aspiration dimensions of Financial success, Image, and Popularity relative to the intrinsic dimensions are more materialistic. The authors argue that this provides a measure of the relative centrality of extrinsic values to each person's value system, with higher scores reflecting higher levels of materialism. The AI appear to exhibit high levels of internal consistency and demonstrates convergent and discriminant validity (Goldsmith & Clark, 2012; Goldsmith, Flynn & Clark, 2012; Kasser & Ahuvia, 2002; Kasser & Ryan, 2001). In conclusion, the AI appears to be a valid and reliable measure of materialism with authors increasingly becoming aware of its application and showing increased interest in its use in consumer behaviour research.

Considering all three measurement instruments equally for the measurement of materialism it was the decision of the researcher to opt for the 15 item MVS scale advocated by Richins (2004). The Belk and colleagues scales were eliminated first due to their questionable reliability and inconsistent factor structure across multiple studies with diverse sample populations. The AI was strongly considered for use however, the methodology advocated by Kasser and Ahuvia (2002) using 57 items is simply too long and it has not been proven valid and reliable across multiple studies. The Richins (2004) version of the MVS was ultimately selected over the Richins and Dawson (1992) version due to its superior psychometric properties. The MVS has shown to be valid and reliable across both time and diverse population groups and the researcher was confident in its choice as a measure of materialism in the current study.

The MVS was developed in the United States which is regarded as a western developed country with an individualistic and highly materialistic and consumption oriented culture. Although Richins (2004) explored the generalisability of the MVS across different samples, the data sets utilised were still of North American origin (i.e. United States and Canada). The MVS has been applied in a South African context as a measure of materialism in previous research (e.g. Bevan-Dye, Garnett and De Klerk, 2012; Duh, 2015, 2016; Duh et al., 2015). None of these authors have however examined the psychometric properties of the MVS in a South African context which has traditionally been regarded as a developing African country with a collectivist society. This cultural context is vastly different from that in which the MVS was originally developed.

Thus, it was the purpose of this study to assess the psychometric properties of the MVS among a sample of South African emerging adults as a first step toward the establishment of the MVS as a valid and reliable measure of materialism in a South African context. The objective was

to determine whether the theoretical three factor structure specified by Richins and Dawson (1992) holds and whether the items used to measure each construct retain their meaning (i.e. load on their envisioned factor) in a South African context. The objective was furthermore to commence the process of establishing the criterion validity of the MVS in South Africa by assessing whether materialism is positively related to status consumption (SC) and conspicuous consumption (CC) as suggested by extant literature of an international (Eastman, Goldsmith & Flynn, 1999; Goldsmith & Clark, 2012; Kim & Jang, 2014; Podoshen, Li and Zhang, 2011) and South African origin (Bevan-Dye et al., 2012).

Numerous findings imply a strong positive relationship between materialism and SC (Eastman, et al., 1999; Goldsmith & Clark, 2012; Grotts & Johnson, 2013; Kim & Jang, 2014. Bevan-Dye et al. (2012) report a positive relationship between materialism SC in a South African context. Among the three dimensions of materialism, Success seems to show the strongest link to SC (Mai & Tambyah, 2011; Wong, 1997; Wong & Ahuvia, 1998) with Centrality and Happiness either exhibiting weak or non-significant relationships with SC. For the purpose of this study the authors regards SC and CC as two highly related but conceptually distinct constructs and are interested in the relationship between materialism and both SC and CC. Based on literature the authors expect all three dimensions of materialism to be positively associated with both SC and CC. It is further expected that the relationship between materialism and CC will be stronger than the relationship between materialism and SC. Therefore, the following hypotheses were considered:

H_{1a}: Success is positively related to Status Consumption

H_{1b}: Centrality is positively related to Status Consumption

H_{1c}: Happiness is positively related to Status Consumption

H_{2a}: Success is positively related to Conspicuous Consumption

H_{2b}: Centrality is positively related to Conspicuous Consumption

H_{2c}: Happiness is positively related to Conspicuous Consumption

H₃: the influence of materialism on Conspicuous Consumption is stronger than the influence of materialism on Status Consumption

METHODOLOGY

The population of the study consisted of South African emerging adults which can be defined as South African citizens between the ages of 18 and 25 at the time of the study. A convenience sample of 2 339 South African university students, from three well established universities, between the ages of 18 and 25 provided complete responses with no missing values for use in this study. Data were collected by means of an online self-administered questionnaire distributed through each of the participating university's email systems. Kubickova and Ro (2011) posits that results may be generalised from student samples to consumers for theory based research hypotheses. As the current study focuses on whether the Richins and Dawson (1992) theory of materialism holds among South African emerging adults – a population among which materialism theory testing has not been conducted previously – it can be regarded as developmental and experimental in nature. Thus, it is argued that using university students as a proxy for emerging adults in the testing and establishment of the MVS is appropriate,

especially since the focus of the study is on emerging adults of which university students make up a sub-population.

The process used to evaluate the psychometric properties of the MVS consisted of five distinct stages comprised of methodology generally accepted for validation type studies (Churchill, 1979). Stage 1 consists of establishing the initial reliability of the MVS. Stage 2 entails a Confirmatory Factor Analysis (CFA) to determine if the theoretical three factor structure of the MVS holds among the sample population. Stage 3 concerns an Exploratory Factor Analysis (EFA) to explore if a differential factor structure might better explain the data among the sample population. Stage 4 consists of another CFA to determine if the factor structure produced by the EFA in Stage 3 fits the data better than the original theoretical structure evaluated in Stage 2. Finally, Stage 5 consists of re-evaluating the reliability of the MVS to determine if the measure is still reliable following possible changes brought about by Stages 2 to 4. The authors regard these five stages as a robust assessment of the psychometric properties of the MVS based on cross-sectional data. Once the measurement models were validated, simple linear regression analyses were conducted to investigate the relationship between materialism and SC and CC in a preliminary attempt to establish the criterion validity of the MVS in a South African context.

EFA generates several parameter estimates that are used to evaluate the measurement model that should be considered. Communalities should be above 0.3 and ideally above 0.5 (Hadi, Abdullah. & Sentosa, 2016). Factor loadings, which are the correlations between an indicator variable and each factor should load strongly on one particular factor and a low on all other factors. Factor loadings of 0.4 and higher were considered significant and any cross loadings within 0.2 of the primary factor were considered a violation of discriminant validity. Items with communalities below 0.3 and which loaded poorly (below 0.4) or cross-loaded onto more than one factor were discarded because this is an indication of poor discriminant validity. Lastly, factor correlations above 0.7 were considered worrisome and a possible violation of discriminant validity that should be further investigated using a CFA (Hair, Black, Babin and Anderson, 2010).

In CFA model fit is assessed through a combination of goodness-of-fit (GOF) measures. To evaluate model fit in this study, the SRMR and RMSEA were used as absolute measures of fit together with the TLI and CFI as measures of incremental fit. Also, the AIC and BIC were used to compare the model fit of the stage 2 CFA model to the stage 4 CFA results. RMSEA values below 0.05 are indicative of good fit while values of between 0.05 and 0.08 indicate reasonable fit (Browne & Cudeck, 1992; Diamantopoulos & Siguaw, 2000; MacCallum, Browne & Sugawara, 1996; Schumacker & Lomax, 2010). Hair et al. (2010) suggests that a RMSEA above 0.08 is indicative of poor fit. Hu and Bentler (1999) reiterated the RMSEA parameters and recommended a SRMR value below 0.08 as indicative of good fit. Hu and Bentler (1999) further stated that TLI and CFI values above 0.95 are indicative of good fit. AIC and BIC have little meaning on their own and are used to compare CFA models to each other. Smaller values indicate a better fitting model and this was used as a guide for model comparison (Schreiber, Nora, Stage, Barlow & King, 2006).

It is critically important to investigate parameter estimates in conjunction with model fit (MacCallum & Austin, 2000). Path estimates are indicated by factor loadings which should adhere to the minimum criteria of 0.5 and ideally be above 0.7. Standardised residuals point out discrepancies between the proposed and estimated model and whether these discrepancies are significant. Items with standardised residuals of less than 2.5 typically do not suggest a problem. Conversely, residuals greater than 4.0 suggest a potentially

unacceptable degree of error. Standardised residuals between 2.5 and 4.0 should be investigated, but can be retained if no other problems are associated with these items (Hair et al., 2010). Error variance is the proportion of variance in each measurement that do not covary with the latent factor. Error variance can range from zero to one with higher values representing larger error in the measurement of a factor. Error variance above 0.8 will be investigated in conjunction with factor loadings and standardised residuals. Covariance between factors is used as a measure of discriminant validity and should be below 0.7. These guidelines were used to assess the fit of the MVS in Stage 2 and 4.

The CFAs were conducted using the Lavaan package (version 0.6-1) in R while the CA, EFA and regression analyses were conducted using SPSS version 25. For the purpose of the EFA, Principal Axis Factoring (PAF) was selected as the extraction method as is common practice in behavioural sciences coupled with Promax rotation to allow factors to correlate with each other, as human behaviour rarely occurs in isolation (Fabrigar, Wegener, MacCallum and Strahan, 1999). For the CFA, Robust Maximum Likelihood (RML) was selected as the most appropriate estimation method since the data was non-normally distributed and the data range includes 7 possible data points, effectively allowing the data to be regarded as continuous for the purpose of a CFA (Li, 2016).

A questionnaire was compiled based on a thorough review of existing measures used to assess each construct. All items were measured using a 7-point Likert scale ranging from *strongly disagree* (1) to *strongly agree* (7). The 15-item MVS proposed by Richins (2004) consisting of three factors namely: Success (5 items), Centrality (5 items), and Happiness (5 items) was used to measure materialism. An example being: *My life would be better if I owned certain things I don't have*. The scale developed by O'Cass and McEwan (2004) was used to measure SC (4 items) and CC (9 items). An example being: *To me status products and brands indicate wealth*.

RESULTS AND DISCUSSION

Stage 1 consisted of assessing the initial reliability of the MVS using Cronbach's alpha (CA) and Composite reliability (CR) along with item-total correlations and inter-item correlations. The 15-item MVS exhibits good overall internal consistency for the entire scale and good internal consistency for both the Happiness and Success subscales with CA and CR scores comfortably above 0.7 as illustrated in Table 1. The Centrality subscale achieved a CA score of 0.682 which is marginally below the 0.7 cut-off for desirable reliability (Nunnally & Bernstein, 1994) but achieved a CR score of 0.703 suggesting borderline good reliability. The deletion of no particular item significantly improved the internal consistency of the Centrality subscale or the overall MVS. This finding is in line with Richins (2004) who also reported alpha scores below 0.7 for the Centrality dimension across multiple samples.

TABLE 1:

Initial reliability scores of the materialism values scale

Scale	CA	CR
Overall	0.888	0.906
Centrality	0.682	0.703
Happiness	0.820	0.828
Success	0.807	0.808

An examination of the inter-item and item-total correlations further suggest that Centrality_1 and Centrality_4 correlate poorly with the overall scale with item-total statistics of 0.313 and 0.340 respectively which is well below the 0.5 benchmark for this study. The item-total correlation of Happiness_1 was also below the 0.5 benchmark at 0.388. These poor correlations could contribute to the relatively low reliability score achieved by the Centrality dimension and could indicate poor performing items in the forthcoming EFA and CFA analyses. Overall, the MVS exhibited sufficient levels of reliability and was deemed an internally consistent measure of materialism among the sample population. The item-total correlations did however highlight items that could prove problematic in subsequent measurement instrument evaluations and should be monitored.

Stage 2 consisted of conducting a CFA to evaluate the psychometric properties of the original theoretical factor and item structure of the 15 item MVS. Before proceeding with CFA, a multivariate normality assessment was conducted to determine which estimation procedure would be most appropriate for the CFA. To evaluate multivariate normality the Mardia, Henze-Zirkler, and Doornik-Hansen tests were conducted for the items used to represent the original MVS as illustrated in Table 2.

TABLE 2:
Multivariate assessment of materialism values scale

Test	Statistic	P value	Result
Mardia Skewness	3401.483	0.000	No
Mardia Kurtosis	43.793	0.000	No
Henze-Zirkler	1.188	0.000	No
Doornik-Hansen	373.856	0.000	No

All tests indicated that the data violated multivariate normality. Therefore, it was not appropriate to use Maximum Likelihood (ML) estimation, which is the default estimation procedure in most statistical packages, in CFA as this estimation procedure assumes multivariate normality. In this situation the most appropriate estimation was rather Robust Maximum Likelihood (RML) which calculates robust standard errors and a Satorra-Bentler scaled test statistic and is suggested for continuous data when multivariate normality is slightly or moderately violated as is the case in this study (Li, 2016). CFA was conducted using RML estimation for the original MVS and the revised MVS in Stage 4.

The CFA conducted on the original three factor measurement model (Model 1) specified by Richins (2004) exhibited close fit to the data as indicated by the GOF statistics presented in Table 3. RMSEA and SRMR values are below 0.08 and the CFI and TLI are above 0.9 which is indicative of acceptable model fit (Schreiber et al., 2006). The measurement model did however indicate parameter estimate issues with Centrality_1, Centrality_4, and Happiness_1 with regard to error variance, standardised residuals, and factor loadings as illustrated in Table 4. All three items exhibited factor loadings below 0.5 and error variance above 0.8 while Centrality_1 also presented a standardised residual exceeding 4. Happiness_1 and Centrality_4 were reverse scored items which could have been misinterpreted by or confused respondents and contribute to the low factor loadings.

TABLE 3:**Gof of materialism values scale measurement models**

GOF	Original model (model 1)	Improved original model (model 2)	EFA model (model 3)	Improved EFA model (model 4)
RMSEA	0.066	0.064	0.069	0.064
SRMR	0.047	0.036	0.042	0.037
CFI	0.920	0.952	0.940	0.950
TLI	0.904	0.936	0.925	0.936
AIC	118747.258	88243.906	95395.187	88271.118
BIC	119023.617	88451.175	95608.214	88466.872

The model also revealed severe discriminant validity issues between the Centrality and Success dimensions with a correlation of 0.926 and between Happiness and Success with a correlation of 0.774 which are above the 0.7 cut-off selected for this study. It is to be expected that the dimensions of materialism will correlate with one another as it measures the same underlying construct. However, a correlation of 0.926 suggests that respondents in the current sample struggle to distinguish between the Centrality and Success dimensions and that these dimensions might occupy the same space in the minds of South African emerging adults. An examination of the modification indices further revealed that Happiness_2 loaded heavily on all three dimensions contributing to the discriminant validity issue. The four problematic items were deleted following careful consideration of the theoretical and empirical merits of this action, in an effort to improve model fit and present an improved original model (model 2) as the best fitting three factor MVS.

TABLE 4:**Materialism values scale measurement model factor loadings**

Code	Item	Original model	Improved original model	EFA model	Improved EFA model
Success 1	I place considerable emphasis on the amount of material objects people own as	0.686	0.683	0.681	0.682
Success 2	I like to own things that impress people	0.653	0.658	0.656	0.662
Success 3	Some of the most important achievements in life include acquiring material	0.681	0.672	0.681	0.673
Success 4	I admire people who own expensive homes, cars, and clothes	0.699	0.703	0.697	0.697
Success 5	The things I own say a lot about how well I am doing in life	0.660	0.662	0.662	0.658
Centrality 1	The things I own are important to me	0.418			
Centrality 2	I like a lot of luxury in my life	0.719	0.706	0.660	0.665
Centrality 3	Buying things gives me a lot of pleasure	0.627	0.617	0.576	0.579
Centrality 4	I try to keep my life simple, as far as possessions are concerned (R)	0.404			
Centrality 5	I put more emphasis on material things than most people I know	0.591	0.601	0.598	0.597
Happiness 1	I have all the things I really need to enjoy life (R)	0.398			

Happiness 2	I would be happier if I owned nicer things	0.812		0.812	
Happiness 3	My life would be better if I owned certain things I don't have	0.762	0.757	0.758	0.757
Happiness 4	I would be happier if I could afford to buy more things	0.828	0.862	0.827	0.862
Happiness 5	It sometimes bothers me quite a bit that I can't afford to buy all the things I would like	0.639	0.657	0.638	0.657

The improved original model fit the data slightly better than the original MVS as indicated by lower scores achieved across all GOF statistics paying special attention to AIC and BIC which is used for model comparison purposes. The parameter estimates were all within tolerable limits regarding factor loading, error variance, and standardised residuals and no other items were considered for deletion. The deletion of the problematic items did not however solve the discriminant validity issues plaguing the three factor model with the correlation between the Success and Centrality dimensions remaining above 0.9 with the correlation between Happiness and Success also still above the 0.7 tolerable limit. Thus, it appears that the three factor model does not hold among the sample population and that an alternative factor structure might better fit the data.

In an effort to solve the discriminant validity issue between Centrality and Success, the original 15-item MVS was subjected to an EFA during Stage 3 using Principal Axis Factoring (PAF) as the selected extraction method together with Promax rotation. Before commencing the EFA analysis, the KMO Measure of Sampling Adequacy and Bartlett's Test of Sphericity were conducted to determine the appropriateness of an EFA given the current data. The result of the tests confirmed that factor analysis would indeed be appropriate given that KMO was above 0.8 and Bartlett's Test of Sphericity was significant. The results of both Bartlett's Test and the KMO confirmed that there was sufficient correlation in the data to proceed with an EFA. The results are shown in Table 5 below.

TABLE 5:

KMO and Bartlett's test of sphericity

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.926
Bartlett's Test of Sphericity	Approximate Chi-Square	13308.974
	df	105
	Sig.	0.000

The number of factors and the items loading onto each factor must be known before CFA analysis can be conducted (Hair et al., 2010). To determine the optimal number of factors to extract in the EFA a combination of existing theory, OC, PA, VSS, RMSEA and MAP were used as recommended by Courtney (2013). Contrary to existing theory which suggests that the MVS consists of three dimensions, the OC, PA, VSS, and MAP suggest a two factor structure with an RMSEA of 0.065 further indicating that a two factor solution best fits the data. The EFA was consequently conducted by a priori specifying the extraction of a two factor solution.

The initial two factor solution explained 42.8% of variance with the first factor accounting for 24.4% of variance while the second factor accounted for an additional 18.5%. The correlation among the two factors was 0.636 suggesting sufficient levels of discriminant validity among the two factors. It appears that the Success and Centrality items load significantly on the first

factor while the Happiness items load on the second factor as illustrated in Table 6. All items significantly loaded on a single factor (factor loading above 0.4) and did not significantly cross load by exhibiting a secondary factor loading within 0.2 of the primary factor loading with the exception of Success_4 and Success_5. Centrality_1, Centrality_4, and Happiness_1 furthermore exhibited communalities below 0.3 indicative of poor performing items.

Item deletion in an EFA is an iterative process consisting of removing the worst performing item in the pattern matrix and rerunning the EFA analysis. It was decided to retain Success_4 and Success_5 momentarily since factor loadings could change with deletion of the more problematic items with low factor loadings. The item deletion process commenced with the removal of Centrality_4 because it exhibited the lowest communality and it was reverse coded and could have potentially been misinterpreted by respondents. Centrality_1 was removed next due to its consistently poor communality score. Happiness_1 exhibited a sufficient factor loading but an insufficient communality score suggesting possible model fit issues in subsequent CFA analyses and was the final item deleted.

TABLE 6:
Pattern matrix of original materialism values scale

Item	Factor 1	Factor 2	Communalities
Success_1	0.699	-0.004	0.485
Success_2	0.795	-0.141	0.510
Success_3	0.519	0.211	0.454
Success_4	0.469	0.284	0.469
Success_5	0.443	0.266	0.417
Centrality_1	0.433	-0.022	0.176
Centrality_2	0.741	-0.056	0.500
Centrality_3	0.591	0.013	0.359
Centrality_4	0.422	-0.054	0.152
Centrality_5	0.530	0.079	0.340
Happiness_1	-0.192	0.564	0.217
Happiness_2	0.258	0.619	0.652
Happiness_3	-0.045	0.809	0.610
Happiness_4	0.042	0.795	0.676
Happiness_5	0.058	0.601	0.408

Following the deletion of Centrality_1, Centrality_4, and Happiness_1, the discriminant validity issues plaguing Success_4 and Success_5 due to cross loading was resolved negating the necessity for deletion. The revised pattern matrix is illustrated in Table 7 indicating all remaining items significantly load above 0.4 on a single factor with no significant cross loadings and communalities above 0.3. The final solution explained 48.9% of variance with the first factor accounting for 28.4% of variance while the second factor accounted for an additional 20.5%. The correlation among the two factors was 0.701 suggesting borderline discriminant validity issues among the two factors as a result of a correlation above 0.7. This correlation was however not considered high enough to warrant further action and will be monitored in subsequent CFA analyses.

TABLE 7:**Pattern matrix of revised materialism values scale**

Item	Factor 1	Factor 2	Communalities
Success_1	0.744	-0.071	0.485
Success_2	0.792	-0.149	0.484
Success_3	0.589	0.120	0.460
Success_4	0.498	0.240	0.474
Success_5	0.486	0.214	0.427
Centrality_2	0.723	-0.059	0.466
Centrality_3	0.567	0.018	0.337
Centrality_5	0.601	-0.003	0.358
Happiness_2	0.263	0.594	0.641
Happiness_3	-0.078	0.830	0.604
Happiness_4	-0.047	0.882	0.722
Happiness_5	0.027	0.621	0.410

The two factor structure produced by the EFA was subjected to CFA in Stage 4 to determine if the two factor model fits the South African data better than the three factor model. The two factor MVS exhibited similar model fit to the revised original MVS. Parameter estimates represented by factor loadings, error variance, and standardised residuals were all within tolerable limits due to the exclusion of Centrality_1, Centrality_4, and Happiness_1. The combination of the Success and Centrality dimensions as suggested by the EFA did not entirely solve the discriminant validity issues plaguing the three factor model as the correlation between the Happiness and the SucCen dimension remains above 0.7 at 0.768. Similar to model 1, an examination of the modification indices suggest that Happiness_2 strongly load on the both the Happiness dimension and the combined Success and Centrality dimension contributing to the discriminant validity issue. Happiness_2 was deleted in an effort to improve the discriminant validity issues still plaguing the measurement model. The deletion of Happiness_2 reduced the inter factor correlation between the SucCen and Happiness dimensions to 0.703 which is barely above the 0.7 cut-off for tolerable discriminant validity. Stage 4 produced an 11 item two factor measurement model exhibiting fit on par with model 2 to arrive at the improved EFA model (model 4) which significantly improves the discriminant validity issues plaguing Model 1 and 2. Thus, it appears that a two factor MVS fit the data better than the three factor model by drastically reducing the discriminant validity issues between factors.

TABLE 8:**Final reliability scores of the materialism values scale**

Scale	CA	CR
Overall	0.879	0.897
Centrality	0.672	0.680
Happiness	0.799	0.805
Success	0.807	0.808
SucCen	0.855	0.856

Stage 5 consisted of assessing the final reliability of the MVS measurement models produced in Stage 2 and Stage 4 (i.e. model 2 and model 4). The 11-item MVS exhibits good overall

internal consistency for the entire scale and good internal consistency for both the Happiness and Success subscales as well as the combined SucCen dimension with CA and CR scores comfortably above 0.7 as illustrated in Table 8. Similar to the initial reliability, The Centrality subscale achieved a Cronbach alpha score of 0.672 which is just below the 0.7 cut-off for desirable reliability (Nunnally & Bernstein, 1994) The Centrality dimension also achieved a CR score below 0.7 of 0.680 indicating below desirable levels of reliability. An examination of the inter-item and item-total correlations further suggest that Centrality_5 has an item-total statistics of 0.390 which is well below the 0.5 benchmark for this study. This poor correlation could contribute to the relatively low reliability score achieved by the Centrality dimension. Overall, the MVS exhibited sufficient levels of reliability and was deemed adequate to assess the level of materialism of the sample population.

TABLE 9:

Regression results of MVS and status and conspicuous consumption

	R ²	F	Df	Sig	Scale	β	t	Sig
Regression results of refined original model								
SC	0.364	446.401	3, 2335	0.000	Suc	0.568	22.888	0.000
					Cen	-0.013	-0.550	0.582
					Hap	0.072	3.501	0.000
CC	0.450	639.368	3, 2335	0.000	Suc	0.558	24.202	0.000
					Cen	0.131	6.114	0.000
					Hap	0.025	1.326	0.185
Regression results of refined EFA model								
SC	0.336	592.432	2, 2336	0.000	SucCen	0.526	25.189	0.000
					Hap	0.086	4.103	0.000
CC	0.442	926.216	2, 2336	0.000	SucCen	0.645	33.722	0.000
					Hap	0.033	1.726	0.085

In an effort to establish the criterion validity of the MVS scale in a South African context simple linear regression analyses were conducted to determine if materialism is positively related to SC and CC using Model 2 and 4. As expected, using the improved original model (Model 2), suggest that both Success and Happiness are positive predictors of SC providing evidence in support of H_{1A} and H_{1C} (refer o Table 9). H_{1B} was not supported due to an insignificant relationship between Centrality and SC. Success and Centrality were significant predictors of CC while Happiness failed to produce a significant relationship with CC lending support to H_{2A} and H_{2B} while leading to the rejection of H_{2C}. It also appears that materialism is a stronger predictor of CC as indicated by an F statistic of 639.368 coupled with explaining 45% of the variance in CC while materialism only explains 36.4% variance in SC with an F statistic of 446.401 lending support to H₃. Using the improved EFA model (Model 4) suggest that both the SucCen and Happiness dimensions are significant positive predictors of SC while only the SucCen dimension is a positive predictor of CC with Happiness failing to reach significance. These findings are in line with extant literature of an international (Eastman et al., 1999; Goldsmith & Clark, 2012; Kim & Jang, 2014; Podoshen et al., 2011) and South African origin (Bevan-Dye et al., 2012) marking the first step toward the establishment of the criterion validity of the MVS in a South African context.

CONCLUSIONS

In conclusion, the MVS appears to be a valid and reliable measure of materialism among emerging adults in a South African context both as a two and three factor solution. Although, the three factor solution does have some discriminant validity issues which should be noted and taken into consideration in subsequent research. For future research on emerging adults

in South Africa, the use of the revised 11-item MVS as illustrated in model 2 and 4 is recommended. If the researcher wishes to simply measure materialism at an aggregate or general level it is of no consequence whether a two or three factor model is most appropriate as the items proposed for the two and three factor models are identical. The question of whether a two or three factor measurement model should be used to understand and explain the underlying dimensions of materialism among this cohort and context in future research is another issue.

Whether a two or three factor model is most appropriate depends on the purpose of the study. If the purpose of the study is to compare the current findings with that of previous research that used the three dimensions of the MVS, then using the 11-item three factor model (model 2) is advised. In doing so the researcher uses a proven valid and reliable measure of materialism in a South African context while still maintaining the original three factor structure of materialism suggested by Richins and Dawson (1992). If the purpose of the study is to better understand and explain materialism in a South African context, especially among emerging adults, it might be more appropriate to consider materialism as a two dimensional construct with the first dimension representing centrality of possessions in one's own life and the tendency to judge personal success on the basis of possessions while the second dimension represents the belief that one's happiness depends on the acquisition of possessions. In such an instance the use of the 11-item two factor model (model 4) is recommended.

The results of the current study have implications for both the academic and corporate communities. From an academic and research perspective this study provides the first psychometric assessment of the MVS in a South African context which can serve as the foundation from which to conduct future research. The results serve as an initial attempt at establishing the MVS as a valid and reliable measure of materialism among South African emerging adults and ultimately the broader South African population. Although this study is largely academic in nature, it also provides useful insights into the materialistic behaviour of emerging adults in South Africa which can prove useful for marketing luxury products and brands to this cohort. It appears that the Success and Centrality dimensions have the largest influence on both SC and CC. Thus, marketing managers should emphasise excess and success with regards to ownership of the product in question when developing marketing strategies and campaigns for luxury products and brands targeted at materialistic status seeking emerging adult consumers.

For future research, it is recommended that researchers investigate the psychometric properties of the 15-item MVS proposed by Richins (2004) among the broader young adult population group in South Africa to determine if the theoretical three factor structure specified by Richins and Dawson (1992) holds or whether the two factor structure proposed by this study holds in a broader South African context. It is further recommended that future research does not use the negatively phrased and reverse coded statements contained in the original MVS as it appears to be misinterpreted by participants and result in poor indicators of their respective dimensions. This is especially true in multi-lingual societies where English proficiency is not at a level to interpret the nuances of negatively phrased items.

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Getting Generation Y to Pop the Cork – A South African Sparkling Wine Study

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ABSTRACT

The South African (SA) sparkling wine industry has grown steadily in the past 10 years, both in the number of new producers entering the market, as well as in annual domestic sales (SAWIS, 2017). Although domestic per capita consumption of sparkling wine is low compared to that of still wine, 0.16 versus 7.08 litres per person in 2017 (SAWIS, 2017), the market is of particular interest to the industry due to the consumers' motivations for drinking sparkling wine, and the emotional and hedonic values they attach to these wines.

The insight gained from recent research on consumer acceptance of varietal still wines (Mapheleba, 2018; Weightman, 2018) has helped the wine industry in developing marketing strategies for these specific product categories. Unfortunately, the same cannot be said for the sparkling wine industry, since research has lagged in investigating how the modern day sparkling wine product offerings are accepted and experienced by consumers. This is particularly true for the upcoming and fast-growing conspicuous consumer. This is an untapped market that the wine industry is struggling to relate to, mainly due to the absence of research. A study conducted by Kaus (2013) found that the average, in terms of luxury product expenditure, South African conspicuous consumers would generally fall in the black and coloured race group. Black households spend relatively more on visible consumption than comparable white households (Kaus, 2013). Visible consumption is defined in terms of consumption items "that are readily observable in anonymous social interactions, and that are portable across those interactions". Moreover, consuming more of these goods should signal "better economic circumstance" (Kaus, 2013). It was found that the conspicuous consumption increases in groups where the mean incomes are lower, and the inequality is higher.

Conspicuous consumption is mainly affected by interpersonal influences (O’Cass & McEwen, 2004). With the conspicuous consumer, brands are seen as important in creating their identity and creates a sense of achievement.

As a starting point, the acceptance of modern day SA sparkling wine offerings amongst the Generation Y consumer cohort will be investigated - taking conspicuous consumption into consideration. Methodé Cap Classique (MCC) sparkling wines are made by secondary yeast fermentation of the base wine of selected wine varieties inside the bottle. The specific objectives are to identify which MCC styles are most popular for the Generation Y consumers, and if there are any gender differences in the preferred wine style. The research methodology involves actual tasting by a sample of Generation Y consumers of a set of 6 wines with different flavour profiles, ranging from dry to sweet, and different colour wines.

The tasting will be followed by a questionnaire that will investigate the importance of extrinsic cues of the sparkling wine such as the label, bottle and price to the sample of Generation Y consumers. It is strongly believed that this study will make a major contribution to the South African sparkling wine industry and will ultimately assist sparkling wine producers to develop more effective marketing strategies to reach the important Generation Y consumer segment in South Africa.

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An analysis of personal financial literacy among adults in Vhembe district municipality in South Africa

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ABSTRACT

Until recently, personal financial management has become increasingly important for consumers as in the past. Literature indicates that consumers in rural and low-income areas are the most financially vulnerable and depends mostly on unsecured loans to finance their daily expenses (Finmark Trust, 2015) and spend more than they earn and experience increasing financial pressure (TransUnion, 2012). Financial vulnerability index for quarter three, showed that financial status continues to deteriorate (Momentum, 2017). It is imperative that the level of financial literacy in rural and low-income areas be established, especially among adults as they are the ones responsible for household financial management and wealth creation. According to Letkiewicz and Fox (2014), financial literacy is associated with asset accumulation, increase in net worth and positive effect on consumer savings. Financial literacy is about enabling people to make informed confident decisions regarding all aspects of budgeting, spending and saving, the use of financial products and services (Huston, 2010).

The primary objective of this study is to measure the level of financial literacy among adults in Vhembe District Municipality (VDM) in Limpopo province, a rural and low-income area in South Africa around the domains of day-to-day money management, financial planning, choosing appropriate financial services and products and financial knowledge and understanding. A quantitative approach with exploratory and descriptive design will be applied in this study. The population is comprises of adults in four local municipalities in VDM, which are Thulamela, Makhado, Mutale and Musina. The sample size of 300 adults between the ages of 21 and 60 will be drawn using both proportionate stratified sampling and systematic sampling methods. Primary data will be collected through questionnaires and analysed by Statistical Package for the Social Sciences (SPSS) software. The study will also make recommendations to policy makers.

The low levels of financial literacy have serious consequences for an adult's personal financial management skills and their ability to make sound financial decisions (Lusardi and Tufano, 2015). Financially literate individuals are more likely to practise good financial behaviour and improve their income, savings, manage debt relative to assets and home ownership, and accumulate retirement savings (Kezar and Yang, 2010).

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Differences in purchase intention of inclusively advertised brands: do friends and gender matter?

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ABSTRACT

Recent phenomena in advertising have succeeded at both accentuating and arousing strong emotions about sensitive aspects of consumers' lives. Variations like shock, street, tattoo and "femvertising" advertising seem outrageous or politically incorrect to some audiences, and yet arouse curiosity and engage others to form new opinions about the subject matter and brands. Inclusive advertisements incorporate socially underrepresented characters or characteristics, and attracted considerable attention as marketers continuously seek relevance with consumers. This research investigates the extent to which inclusive advertising positively affects consumers' purchase intention through planned behaviour constructs. As diverse consumer groups respond differently, particular interest is on differences between groups of gender and religiously diverse friends.

Anchored on the theory of planned behaviour (TPB) (Ajzen, 1985), the research models behavioural intention to purchase inclusively advertised brands as a logical function of three determinants: brand awareness, attitudes towards purchasing and self-efficacy with respect to an inclusively advertised brand. The theory highlights that people consider various sources of information and consequently inform their behaviour. Marketers desire purchase behaviour, with strong theoretical claims that it is instrumental for increasing sales at many levels through psychological techniques that persuade the audience. Furthermore, due to the logical flow implied by the TPB, marketers understand the importance of achieving purchase intention.

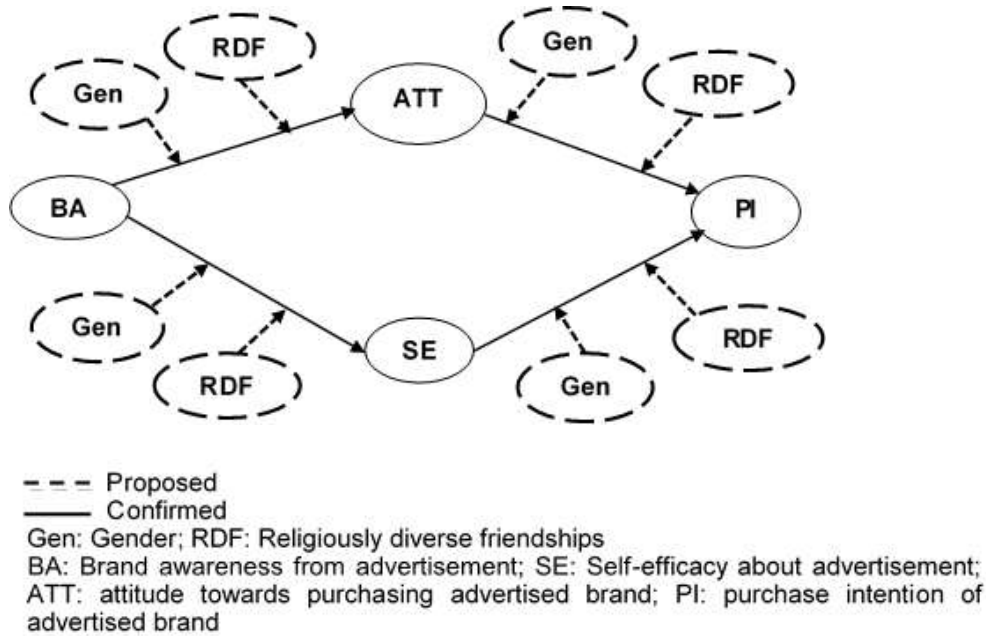
The main problems are the uncertainties of the moderating effects of two binary variables (gender: male/female and religiously diverse friendships: yes/no) on the relationships between constructs of the TPB for inclusively advertised brands. The hypotheses and conceptual model are presented below:

H1: Gender significantly affects the relationships between (a) brand awareness from the advertisement (BA) and attitude towards purchasing (ATT); (b) BA and self-efficacy about the advertisement (SE); (c) ATT and purchase intention (PI), and (d) SE and PI.

H2: Religiously diverse friendships significantly affect (a) BA and ATT; (b) BA and SE; (c) ATT and PI, and (d) SE and PI.

FIGURE 1:

Proposed conceptual model



Primary data was collected on self-administered questionnaires from 250 generation Y respondents who viewed an athletic advertisement of a woman running wearing a popular sport-branded headdress. The cross-sectional study provides quantitative data, measured on five-point Likert scales. Data analysis and inferences will be based on multi-group moderation in SmartPLSv3, using gender and religiously diverse friendships as the moderating variables.

Structural equation modelling results show significant relationships for all hypotheses except for one insignificant relation between brand awareness and subjective norms. This implies that respondents do not experience perceived social pressure to purchase brands featuring underrepresented groups. However, it is not clear whether gender or friend groups affect the significant relations. The research potentially provides direction for managers to consider differences in the intentions of various consumer segments to purchase brands that feature inclusive characters or characteristics in their advertisements.

The role of relationship characteristics in switching intention and behaviour in the South African mobile telecommunications industry

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ABSTRACT

Rapid growth in the mobile telecommunications industry has resulted in near-saturated markets, and thus intense competition. Due to high customer acquisition costs, mobile network operators (MNOs) provide attractive offers to competitors' existing customers to encourage switching. The purpose of this study is to determine whether relationship characteristics (length, depth and breadth) are able to predict both switching intention and switching behaviour. The primary data were collected via an online self-administered survey, using a cross-sectional online consumer panel. The findings from the 1,160 usable responses indicate that overall, relationship characteristics are weak predictors of both switching intention and behaviour. Of the three relationship characteristics, relationship depth was the best predictor of both switching intention and switching behaviour.

INTRODUCTION

As much as 60% of the world's population subscribe to a mobile network operator (MNO) (Srinuan, Bohlin and Madden, 2012: 453). The worldwide increase in the number of MNOs, high industry penetration rates, and market saturation have resulted in intense industry competition (Shukla, 2010: 467). As markets become more competitive and/or market growth slows, maintaining market share by protecting the customer base is essential, in order to remain competitive (Aydin, Özer and Arasil, 2005: 90). Hence, a focus on customer retention – a primary objective of relationship marketing – has increased substantially (Srinuan et al., 2012: 453).

When a MNO is not able to retain customers, switching occurs, which has a significant financial impact, especially on those MNOs that rely primarily on contract customers as a steady source of income (Ahn, Han and Lee, 2006: 552). Relational contracting theory (Macneil, 1987) applies to contractual long-term business-to-customer relationships (Ivens and Blois, 2004:

242). In the mobile telecommunications industry, contract duration is usually 24 months, enabling MNOs to forecast demand and revenue for at least a two-year period (Malhotra and Malhotra, 2013: 14). Thus, MNOs often use contracts as a form of lock-in, since contracts lower switching costs considerably, and thereby reduce switching intention (Harrison, Beatty, Reynolds and Noble, 2012: 392).

Despite customer lock-in via contracts, the mobile telecommunications industry currently faces high switching rates (Chen and Cheng, 2012: 816). Industry saturation has caused MNOs to use attractive offers to encourage switching to gain new customers, in an attempt to increase market share and profit (Malhotra and Malhotra, 2013: 14). Based on social bonding theory, the development of social bonds through repeated communication and customer interactions leads to increased and/or repeated relational exchanges (Liang and Chen, 2009: 221). Thus customers are less likely to switch once a bond has been established with the organisation.

Relationship characteristics can be a proxy to indicate whether a bond has been established through business-to-customer relationships (Ivens and Blois, 2004: 242). Relationship characteristics include: relationship duration (length), service usage (depth) and service bundling/cross-buying (breadth) (Polo and Sesé, 2009: 121; Lopez, Redondo and Olivan, 2006: 556). Moreover, relationship characteristics are interlinked and influence one another. The rationale is that as relationship duration increases, the greater the likelihood that customer spending would increase, and the variety of services purchased would also increase (Fahy and Jobber, 2012: 184). Thus, the question arises whether relationship characteristics could assist MNOs to prevent switching.

Several studies have examined the relationship between relationship characteristics and switching intention, but with mixed results (Malhotra and Malhotra, 2013: 19; Keramati and Ardabili, 2011: 352; Ahn et al., 2006: 564; Lopez et al., 2006: 564). Some scholars report that relationship characteristics decrease switching intention (Malhotra and Malhotra, 2013: 19; Lopez et al., 2006: 564). In contrast, scholars have shown that relationship characteristics may increase the likelihood of switching service providers (Keramati and Ardabili, 2011: 352; Maicas, Polo and Sesé, 2009: 168; Ahn et al., 2006: 564).

In addition to the reported inconsistencies in previous research, little attention has been paid to the role that relationship characteristics play in actual switching behaviour in the mobile telecommunications industry. Filling this gap is important, as it is relevant to know whether relationship characteristics actually provide insight regarding – not only the propensity of customers to switch from one MNO to another – but also their actual switching behaviour. Furthermore, it is expected that actual behaviour would give MNOs a more accurate picture of switching – given the three relational characteristics. The purpose of this study is, therefore, to determine whether relationship characteristics are able to predict both switching intention and switching behaviour, and if so, which relationship characteristic (length, depth and breadth) is the best predictor of switching intention and switching behaviour, respectively.

The paper commences with a review of the literature relating to the mobile telecommunications industry and MNO. Next, the methodology adopted for the study is described, after which the findings are presented and discussed. Lastly, the paper presents some managerial implications.

LITERATURE AND THEORY OVERVIEW

The mobile telecommunications industry in perspective

Mobile telecommunications has been the fastest-growing sector in the telecommunications industry since the 1990s, and as a result, it has become an important sector for economic development (Srinuan et al., 2012: 453). Mobile telecommunications in most countries, whether developed or developing, have reached maturity (Govan-Vassen, 2014). The Taiwanese market, for instance, reached saturation in 2003 (Kuo, Wu and Deng, 2009: 887). Despite approximately half of the South African population living below the poverty line, mobile penetration was 133% by 2014 and SIM penetration around 162% (BusinessTech, 2015; Fripp, 2014).

South Africa has the most modern fixed-line and mobile telecommunications system in Africa (Central Intelligence Agency, 2014). The South Africa Yearbook 2013/14 (2013: 81) estimates that 7% of gross domestic product (GDP) is generated by the South African Information and Communications Technology industry. According to the 2012 International Telecommunications Union results, the revenue received from the South African telecommunications market was the 15th largest worldwide (Deloitte Digital SA, 2013).

MNOs sell mobile telecommunications services and have their own network structure (Banerjee and Dippon, 2009: 72). Currently, four MNOs operate in South Africa, namely: Vodacom, MTN, Cell C and Telkom Mobile (formerly 8ta/Heita) (South Africa Yearbook 2013/14, 2013: 87). The estimated MNO market share in November 2015 was: Vodacom (38.4%), MTN (33.2%), Cell C (25.1%) and Telkom Mobile (2.6%) (BusinessTech, 2015). There are also a number of mobile virtual network operators (MVNOs) such as Virgin Mobile, Mr Price Mobile, me&you Mobile and FNB Connect, with a combined market share of around 0.7% (BusinessTech, 2015). MVNOs offer mobile telecommunications services, but do not have a bandwidth licence. Consequently, they rely on MNOs' existing wireless network infrastructure (McLeod, 2014).

MNOs sell airtime, which is the amount charged per minute of talking time (Bolton, 1998: 52). MNOs typically offer pre-paid or post-paid (contract) subscriptions, which include a variety of calling plans which differ for each MNO. The pre-paid ('pay-as-you-go') subscription allows customers to purchase airtime on an *ad hoc* basis (Malhotra and Malhotra, 2013: 14). Once depleted, customers can 'top up' by purchasing more airtime (Malhotra and Malhotra, 2013: 14). Post-paid subscriptions require customers to enter into a long-term contract with the MNO (Malhotra and Malhotra, 2013: 14). Post-paid subscribers pay a start-up fee and a minimum fixed monthly expenditure (Lee, Murphy and Dickinger, 2006: 1).

Relationship marketing and switching in the mobile telecommunications industry

Against the backdrop of the mobile telecommunications industry, customer retention is a vital strategy for an organisation's survival (Chen and Cheng, 2012: 807). Since markets become more competitive and/or market growth slows down, maintaining market share by protecting the customer base is essential for organisations to remain competitive (Aydin et al., 2005: 90). Studies conducted in the United States in the early 2000s found that customer acquisition costs were between US\$300 and US\$475 (Sharma and Ojha, 2004: 110). These high acquisition costs reflect the necessity to retain current customers, especially since research has shown that acquiring customers is more expensive than retaining current customers (Berry, 2002: 60). Customer acquisition costs in the mobile telecommunications industry are especially high because of the intense competition in the industry (Ranganathan et al., 2006: 269). Therefore, service providers prefer to entice their competitors' existing customers to switch, instead of incurring the high costs for new customer acquisition (Hu and Hwang, 2006: 75).

This study will consider mobile customers' intention to switch to another network operator, as well as those who have actually switched. Switching indicates that customers end the relationship with their current service provider, and in all likelihood, start afresh with an alternate service provider (Huang and Hsieh, 2012: 219; Shin and Kim, 2008: 857). Switching intention differs from switching behaviour (Shah and Schaefer, 2006: 76) since switching intention describes the possibility that the customer may switch to another service provider (Chuang, 2011: 130), although this action has not yet occurred; whereas switching behaviour has already occurred by means of the actual act of changing to another service provider.

Researchers have attempted to develop switching models after Keaveney's (1995: 81) call for further investigation. For instance, Bansal and Taylor (1999) proposed the service-provider switching model (SPSM); and later Bansal, Taylor and St. James (2005) proposed the Push, Pull, Moorings (PPM) migration model of service switching. However, none of the models were applied to actual switching behaviour, identifying a need to apply the actual switching data to switching intention models.

Relationship marketing and relationship characteristics

Researchers regard relationship characteristics as an indication of loyal behaviour (Liang and Chen, 2009: 223; Lopez et al., 2006: 560). Consequently, monitoring relationship characteristics could assist service providers in the identification and possible prevention of switching. Relationship characteristics include the duration of the customer-service provider relationship (length), service usage (depth) and service bundling/cross-buying (breadth) (Polo and Sesé, 2009: 121).

Most previous studies have concentrated on the effect of relationship characteristics on relational constructs, such as satisfaction, trust and perceived quality. However, scant attention has been paid to the effect of relationship characteristics on switching intention (Lopez et al., 2006: 557). Studies that investigated the aforementioned relationship were conducted by Ranganathan et al. (2006) and Lopez et al. (2006). The findings indicated that all three components of relationship characteristics had a direct negative effect on switching intention (Lopez et al., 2006: 568; Ranganathan et al., 2006: 274). No study could be found that had investigated relationship characteristics' relation to actual switching behaviour.

Relationship length

Relationship length (subscription duration) indicates the time period that a relationship between the customer and the service provider has existed (Polo and Sesé, 2009: 123). In the United States, the average MNO-customer relationship duration is 33 months; while the majority of South African MNO-customer relationships are between three and ten years (Kruger and Mostert, 2012: 47). Profitability is directly proportional to relationship length (Kruger and Mostert, 2012: 41). Furthermore, as subscription duration increases, switching intention decreases (Malhotra and Malhotra, 2013: 19). Consequently, predicting relationship duration is beneficial to organisations (Bolton, 1998: 45).

Counterintuitively, Maicas et al. (2009: 168) and Keramati and Ardabili (2011: 352) found switching intention to increase, the longer customers remain with their MNO. A possible explanation is that, as relationship length increases customers become more aware of competitor's alternative pricing structures (get a 'better deal') or changes in industry trends (Ranganathan et al., 2006: 271). Hence, the following hypotheses were formulated:

H_{1a}: Relationship length predicts customers' switching intention.

H_{1b}: Relationship length predicts customers' switching behaviour.

Relationship depth

Relationship depth (service usage) comprises usage frequency (the number of times a service is used) and intensity (the extent to which a customer makes use of a service provider) (Liang and Chen, 2009: 219). As the number of interactions increases, social bonds are strengthened, and uncertainty decreases (Lopez et al., 2006: 560). Thus, frequent users typically develop a positive attitude towards service providers, are more tolerant of service failures, and are more likely to purchase premium products in future (Ranganathan et al., 2006: 271). On the contrary, Ahn et al. (2006: 564) found that switching intention increases as heavy users' monthly expenditure increases. Due to high expenditure, heavy users are possibly more price-sensitive and seek the best value-for-money deals and discount. To explore this phenomenon the following hypotheses were formulated:

H_{2a}: Relationship depth predicts customers' switching intention.

H_{2b}: Relationship depth predicts customers' switching behaviour.

Relationship breadth

Relationship breadth refers to additional services purchased over time (Liang and Chen, 2009: 219). Typically, as relationship breadth increases, switching propensity decreases (Lopez et al., 2006: 564). This situation is possibly due to difficulty in comparing a wide variety of current services with competitors' service offerings or due to customer lock-in (Polo and Sesé, 2009: 124). Counterintuitively, Maicas et al. (2009: 169) established that purchasing additional services did not prevent customer switching, perhaps because customers may explore the variety of competitors' services offerings (Ahn et al., 2006: 564). The following hypothesis was thus formulated to investigate the counterintuitive findings in previous research:

H_{3a}: Relationship breadth predicts customers' switching intention.

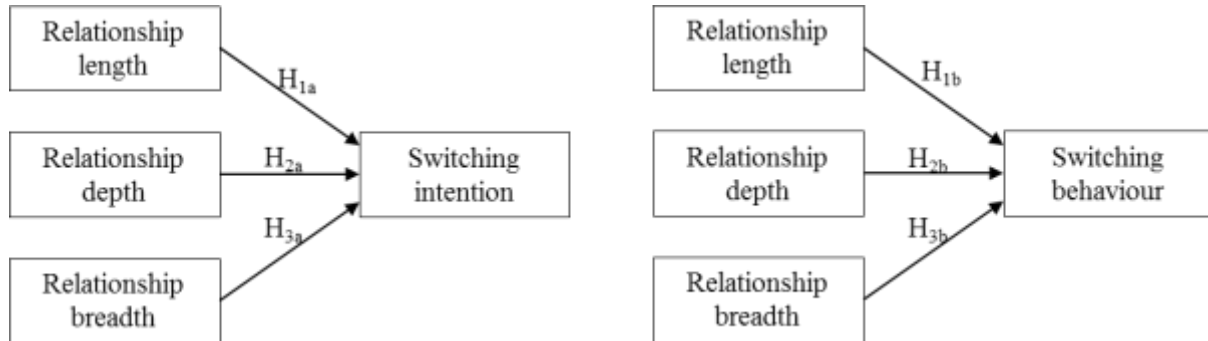
H_{3b}: Relationship breadth predicts customers' switching behaviour.

RESEARCH PROBLEM AND OBJECTIVES

Previous research has attempted to identify switching predictors in the mobile telecommunications industry (Chuang, 2011; Ahn et al., 2006; Hu and Hwang, 2006; Eshghi, Haughton, Teebagy and Topi, 2006; Bansal et al., 2005; Keaveney, 1995). For example, past research found a direct relationship between switching intention and relationship characteristics (Keramati and Ardabili, 2011: 352; Ahn et al., 2006: 564; Ranganathan et al., 2006: 274). However, conflicting results regarding the aforementioned relationship have been reported, suggesting a need for further research (Keramati and Ardabili, 2011: 352; Ahn et al., 2006: 564). Therefore the primary objective of this study is to determine whether relationship characteristics predict switching intention and switching behaviour among mobile telecommunication users in South Africa, and if so, to what extent. In addition, no scholarly work to date has attempted to determine whether relationship characteristics are able to predict actual switching behaviour within the mobile telecommunications industry. Figure 1 outlines the conceptual framework to illustrate the relationships between the relationship characteristics and the switching constructs.

FIGURE 1:

The hypothesised relationships between relationship length, depth and breadth and switching intention/behaviour



RESEARCH METHODOLOGY

Sampling and data collection

The target population included adults residing in South Africa that subscribed to a South African consumer research panel. In this study a panel refers to a group of respondents who indicated their willingness to participate in research studies managed by a particular marketing research firm, over an extended period of time. The Survey Workbench programme, an advanced survey design programme (Vovici Corporation, 2010), was used to create the online survey and to collect primary data via a structured, self-administered questionnaire. Pre-testing was conducted using a live pre-test procedure. The online survey link was emailed to the 54,924 panel members. Panel members were screened to ensure they could independently choose and had a contract with their MNO. A total of 1,668 surveys were returned. Studies suggest that online panel surveys have experienced a decline in recent years (Neslin, Novak, Baker and Hoffman, 2009: 727). In 2002 panel response rates were up to 70%, while average response rates in 2006 dropped to 7% (Harris Interactive, 2006 in Neslin et al., 2009: 727). Thus the relatively low response rate of 3% is in line with current trends. After data editing, two subsamples were realised: 1,025 switching intention observations and 135 switching behaviour observations.

Measurement

Both switching intention and switching behaviour were measured using Malhotra and Malhotra's (2013) switching intention scale. The scale wording was modified slightly to apply to the mobile telecommunications context (Pihlström and Brush, 2008: 740). The switching intention scale was transformed into a switching behaviour scale by changing the wording into the past tense to enquire about the respondents' previous MNO. Relationship length and depth were based on Maicas et al.'s (2009) scales. Three typical relationship breadth indicators were derived from the mobile telecommunications literature, and an open-ended response was included to gather further information on the relationship breadth. From the open-ended responses, four new relationship breadth categories were created, namely: i) additional airtime; ii) BlackBerry Internet Service (BIS), including BBM (BlackBerry Messenger); iii) insurance (mobile phone/Simcard); and iv) laptops or tablets with a data contract. All demographic information, apart from age, was obtained from the panel database.

The questionnaire began by asking respondents to identify their main MNO for two reasons: firstly, the possibility exists that respondents have contracts with more than one MNO. Thus, the question orientated the respondents to answer the questions exclusively about their main

MNO; secondly, the Survey Workbench programme has an advanced function that is able to include the name of the respondents' main MNO in all the questions that follow. Next, depending on whether respondents had switched MNOs during the previous six months, they were branched to either the switching intention survey (respondents that had not switched) or the switching behaviour survey (respondents that had switched), thereby creating two subsamples. The IBM SPSS Statistics 22 package was used to analyse the data (IBM Corp., 2013).

RESULTS

Demographic profile of the subsamples

Table 1 presents the demographic profile of the respondents from the switching intention subsample as well as the switching behaviour subsample.

TABLE 1:

THE DEMOGRAPHIC PROFILE OF THE RESPONDENTS FOR EACH SUBSAMPLE

Demographic characteristic		Switching intention subsample (percentage)	Switching behaviour subsample (percentage)
Gender	Female	61.4	67
	Male	38.6	33
Age	18-29	5.7	10.6
	30-39	18.7	25.8
	40-49	24.7	24.2
	50-59	29.7	20.5
	60-69	16.9	15.9
	70+	4.2	3
Population group	White	79	72.4
	African	9	10.3
	Coloured	3.7	4.6
	Indian/Asian	4.4	8
Employment status	Employed	66	67.9
	Self-employed	22.1	20.8
	Retired	10.3	9.4
	Unemployed	1.6	1.9
Mobile Network Operator	Vodacom	56.6	35.6
	MTN	33.4	18.5
	Cell C	8.2	37
	Telkom Mobile	1.9	8.1
	Virgin Mobile	1	0.7

From Table 1 it can be seen that more males than females from both samples participated in the study. The largest age category for the switching behaviour sample was 30-39 years ($n = 34$; 25.8%). As the age categories increased, the number of switching behaviour respondents seemed to decrease, suggesting that as age increases, the respondents may become less inclined to switch. For both samples, the majority respondents were from the White population group, followed by the African population group. Most of the respondents, in both samples, were either employed or self-employed.

The majority switching intention respondents ($N = 1025$) had a contract with Vodacom ($n = 570$; 56.6%), MTN ($n = 342$; 33.4%) or Cell C ($n = 84$; 8.2%). These results are relatively in line with those of the November 2015 market share estimates: Vodacom (38.4%), MTN (33.2%) and Cell C (25.1%). In contrast, most of the switchers ($N = 135$) had a contract with Cell C ($n = 50$; 37%), Vodacom ($n = 48$; 35.6%) or MTN 18.5% ($n = 25$). The majority respondents who had switched in the past six months were Vodacom subscribers ($n = 59$;

43.7%). Several respondents switched from MTN ($n = 45$; 33.3%) and a small number switched from Cell C ($n = 18$; 13.3%). A minority of respondents had switched from Telkom Mobile ($n = 8$; 5.9%) and Virgin Mobile ($n = 5$; 3.7%).

Descriptive statistics of relationship characteristics

Table 2 presents the descriptive statistics of relationship length for both the switching intention and switching behaviour subsamples.

TABLE 2:
Relationship length (switching intention and behaviour samples)

Relationship length	Switching intention (N = 1025)	%	Switching behaviour (N = 135)	%
Less than 6 months	1	0.1	4	3
6 to 12 months	16	1.6	6	4.4
12 to 18 months	18	1.8	2	1.5
18 to 24 months	39	3.8	11	8.1
2 to 5 years	132	12.9	33	24.4
5 to 8 years	155	15.1	24	17.8
8 to 12 years	201	19.6	26	19.3
12 to 15 years	198	19.3	13	9.6
Longer than 15 years	265	25.9	16	11.9

From Table 2 it can be concluded that the majority switching intention respondents had a contract with their MNO for over 15 years ($n = 265$; 25.9%). This is very different from the switching behaviour respondents, where 24.4% ($n = 33$) had subscribed to their previous MNO for 2-5 years. In fact, more than 61.5% ($n = 83$) of the respondents who had switched had contracts for between 2 and 12 years. Table 3 outlines the relationship depth of both subsamples.

TABLE 3:
Relationship depth (switching intention and behaviour samples)

Relationship depth	Switching intention (N = 1025)	%	Switching behaviour (N = 135)	%
R0 – R200	84	8.2	19	14.1
R201 – R400	172	16.8	32	23.7
R401 – R600	207	20.2	26	19.3
R601 – R800	166	16.2	19	14.1
R801 – R1,000	101	9.9	12	8.9
R1,001 – R1,250	88	8.6	5	3.7
R1,251 – R1,500	67	6.5	6	4.4
R1,501 – R1,750	29	2.8	6	4.4
R1,751 – R2,000	37	3.6	3	2.2
R2,001 – R2,500	20	2	0	0
R2,501 – R3,000	23	2.2	3	2.2
R3,001 – R3,500	12	1.2	0	0
R3,501 – R4,000	5	0.5	2	1.5
R4,001 – R4,500	2	0.2	1	0.7
R4,501 – R5,000	3	0.3	0	0
Above R5,001	9	0.9	1	0.7

Table 3 indicates that the lower-spending respondents (monthly spend between R0–R800) seemed to switch more readily (71.2% switched). Of this group, the highest monthly MNO expenditure in the switching behaviour sample was R201–R400 ($n = 32$; 23.7%).

With regard to relationship breadth, most of the switching intention sample had acquired either one ($n = 367$; 35.8%) or two ($n = 264$; 25.8%) additional services; with a quarter of the respondents not acquiring any additional services ($n = 264$; 25.8%). Less switching behaviour respondents had purchased additional services from their previous MNO ($n = 44$; 32.6%). Nonetheless, either one ($n = 43$; 31.9%), two ($n = 41$; 30.4%) or three ($n = 7$; 5.2%) additional services had been purchased by more than half of the switching behaviour subscribers. Table 4 presents both the subsamples in terms of the relationship breadth with regard to additional services purchased.

TABLE 4:

Relationship breadth (switching intention and behaviour samples)

Relationship breadth	Switching intention (N = 1025)	%	Switching behaviour (N = 135)	%
Data bundles	631	48.8	68	46.6
Roaming	253	19.6	25	17.1
SMS bundles	370	28.6	47	32.2
Other	2	0.2	0	0
Additional airtime	18	1.4	3	2.1
Blackberry Internet Service (BIS)	12	0.9	3	2.1
Insurance	2	0.2	0	0
Laptop or tablet with data contract	4	0.3	0	0

Table 4 indicates that, of the additional services purchased, the most popular in the switching intention sample was data bundles ($n = 631$; 48.8%), then SMS bundles ($n = 370$; 28.6%) and roaming ($n = 253$; 19.6%). Similar results were obtained for the switching behaviour sample: data bundles ($n = 68$; 46.6%); SMS bundles ($n = 47$; 32.2%); and roaming ($n = 25$; 17.1%). Both samples had also purchased additional airtime and BlackBerry Internet Service (BIS). However, only the switching intention sample had purchased notebooks or tablets with a data contract ($n = 4$; 0.3%) or mobile phone insurance ($n = 2$; 0.2%).

Measurement scale reliability and validity

Convergent validity for each switching construct were assessed by means of principal components analysis (PCA). Prior to performing the PCA, the suitability of the data for analysis was assessed through the Kaiser-Meyer-Olkin measure of sampling adequacy and Bartlett's test of sphericity. Both the Kaiser-Meyer-Olkin values were above the suggested minimum value of 0.6 (0.69 and 0.86 respectively) (Tabachnick and Fidell 2007). Also, both the Bartlett's tests of sphericity indicated statistical significance, thus supporting the factorability of each component matrix (Pallant, 2011: 192). Two separate PCAs were conducted, including five items measuring switching intention and five items measuring switching behaviour. Each PCA revealed the presence of one component. The first item in the switching intention component explained 67% of the variance, and the first item in the switching behaviour component explained 68% of the variance. Since only one component was extracted from each sample, no factor rotation was necessary. The PCA for switching behaviour showed two items with factor loadings less than 0.5, which is below the recommended cut-off for convergent validity

(Hildebrandt, 1987: 35). After deleting these two items, the final PCA solution showed factor loadings of 0.788, 0.839 and 0.845 for switching behaviour, and factor loadings of 0.771, 0.776, 0.808, 0.851 and 0.869 for switching intention. Since all items loaded higher than 0.50 on each component, convergent validity was verified for both switching intention and switching behaviour.

Internal consistency reliability of both the switching intention and the switching behaviour scales were assessed using Cronbach's alpha (Hair, Black, Babin and Anderson, 2014: 123). Both the switching intention and the switching behaviour scale showed Cronbach's alpha coefficients of 0.87 and 0.77 respectively, which is above the commonly accepted cut-off criterion of 0.70 (Allen and Bennett, 2010: 215). Both scales were thus accepted as having internal consistency reliability.

Multiple regression

Two separate standard multiple regressions were conducted to determine whether relationship characteristics predict switching intention and switching behaviour (Pallant, 2011: 154). It is worth noting at this point that structural equation modelling (SEM) was considered for the data analysis. However, with SEM being a large-sample technique (Byrne, 2010: 329), the number of observed cases in the switching behaviour sample was too small ($N = 135$) and the SEM solution would not converge. Since the objective was to compare switching intention and switching behaviour, multiple regression proved to be the best option.

The assumptions underlying the use of multiple regression were assessed before executing the final analysis, to ensure that the violations regarding sample size, multicollinearity, outliers, normality, linearity and homoscedasticity were addressed (Pallant, 2011: 156). Both samples were verified for sample size. Tabachnick and Fidell (2013: 159) suggest using the formula: $N > 50 + 8m$ (where m = the number of independent variables), to calculate an acceptable sample size for linear regression. A minimum sample size of 74 was required to examine three independent variables ($N > 50 + 8(3)$). Thus both the switching intention sample ($N = 1,025$) and the switching behaviour sample ($N = 135$) were above this minimum sample size requirement.

The variance inflation factor (VIF) and tolerance values for both samples were measured to assess multicollinearity. All the VIF values were below the cut-off point of 10 and all of the variables had tolerance values above the 0.1 cut-off point (Pallant, 2011: 158). Furthermore, all bivariate correlations between the predictors were less than $r = 0.9$, indicating that the assumption of multicollinearity was not violated. P-P Plots for both samples indicated that the assumption of normality was not violated. There were no patterns evident in the regression standardised residual and regression standardised predicted value scatterplots that raised concern about violating the assumptions of multiple regression, indicating that the assumptions of linearity and homoscedasticity were not violated. Cook's Distance for switching intention (0.025) and switching behaviour (0.195) did not reveal any outliers. However, inspection of Mahalanobis Distances identified outliers in both samples. Cases above the critical value for three independent variables (16.27) were removed. The final sample sizes were $N = 985$ (switching intention sample) and $N = 124$ (switching behaviour sample). Nonetheless the sample size remained within the minimum requirements for linear regression sample sizes (see above). Since the inspection of the assumptions of multiple regression did not signal any violations of regression analysis, the multiple regression analysis was continued. The hypothesis results were interpreted using a 5% level of significance ($\alpha = 0.05$).

The ANOVA results indicated that both the regression models fit the data, since both p-values were smaller than 0.001 (Pallant, 2011: 250). The three relationship characteristics together explained 1.3% of the variance (Adjusted $R^2 = 0.013$) in switching intention. In other words,

relationship length, depth and breadth weakly explain switching intention, and together, they account for only 1.3% of variance. Regarding switching behaviour, the three relationship characteristics together explain slightly more variance (7.1% of variance; adjusted $R^2 = 0.071$). Thus, relatively speaking, relationship length, depth and breadth explain switching behaviour slightly better than switching intention. It is worthwhile to note at this point that the purpose of the study was not to pursue a good fit between the independent and dependent variables, but rather to empirically evaluate the relationships between these variables. Table 5 outlines the contribution of each predictor to both switching intention and switching behaviour.

TABLE 5:

The standardised regression coefficients of each predictor in both the regression models

Switching intention (N = 985)	Unstandardised Coefficients Beta-value	Standardised Coefficients Beta-value	t-value	p-value
(Constant)	17.311		16.315	< 0.001
Relationship length	-0.152	-0.061	-1.882	0.060
Relationship depth	0.003	0.127	3.817	< 0.001
Relationship breadth	-0.042	-0.003	-0.097	0.923
Switching behaviour (N = 124)	Unstandardised Coefficients Beta-value	Standardised Coefficients Beta-value	t-value	p-value
(Constant)	5.582		9.861	< 0.001
Relationship length	-0.109	-0.190	-2.050	0.043
Relationship depth	0.002	0.240	2.582	0.011
Relationship breadth	-0.230	-0.081	-0.905	0.368

As indicated in Table 5, relationship depth was the greatest contributor to switching intention (beta = 0.127); furthermore, the contribution was statistically significant. Relationship depth also contributed most to switching behaviour (beta = 0.240; p = 0.011). Overall, it was found that the relationship characteristics did not greatly influence switching intention nor switching behaviour, which was contrary to expectations.

With regard to the six hypotheses formulated for the study, the following findings are reported, based on the results of the multiple regression analysis:

- H_{1a} : there is no support that relationship length predicts customers' switching intention (b = -0.152, beta = -0.061; p-value = 0.060). H_{1b} : in contrast, there is support that relationship length predicts customers switching behaviour (b = -0.109, beta = -0.190; p-value = 0.043). There is thus moderate evidence of predictive power for switching behaviour.
- Regarding both H_{2a} and H_{2b} there is support that relationship depth predicts customers' switching intention (b = 0.003, beta = 0.127; p-value = <0.001) and switching behaviour (b = 0.002, beta = 0.240; p-value = 0.011). Thus, for one unit increase in relationship depth, both switching intention and switching behaviour increase between 0.003 and 0.002 respectively.
- Concerning both H_{3a} and H_{3b} there is no support that relationship breadth predicts customers' switching intention (b = -0.042, beta = -0.003; p-value = 0.923) nor switching behaviour (b = -0.230, beta = -0.081; p-value = 0.368).

DISCUSSION AND MANAGERIAL IMPLICATIONS

Surprisingly, relationship characteristics have very little influence on both switching intention (only 1.3%) and switching behaviour (only 7.1%) – contrary to expectations (Malhotra and Malhotra, 2013: 19; Keramati and Ardabili, 2011: 352; Maicas et al., 2009: 168; Ahn et al.,

2006: 564; Lopez et al., 2006: 564). More specifically, relationship depth has an influence on both switching intention and switching behaviour, whereas relationship length only has an influence on switching behaviour. Although the results for both switching intention and behaviour showed a low percentage of variance, the finding is important for MNOs to note. In general, the results signal that there may be other variables that are better predictors of customers' reasons to switch from one MNO to another. Nevertheless, the results are valuable to MNOs, in that neither the time the customer has spent with them, nor the variety of products they have bought over time, will retain customers with the MNO. In the case of customers that have switched, the length of time they have spent with the MNO only contributed 3.2% to the reasons they switched. In fact, even if MNOs sell more frequently to customers, this would contribute only 1.4% to their reasons for wanting to switch and 5.2% for having switched to the competitors. It is thus imperative for MNOs to know that these characteristics are not sufficient to retain customers, and that it is important to find which other factors that play a role in switching. In this regard, other switching variables, such as procedural or financial costs may be options to explore.

The multiple regression results showed that relationship depth, although weak, was the greatest contributor to switching intention and behaviour; and the contributions were statistically significant. The findings are in line with the findings of Ranganathan et al.'s (2006: 274) study, which revealed that relationship depth was the strongest and most significant switching antecedent. These results suggest that customers may perceive the cost of their monthly bill to cause them to switch. However, the weak relationships suggest that there seem to be other, more important factors influencing switching intention or actual switching, than relationship depth. The research results allow us to conclude that mobile subscriptions do not necessarily produce loyal customers that have no intention to switch, and thus, relationship characteristics do not seem to be good predictors of future behaviour.

Since the execution of this study amongst the five mobile network operators, several mobile virtual network operators (MVNOs) have launched in South Africa, with as much as four new launching in 2015 alone (Frisbie and Chetty, 2016). These include: Virgin Mobile (the first MVNO in South Africa), iBurst, Econet Wireless, Orange, Hello Mobile (the largest market shareholder in 2016), SmartMobile, me&you Mobile, MRP Mobile (Mr Price – the first retail company to launch in South Africa), Afrihost and FNB Connect (Frisbie and Chetty, 2016). MTN announced in 2016 that they are planning to launch several MVNOs in the near future. To date, Cell C has been the only MNO that allowed MVNOs to piggyback on its network, but others are expected to follow soon.

More entrants into the market increase the already intense competition in the South African mobile industry, increasing the importance for MNOs to focus on retaining their customers. The recently launched MVNOs bring several challenges to the current mobile giants. For example, Orange offers smartphones on their website with no delivery charges, dual SIM phones and free Wi-Fi (Tubbs, 2014). With me&you Mobile, customers do not need to sign a 'traditional' contract package with a 24-month lock-in; and they can cancel their contract with me&you Mobile at any time (Mybroadband, 2015). The MVNO strategy of FNB Connect is to allow FNB to get closer to its customers for more targeted marketing. This is possibly because sending mobile notifications now become a cost saving measure since the network host charges wholesale prices, rather than third-party prices (Frisbie and Chetty, 2016). Thus, competing on the bases of these value-based services, future research may need to determine the role of these services in switching. Therefore, further switching studies in the South African mobile telecommunications industry are essential, since competition will undoubtedly intensify in the near future.

LIMITATIONS

The nature of sampling is a limitation to most research. The online panel surveyed restricted the respondents to only those that had subscribed to this particular panel and furthermore only panel members that had online access. Thus, being part of this panel could have selected for certain characteristics. Since the online panel was as convenience sample the results cannot be generalised, and self-selection bias may have influenced results (Loosveldt and Sonck, 2008: 93). Thus, it is acknowledged that the sample may be skewed and cannot be generalised to all contract subscribers in South Africa.

Only relationship characteristics were investigated as switching intention predictors. Numerous predictors could have been investigated, including service quality (call quality, type of subscription, network coverage), perceived value, commitment, trust, loyalty, alternative attractiveness, and switching costs, to name but a few. For this reason, future studies could incorporate more predictors into the model to avoid possible omitted-variable bias.

The low variance explained by the regression model has to be acknowledged. This supports the previous point that numerous predictors can be included in future models to improve the variance explained. However, the authors felt it important to report the results and not commit publication bias. The authors believe that the results compel MNOs to understand that although customers may have a contract with the organisation for many years (length), or use several of the services (breadth) or spend a lot of money with the MNO (depth), that does not turn them into customers that will not possibly consider switching.

RECOMMENDATIONS FOR FUTURE RESEARCH

To date, many studies have focused exclusively on relationship length (Gonçalves and Sampaio, 2012; Chiao, Chiu and Guan, 2008; Seo, Ranganathan and Babad, 2008; Coulter and Coulter, 2002; Bolton, 1998; Doney and Cannon, 1997). A few studies exclusively considered relationship depth (Keaveney and Parthasarathy, 2001; Bolton and Lemon, 1999) and a minority focused on relationship breadth (Soureli, Lewis and Karantinou, 2008). Since the current study found that relationship depth has a greater influence on switching intention and behaviour than relationship length and breadth, further exploration of relationship depth and its role in switching may prove to be useful.

It may be worthwhile for future studies to pay more attention to understanding the broader trends in the mobile telecommunications market, including movement between contract usage and pre-paid options, as well as understanding the profiles of both contract and pre-paid customers. Against this backdrop, switching behaviour may be related to the trends in the mobile telecommunications industry.

Of interest may also be further investigation in terms of whether the respondents had been with the same MNO for the full time period of 15 years and more, or had switched before commencing the present contract that has continued for more than 15 years. Another aspect to investigate would be to determine whether the respondents remained with the MNO, for example, because they were happy, due to convenience, due to high switching costs, to name but a few.

CONTRIBUTION

The research conducted contributes to a better understanding of the role of relationship length, depth and breadth in switching intention and behaviour. More specifically, the contribution of the study lies in its application to actual switching behaviour, as the majority of the studies to date have focused on switching intention. Research should continue to determine which antecedents influence switching intention. Since the respondents did not attach much value to

relational switching costs, other switching costs, such as procedural or financial costs, as well as other constructs, such as satisfaction or service quality could be other options to explore. The research conducted in this study contributes to a better understanding of consumer behaviour, and more specifically switching behaviour.

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Subjective norm outweighs perceived usefulness in smartwatch use-intention: a moderated-mediation analysis

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ABSTRACT

Smartwatches are believed to be of the most prominent devices in the wearable tech industry. Albeit reports indicate that sales will increase significantly over the next few years, smartwatch adoption is still in its infancy. The Technology Acceptance Model and the Theory of Planned Behaviour is often used to investigate possible factors influencing smartwatch use-intention. This study aims to make a contribution investigating subjective norm as a possible moderator of the indirect relationship of perceived usefulness on intention through attitude according to the Technology Acceptance Model. Data was collected from 326 non-users of smartwatches through self-administered questionnaires. Results indicated that Subjective Norm moderated the indirect influence of perceived usefulness on intention through attitude to the extent that the mediation effect is less prominent. Theoretical and managerial contributions conclude this paper.

INTRODUCTION

In the mobile device market, wearable devices – smartwatches in particular – are said to be the ‘next big thing’ as these devices are fast becoming consumers’ most intimate information communication technology (ICT), impacting their daily lives (Cecchinato, Cox, & Bird, 2015; Choi & Kim, 2016). This aforementioned impact that smartwatches have on consumers’ lives can be attributed to the unobtrusive way in which these devices enable its wearer to effortlessly read emails, messages and social media notifications, receive and make phone calls, and collect personal health and wellness data, using a variety of different applications. A smartwatch can be defined “a wrist-worn device with computational power, that can connect to other devices via short range wireless connectivity; provides alert notifications; collects personal data through a range of sensors and stores them; and has an integrated clock” (Cecchinato, Cox & Bird, 2015). Even though reports indicate that smartwatch usage will exponentially proliferate over the next three years (Statistica.com), consumer adoption is still in a very nascent state (Gartner, 2016).

Perceived usefulness (Davis, 1985) is one of the key factors reported in literature to significantly impact consumers’ intention to use information technology systems. In addition, subjective norm is also considered one of the primary influencers of human behaviour (Taylor & Todd, 1995). Several studies investigating factors influencing smartwatch use-intention

utilises the Technology Acceptance Model (Davis, 1985) or the Theory of Planned Behaviour as a theoretical model. However, this train of thought often neglects to consider the factors in these models or theories as possible conditional effects of on another. To address this gap in the existing literature, this study aims to establish whether 'subjective norm' could be a possible moderator of the perceived usefulness-intention relationship in the Technology Acceptance Model (Davis, 1985), in order to gain deeper insight into this relationship beyond the scope of what was reported by Davis (1985).

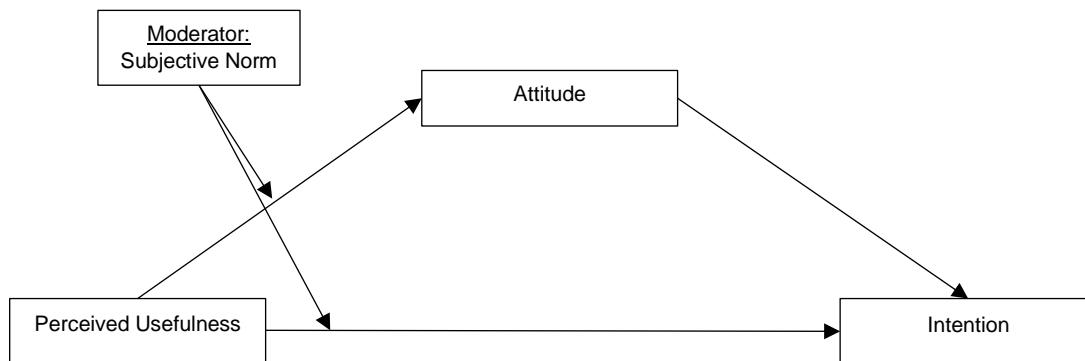
The theoretical contribution of the study is rooted in mediation and moderation analyses. Mediation is common practice for establishing the underlying reason for the relationship between the independent variable and the dependent variable, while moderation is standard for contextualising the effect of the independent variable on the dependent variable (Rucker, Preacher, Tormala and Petty, 2011). This study contributes to current smartwatch use-intention literature by investigating the effect of subjective norm on the indirect effect of perceived usefulness on intention through attitude, rather than just studying subjective norm as direct influencer of smartwatch use-intention.

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

The Technology Acceptance Model (TAM) (Davis), is often employed in empirical research to improve the understanding of technology acceptance among consumers. At its foundation the Technology Acceptance Model has the Theory of Reasoned Action (Fishbein & Azjen, 1975) which advocates that behavioural intention is influenced by attitude and attitude is determined by a set of beliefs held by an individual regarding a behaviour in question. Fishbein and Azjen defines attitude as "the degree to which a person has a favourable or unfavourable evaluation or appraisal of the behaviour". The Technology Acceptance Model proposes that the perceived usefulness and the perceived ease of use of a technology are prominent influencers of an individual's attitude towards as well as the behavioural intention to make use of a said technology (Davis, 1989). Perceived usefulness is defined by Davis (1989) "the degree to which a person believes that using a particular system would enhance his or her job performance."

In line with social psychological reasoning, Venkatesh and Davis (2000) argued that subjective norm influenced perceived usefulness and behavioural intention and thus included the construct in the TAM2. Subjective norm – a factor in the Theory of Planned Behaviour, initially included to increase the predictive ability of the Theory of Reasoned Action, can be defined as an individual's perception that significant others are of the opinion that he should engage or refrain from engage in the behaviour in question (Fishbein & Azjen, 1975). The Technology Acceptance Model has been replicated, extended and employed in a plethora of different contexts throughout literature, but Schepers and Wetzels (2006) report that despite this, certain aspects remain speculative. One of these aspects is the employment of subjective norm – a construct that according to Schepers and Wetzels (2006), often has a 'mixed and inconclusive role'. The construct of Subjective Norm is included in the conceptual model (see Figure 1) to investigate whether it moderates the indirect relationship of perceived usefulness on intention, as depicted in the TAM and to move beyond its usual employment in empirical research as a direct influencer of behaviour.

FIGURE 1:
Conceptual model



The conceptual model depicted in Figure 1 was developed based on the literature review and the theoretical framework discussed. The following hypotheses were developed based on the conceptual model

H1: Perceived usefulness positively influences attitude

H2: Attitude has a positive influence on intention

H3: Perceived usefulness has a positive influence on intention.

H4: Attitude mediates the influence of perceived usefulness on intention so that the indirect effect is positive.

H5: Subjective norm moderates the influence of perceived usefulness on attitude such that the direct effect will be less pronounced.

H6: Subjective norm moderates the influence of perceived usefulness on intention so that the direct effect will be less pronounced.

H7: Subjective norm moderates the indirect influence of perceived usefulness on intention through attitude to the extent that the mediation effect will be less prominent.

METHODOLOGY

The study population comprised of university students, 18 years and older who did not own a smartwatch at the time of the study. A non-probability convenience sample of 326 respondents completed the self-administered questionnaire. Female respondents made up 66% of the sample and males 34%. The average age of the respondents was 21 years.

Data collection

A self-administered survey consisting of three sections was used to collect the data. To control for the possibility of respondents not having adequate smartwatch-related knowledge, images displaying its features and characteristics with descriptions were included in the questionnaire. To acquaint the respondents with the cost involved in purchasing a smartwatch, the monetary value of popular smartwatches was also included in the discussion of smartwatch features and characteristics.

The first section pertained to the demographic information of the respondents and the second section of the questionnaire contained images of smart watches as well as short descriptive paragraphs that provided insight into the functionality and characteristics of smart watches. Smartwatch-related statements – measured on 7-point likert scales – were included in the third section of the questionnaire to measure respondents’ perceptions about the constructs in the conceptual model.

Measurement

Fifteen items, adapted from previous studies were used to measure the four constructs in the conceptual model. The items used to measure the four factors are summarized in Table 1. A 7-point Likert scale (1=Strongly disagree; 7=Strongly agree) was used to measure each statement.

TABLE 1:

Items used to measure each factor

Intention to use a smartwatch Source: Wu, Wu and Chang (2016)	I am willing to use a smartwatch I am willing to use a smartwatch if I own one I am willing to let a smartwatch help me to perform different kinds of tasks
Attitude towards using a smartwatch Source: Wu, Wu and Chang (2016)	Using a smart watch will be a positive decision. Using a smart watch will be a smart decision to make. I have a positive impression towards using a smart watch. I will feel excited to purchase a smart watch. I will be happy to use a smart watch.
Perceived usefulness Source: Chuah, Rauschnabel, Krey, Nguyen, Ramayah and Lade (2016)	A smart watch will make my life more effective A smart watch will help me organise my life better Smart watches will increase my productivity
Subjective norm Source: Taylor and Tod (1995)	Most people who are important to me think that I should buy a smart watch. Most people who are important to me think that I should use a smart watch on a daily basis. The people who influence my decisions think that I should buy a smart watch. The people who influence my decisions think that I should use a smart watch on a daily basis.

Analysis

The measurement model was assessed for construct validity using an exploratory factor analysis (EFA) before the hypothesis were tested. The principal component analysis was selected as the method of factor analysis, as it was important to determine the minimum number of factors that would explain the maximum variance in the data regarding the respondents’ beliefs about the constructs included in the conceptual model. The direct oblimin

oblique rotation was used, considering that it was reasonable to expect that the factors would be correlated. Only factors with eigenvalues larger than 1.0 were retained in the analysis.

Before assessing the measurement model for construct validity, the internal consistency of each scale was assessed using Cronbach's coefficient alpha. An acceptable coefficient alpha is 0.7. After establishing internal consistency, the measurement items were assessed for convergent and discriminant validity. The fact that an item measuring a construct correlated highly with the additional items that were used to measure the same construct, indicated convergent validity. The measurement model also has discriminant validity in that an item used to measure a specific factor, only measured that specific factor and did not reflect in another factor in the measurement model.

SPSS macro, Process version 3.0. was used to test the mediation hypotheses. The recommendation of Shrout and Bolger (2002) and Zhao, Lynch and Chen (2010) to use the 95 percent bias corrected interval of each indirect effect was used to base the significance or non-significance of each of the indirect effects of the mediation hypotheses on. The index of moderated-mediation formed the underlying rationale for accepting or rejecting the moderated-mediation hypotheses, as it indicates that .

Results

Assessment of the measurement model

A total of four components (factors) were selected after oblique rotation. The four factors in total explained 80.331% of the variance in the data. In Table 2 below it is indicated that the Cronbach's coefficient alpha for each of the factors is above 0.7. The EFA results in Table 2 indicate that the items have high factor loadings on the same component along with other items included in the questionnaire to measure that specific factor. In addition, all of the factor loadings presented in Table 2 correlate highly with only one of the factors included in the questionnaire. Based on the evidence of both divergent and discriminant validity, the measurement model was found to have substantial construct validity to continue with the hypotheses testing.

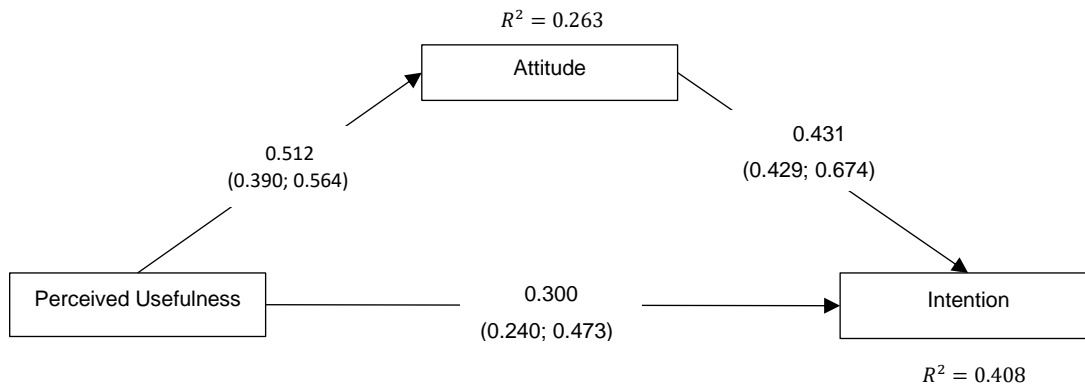
TABLE 2:
Measurement model results

	Component			
	1	2	3	4
ATT2	.890	.416	.442	.474
ATT3	.862	.369	.435	.502
ATT1	.848	.380	.317	.415
ATT4	.821	.447	.454	.481
ATT5	.816	.344	.467	.557
SN2	.469	.951	.255	.233
SN3	.419	.938	.323	.262
SN4	.441	.906	.332	.239
SN1	.378	.894	.256	.221
PU2	.428	.333	.919	.454
PU3	.446	.217	.908	.438
PU1	.440	.309	.858	.484
INT2	.498	.179	.432	.940
INT3	.529	.244	.486	.939
INT1	.531	.304	.490	.890
% of variance	47.582	16.152	9.219	7.378
Cronbach's alpha	.902	.942	.878	.912

Main effects results

The overall over all predictive accuracy of the model is good as 40.8% of the variance in Intention is explained by the tested model and all the tested relationships were in the expected direction and statistically significant. Attitude was found to have the strongest influence on Intention ($\beta=0.431$). These results serve as the rationale for accepting H1, H2 and H3.

FIGURE 2:
Main effects results



In parenthesis the 95% bias corrected interval (lower limit; upper limit)

Testing of the total effect, direct effect and indirect effect

The total effect and the direct as well as indirect effect is reported in Table 3 below. The total effect of Perceived Usefulness on Intention is 0.618 and statistically significant (95% bias-corrected confidence interval [0.507; 0.729]). The direct effect is 0.356 and statistically significant (95% bias-corrected confidence interval [0.240; 0.473]), while the indirect effect – also statistically significant – is 0.262 (95% bias-corrected confidence interval [0.184; 0.352]). It can thus be concluded that Attitude partially mediates the relationship between Perceived Usefulness and Intention.

TABLE 3:
Total effect, direct effect and indirect effect

	B	95% bias-corrected confidence interval	
		Lower limit	Upper limit
PU → Int (total effect)	0.618	0.507	0.729
PU → Int (direct effect)	0.356	0.240	0.473
PU → Int (indirect effect)	0.262	0.184	0.352

PU=Purchase Intention; INT=Intention

Testing of the mediation hypothesis

The result of the mediation hypothesis (H4) is reported in Table 4 below. The indirect effect of Perceived Usefulness on Intention through Attitude was positive and statistically significant. Therefore, H4 was accepted.

TABLE 4:
Mediation results

	B	95% bias-corrected confidence interval		Conclusion
		Lower limit	Upper limit	
PU → ATT → INT	0.262	0.184	0.352	H4 accepted

Testing of the moderation hypotheses

The ‘Subjective Norm x Perceived Usefulness’ interaction was statistically significant ($B = -0.089$, 95% bias-corrected confidence interval $[-0.143; -0.035]$), as well as the increase in R^2 ($\Delta R^2 = 0.020$, $F = 10.513$, $p = 0.001$). Simple-slopes analyses (depicted in Figure 3 below) indicated that when Subjective Norm was low (-1SD or 1,346), the influence of Perceived Usefulness on Attitude was 0.472 (95% bias-corrected confidence interval $[0.368; 0.575]$). When Subjective Norm increased to medium (at the mean or 2,791), the influence of Perceived Usefulness on Attitude decreased to 0.343 (95% bias-corrected confidence interval $[0.257; 0.429]$). High levels of Subjective Norm (+1SD or 4,235) decreased the influence of Perceived Usefulness on Attitude to 0.214 (95% bias-corrected confidence interval $[0,086; 0,0312]$). These results empirically prove that the influence of Perceived Usefulness on Attitude decreases as Subjective Norm increases. Additional analysis using the Johnson-Neyman technique (see Figure 4) showed that when Subjective Norm reached the exact point of 4.885 and higher, the influence of Perceived Usefulness on Attitude decreased and is not statistically significant. This results allowed for H5 to be accepted.

The ‘Subjective Norm x Perceived Usefulness’ did not have statistically significant influence on Intention and H6 was thus rejected.

FIGURE 3:
Simple slope analysis

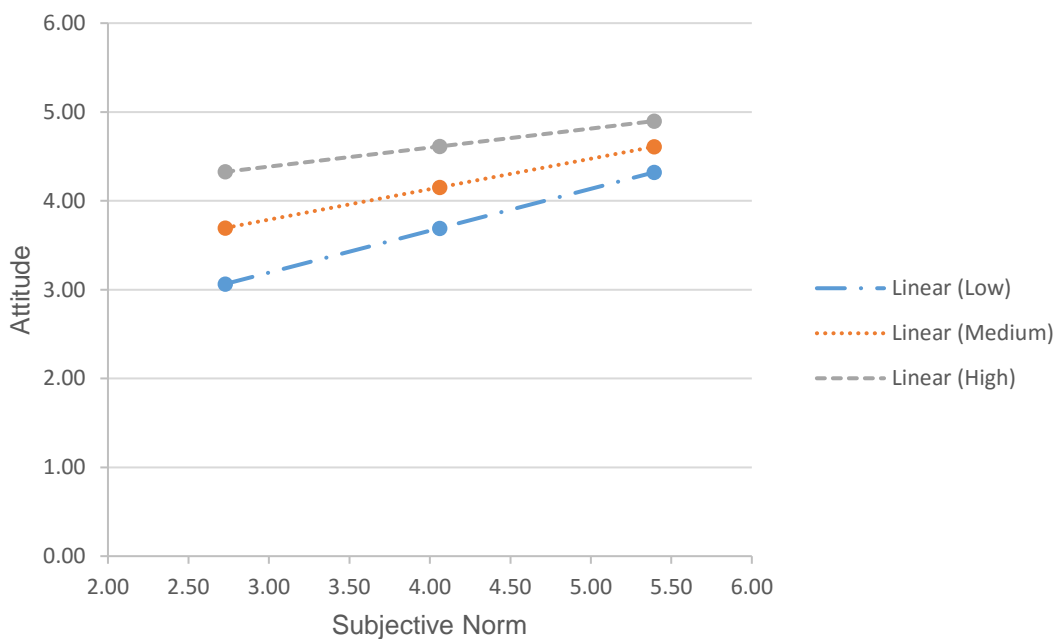
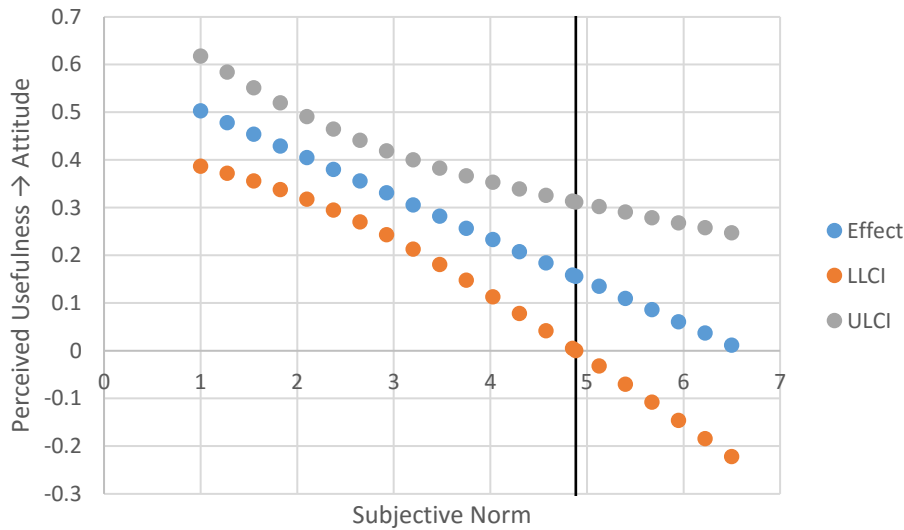


FIGURE 4:
Johnson-Neyman technique



Testing of the moderated-mediation hypothesis

The index of moderated-mediation for the indirect effect of Perceived Usefulness on Intention through Attitude, as a conditional effect of Subjective Norm, was statistically significant (0.356; 95% bias-corrected confidence interval [0.240; 0.473]). In Table 5 below the index of moderated mediation is reported. From the results in Table 5 it can be concluded that the indirect effect is a conditional effect of Subjective Norm.

TABLE 5:
Index of moderated-mediation

	Index	95% bias-corrected confidence interval	
		Lower limit	Upper limit
Subjective Norm	-.049	-.093	-.014

Results of the conditional indirect effects of conditional indirect effect are presented in Table 6. These results indicate that the indirect effect decreased from 0.259 to 0.118 as subjective norm increased.

TABLE 6:
Conditional indirect effect of perceived usefulness on intention at the values of subjective norm.

	Subjective Norm	Indirect effect	95% bias-corrected confidence interval	
			Lower limit	Upper limit
Attitude	Low	0.259	0.175	0.365
	Medium	0.188	0.123	0.274
	High	0.118	0.031	0.223

DISCUSSION

Findings

The aim of the study was to investigate whether subjective norm moderates the indirect influence of perceived usefulness on intention through attitude to the extent that the mediation effect will be less prominent. The results indicated that subjective norm indeed moderates this effect.

Practical managerial implications and recommendations

The results of this study indicated that the influence of Perceived Usefulness on Attitude decreases as Subjective Norm increases. Here, significant others' opinion of whether or not an individual should use a smartwatch ultimately matters more and weighs heavier than whether or not an individual actually perceives a smartwatch to be useful. This has direct implications for brand managers, marketers and retailers of smartwatches Schepers and Wetzels (2006) emphasize that word-of-mouth is what creates the subjective norm construct in a technology-adopting consumer market context.

Nowadays managers are well-aware that positive or negative word-of mouth can ultimately determine the success of a product such as smartwatches. It is recommended that smartwatch-related experiences should be created that stimulate conversation and generates positive word-of-mouth. The use-of brand ambassadors and product endorsers are powerful ways of generating positive word of mouth. Organisations can create a platform where consumers can actively use and review smartwatches. Partnering with health and wellness organisations, medical aids and insurance companies can be a significant way in which consumers can actively experience the brand and for positive word-of-mouth to be generated

CONCLUSION

Smartwatches are reported to be some of the most prominent devices in the wearable tech industry. Sales are reportedly expected to increase significantly over the next few years, but at the moment smartwatch adoption is still rather low among consumers. Empirical results indicated that Perceived Usefulness is no longer the key factor influencing smartwatch use-intention. Marketers and brand managers should utilize marketing strategies that allow for increased Word-of-Mouth as the usefulness of a technological device is now outweighed by the opinions consumers' peers and significant others.

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How non-financial shareholder activism influences companies' environmental, social and governance practices

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ABSTRACT

Shareholder activism aimed at influencing companies' environmental, social and governance (ESG) practices has become more widespread. Evidence on its impact is limited, however: notably, research is yet to uncover the conditions under which such shareholder interventions succeed, or how boards respond beyond such symbolic actions as disclosure. Furthermore, research in emerging markets is almost non-existent. This study investigates this phenomenon in the context of companies listed on the Johannesburg Stock Exchange, drawing on interviews with participants as well as media reports and company documentation from 2014 to May 2018. A new process model of the phenomenon is presented that details a broad range of shareholder interventions, and shows how their impact is moderated by a number of variables. A typology of directors' actions and concomitant outcomes is detailed, showing a feedback loop to the moderating factors. A set of ESG issues of interest to contemporary shareholders is also presented.

INTRODUCTION

Stern's 'Review of the Economics of Climate Change' (2006) exemplified the societal influences that have led to widespread re-thinking on how businesses might better manage their environmental and social impacts (The Economist, 2006; Sterner and Persson, 2008). Notorious governance failures at Worldcom and Enron (The Economist, 2002; Peregrine, 2016) likewise changed the mindsets of regulators and the public alike. However, the economic travails of the years of financial crises that followed constrained the efforts of managers and shareholders alike to focus on matters not directly related to financial performance (Bansal, Jiang and Jung, 2015). It is perhaps not surprising, therefore, that until recently the academic discourse on shareholder activism has been preoccupied primarily with how shareholders influence managers to enhance corporate financial performance (Denes,

Karpoff and McWilliams, 2015), albeit often through an insistence on corporate governance reform (Calluzzo and Dudley, 2015).

It is just as unsurprising that management decision-making on corporate environmental, social and governance (ESG) issues has often focused on building a financial business case for enhancing these aspects of non-financial performance, frequently using the broad terminology of 'sustainability' (Carroll and Shabana, 2010). The business case is not the only motivator, however, and it is certainly the case that the ethical stance taken by the company's board of directors may lead to the adoption of responsible ESG practices (Garvey 2003). Furthermore, there are external sources of influence that challenge company behaviour, such as government regulation of environmental discharges (Chang, Li and Lu, 2015).

Another major source of influence is derived from the ownership of the company itself (Chung and Talaulicar, 2010). Shareholders may elect to intervene in a variety of ways in an attempt to change a company's ESG performance. For instance, a shareholder campaign against fossil fuel extraction and use is currently gaining momentum (Le Page, 2017). It is this source of influence over company non-financial performance, shareholder activism, which this paper examines.

While the study of this source of influence commenced decades ago (Rutterford, 2012; Gillan and Starks 2015), shareholder activism is now exerting an increasing level of influence on company managers (McKinsey & Company, 2014). The bulk of this activism has been focused on improving companies' financial performance (O'Rourke 2003; Martin and Nisar, 2007; Schneider and Ryan, 2011). It is only in more recent years that non-financial aspects of company performance have come to attract the attention of more than just a few shareholder activists (Goranova and Ryan, 2014). The popular and business press, however, now regularly report on their activities (e.g. McKibben, 2015; Ziady, 2016; Crotty, 2017).

This non-financial activism is informed by increased levels of disclosure by companies (Hoff and Wood, 2008) in response to pressures to report on ESG performance in accordance with initiatives such as the Global Reporting Initiative (Alonso-Almeida, Llach and Marimon, 2013) and the Carbon Disclosure Project (Lee, Park and Klassen, 2015). It is both the increasing importance of non-financial shareholder activism and its dynamically changing nature that makes this a worthwhile and rewarding phenomenon to research. In this paper we therefore investigate the question of how shareholders can influence the ESG performance of the companies that they invest in. We do this by developing and analysing a data set made up of interviews that we conducted with a range of participants in this process of non-financial shareholder activism, as well as media reports and company documentation. We thereby contribute to the body of knowledge about this phenomenon by presenting a new process model of non-financial shareholder activism and detailing a typology of directors' actions and concomitant outcomes. We show how a feedback loop from these actions and outcomes affects factors that moderate the activism process, and we present a set of ESG issues of current interest to activist shareholders.

LITERATURE REVIEW

Four important literature reviews summarise what is known about this phenomenon. Sjöström (2008) was the first to systematically examine the body of academic knowledge analysing shareholder activism for corporate social responsibility. Viviers and Eccles (2012) reviewed the research carried out into socially responsible investment, a concept closely linked to our phenomenon of interest. Goranova and Ryan (2014) analysed research into non-financial shareholder activism (social shareholder activism, in their terminology) together with its older sibling, financial shareholder activism. Lastly, Cundill, Smart and Wilson (2018) reviewed the literature on shareholder activism aimed at influencing corporate environmental and social activism.

Collectively these reviews provide a rich description of what is known about non-financial shareholder activism. The incidence of such activism is on the rise (Goranova and Ryan, 2014), with religious groups being particularly active and non-governmental organisations (NGOs) and unions increasingly becoming involved (Sjöström, 2008). This is matched with a rapid increase in academic research in this area (Goranova and Ryan, 2014). In her systematic review, Sjöström (2008) reported just one relevant article published in the 1980s, two in the 1990s, but 31 in 2000-7. Crucially, the evidence of shareholders' ability to influence companies' performance is equivocal (Sjöström, 2008; Cundill *et al.*, 2018), and research into the processes of shareholder activism is scarce (Goranova and Ryan, 2014). It is evident, however, that non-financial shareholder interventions may be enabled by other actors such as the media or regulators, which may enhance managers' perceptions of these shareholders' salience (Cundill *et al.*, 2018).

These reviews also call for further research into certain aspects of this phenomenon. Existing research is largely focused on the USA and UK (Cundill *et al.*, 2018), with emerging markets being largely neglected, even those with such well-developed financial markets as South Africa (Sjöström, 2008; Viviers and Eccles, 2012). It is as yet unclear what ESG issues are of most interest to shareholders, as well as the ways in which shareholders may want companies to change their non-financial performance (Sjöström, 2008; Viviers and Eccles, 2012). The effect of activist characteristics on the influencing process warrants further investigation, as does the environment within which this process takes place (Viviers and Eccles, 2012; Goranova and Ryan, 2014). The conditions under which companies may elect to take pre-emptive action to protect themselves from such activism have yet to be explored (Cundill *et al.*, 2018). Finally, there is still little understanding of the impact of non-financial activism, both at the level of the company and of society (Sjöström, 2008; Viviers and Eccles, 2012). As we shall discuss later, our study responds to this agenda by offering insights into each of these interesting areas.

RESEARCH OBJECTIVES AND METHOD

Our overarching research question is: how can shareholders influence the ESG-related performance of the companies they invest in? In order to explore this, five subsidiary questions were investigated:

1. What ESG-related issues are of interest to shareholders?
2. What interventions do shareholders deploy when attempting to exert influence over companies?
3. What factors moderate the influence that shareholders can exert?
4. How do managerial actions affect these moderating factors?
5. What are the outcomes of these shareholder influencing attempts?

This research was carried out in the context of companies listed on the Johannesburg Stock Exchange (JSE). This answers the call, noted above, for investigatory work in emerging markets. Further, since South Africa has deep capital markets, well-developed legislative regimes and a vibrant civil society (du Plessis, 2016; UNEP FI, 2007), the results of this research should translate comparatively easily to situations in developed markets.

The primary source of data was a series of 42 interviews that were conducted with 36 subjects, beginning in 2014 and with the last being in May 2018. The interviews were carried out using a semi-structured protocol. Base sets of questions were prepared ahead of the interviews and were tailored to suit the role of the person being interviewed. Where practicable the interviews

were recorded and transcribed, and in other cases detailed notes were made. Several subjects were interviewed more than once, usually to ask further questions on topics that developed in interest during the research process. There was also a range of email correspondence with certain of these interviewees for follow-up purposes and to explore new issues.

The interview subjects were selected based on their falling into one of three main groupings. The first, 'shareholders', was made up of a selection of individual shareholder activists and of asset managers, some of whom engaged in non-financial activism, and some of whom didn't. The second was a group of actors ('enablers', in the terminology of Cundill *et al.* (2018)) who can be conceptualised as parts of the ecosystem within which this activism takes place. They were drawn from NGOs, legal firms, consultants, regulatory bodies, the academy and the media. The third group was composed of company managers. The majority of these were drawn from a single firm to obtain a range of managerial perspectives within a defined context. Additional interviews were then carried out with managers from other companies to reduce the possibility of idiosyncratic findings as a result of focusing on a single company's managers.

An extensive collection of media reports was assembled to inform the data collection and analysis process. While naturally subject to the distortions common to secondary sources (Adams, Smart and Huff, 2017), they provided useful background material and suggested potential interview subjects and topics to probe. Relevant company documentation, where available, was also reviewed. The interview data, together with selected documentary artefacts and media reports, was then imported into NVivo, a computer-assisted qualitative data analysis software program.

Following Saldaña's (2013) advice, coding of the data commenced shortly after data acquisition commenced, and a research journal was kept allowing for reflection on what was being learnt. We followed an eclectic approach to coding. Contextual factors were coded by their attributes. A provisional coding scheme was established based on the process model found in Cundill *et al.* (2018), while remaining cognisant of the risks associated with such an approach (i.e. finding only what one is looking for). An elaborative coding regime was then developed to describe the new insights that were on display in the empirical data that we were analysing (Auerbach and Silverstein, 2003). This very different final code book led to the development of the new process model that will be described below.

RESULTS AND DISCUSSION

ESG issues of interest to shareholders

It's appropriate to first specify what non-financial performance issues appear in the data, and Table 1 provides an indication of the main topics that seemed to be of interest to shareholders in the course of carrying out this research. These issues have been classified as environmental, social and governance in nature, and the impact commonly associated with each of these issues is included in the table, as this usually provides an indication as to why the issue may be of interest to a shareholder activist.

TABLE 1:

ESG issues of interest to shareholders

Classification	Issue	Impact
Environmental		
	Regulatory non-compliance	Risk of prosecution; fines; damage to reputation
	Fossil fuel use	Climate change
	Greenhouse gas emissions	Climate change

	Groundwater	Contamination
	Animal welfare	Unnecessary cruelty to animals
Social		
	Equal employment opportunities	Unfair discrimination
	Employee relations	Strike risk
	Black equity ownership	Transformation (of economy and society)
	Broad-based black economic empowerment	Transformation (of economy and society)
	Occupational safety	Employee safety
	Dust from operations	Nuisance to communities; respiratory disorders
	Community resettlement	Community housing quality and availability of facilities
	Compliance with National Credit Act	Consumer indebtedness
	Food safety	Customer health
	Tobacco	Lung cancer; other health issues
	Fast food and sugar	Obesity; other health issues
	Remuneration policy	Societal inequality
Governance		
	Remuneration policy	Managerial performance incentivised and rewarded
	Corporate reporting	Transparency
	Auditor selection and rotation	Credibility of corporate reporting
	Meeting attendance by directors	Discharging of fiduciary duties
	Control structures	Shareholder rights
	Character of leaders	Integrity of governance approach
	Regulatory environment	Shareholder rights

There is of course some permeability in the boundaries between these classifications since, by way of example, an environmental issue such as groundwater contamination can result in a social impact if drinking water is poisoned. Some issues can correctly appear in more than one classification: remuneration policies are typically regarded as a governance issue, but they certainly also have social impacts as well (Viviers, 2015). We found that this ambiguity can also extend to the motivations of the shareholder. An activist that we interviewed focuses primarily on governance issues, but saw himself as working for ‘a better society’.

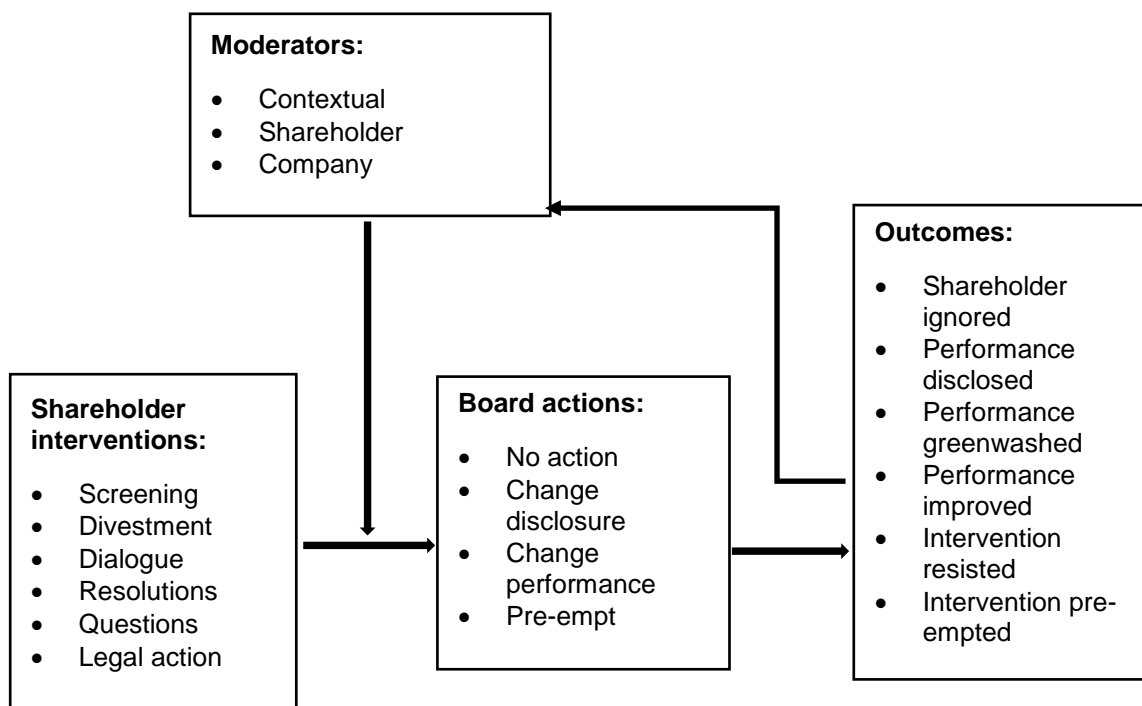
This table does is not an exhaustive list of ESG-related issues in the South African context—as proof of this, Viviers’ (2016) analysis of the interests of a single shareholder activist identified other issues such as the management of HIV-related concerns. What it does offer, however, is evidence that South African company directors should be prepared to be engaged by shareholder activists on a wide range of non-financial issues, and provides guidance on the main ESG issues currently of interest to such activists.

A process model of shareholder influence

We now present a new process model of non-financial shareholder activism (Figure 1). Shareholders attempt to exert influence over company boards by means of one or more interventions available to them. (There are of course actors other than boards of directors that take actions within companies, but the institutional processes within companies are not the focus of this study. South African law states that ‘the business and affairs of a company must be managed by or under the direction of its board’ (Companies Act 71 of 2008), suggesting that this model is not overly simplified). Moderating factors affect the operation of these interventions. Company boards take action as a result of these interventions, leading to a range of possible outcomes. Certain of these outcomes may result in a feedback effect, impacting upon the moderating factors that in turn affect shareholder interventions. We now explain these interventions, moderating factors, board actions and outcomes on the basis of our empirical data.

FIGURE 1

A process model of non-financial shareholder activism



Shareholder interventions

Our data analysis revealed six interventions that shareholders are using to exert influence over company managers. Screening and divestment, while sometimes disregarded by academic researchers as forms of shareholder activism (*vide* Sjöström, 2008), are both deployed within the South African context, albeit to a limited extent. Divestment tends to be a last resort when other attempts at engagement have failed.

TABLE 2**Shareholder interventions**

Intervention	Context	Example
Screening (positive and negative)	The market	The now defunct NedBank BGreen exchange traded fund, which screened based on the Carbon Disclosure Project and Clean Development Mechanism databases.
Divestment	The market	A retail investor selling shares in Steinhoff International Holdings N.V. due to concerns about governance after German authorities raided the company's offices.
Dialogue	Usually in private	An investment asset manager meeting with the chairman of a company's Social and Ethics Committee to discuss an environmental issue that's of concern.
Submitting and voting on resolutions	General meetings	An environmental NGO's unsuccessful attempt to submit a resolution about air emissions for a company's AGM.
Asking questions of directors	General meetings	An asset manager asking whether a holding company was using its position to push for improved environmental and social performance.
Legal action	The courts or other regulatory forums	Dave Woollam's application to the Cape High Court to have four directors of Lewis Stores declared delinquent alleging, <i>inter alia</i> , corporate governance failures.

Dialogue between shareholders and managers, usually but not always taking place in private, and the submitting of and voting on shareholder resolutions in general meetings are probably the most widely recognised forms of shareholder activism. These mechanisms may be deployed sequentially, as was evident at the Steinhoff International Holdings N.V. annual general meeting of 20 April 2018. Shareholders engaged in dialogue with directors to warn them ahead of time of their voting intentions, with the result that a resolution was removed from the agenda.

One intervention that appears remarkably prominent in the South African context is that of asking questions at general meetings; remarkable in that it appears that the international academic literature is largely silent when it comes to this intervention. The questions asked in these meetings by shareholder activists feature prominently in the South African press, particularly when deployed by such proponents of this approach as Chris Logan (Hasenfuss, 2014), Dave Woollam (Laing, 2016) and Theo Botha (this last the subject of recent research: Viviers, 2016).

Another intervention that is now being used in South Africa and that is also largely absent from the academic literature on non-financial shareholder activism is legal action. The Companies Act 71 of 2008, usually referred to as 'the New Companies Act', strengthened the rights of shareholders in South Africa. Although legal action carries both costs and risks, it is now increasingly being used by non-financial shareholder activists, particularly in the area of governance (e.g. Crotty, 2016).

Factors that moderate shareholder influence

Nine significant factors that moderate the impact of shareholder interventions have become apparent during the data analysis phase of this research. Four of these relate to the context within which the activism takes place, two relate to the shareholder, and three to the respective company. As we will now explain, these moderators may serve to either enhance the salience of shareholder interventions, or detract from them.

TABLE 3:

Moderators of shareholder influence

Type	Moderators	Exemplar quotations
Contextual	Shareholders' rights	'People start to realise we have rights here, this has been proven. More people can do that, more of us can stand up', explained a shareholder activist.
	Regulator effectiveness	'Absolutely useless, useless! I don't rely on any regulators for anything', asserted a shareholder activist.
	Market depth	'I think it comes down to market size, how many shares are listed on the JSE, and, also, I think it comes down to how much you can actually buy, what shares you can actually buy', was the view of a portfolio manager.
	Media vigour	'Perhaps there just aren't enough of them. . . . There are maybe five financial journalists that are actively engaged in the market and really pay attention', reflected an attorney acting on behalf of shareholder activists.
Shareholder	Shareholding size	'We were a very small fund. . . . So the first thing would be, who are these little people?' pointed out an ex-asset manager.
	Shareholder resources	'Unfortunately, having to fight these fights costs money . . . and it doesn't only cost money, it costs a tremendous amount of time. I don't think people really know how much time this takes', said a shareholder activist.
Company	Company financial performance	'People are wanting us to be politically correct. I'm sick and tired of people nitpicking when we are producing superior returns,' grumbled a company chairman.
	Company ESG performance	'Keep us just on the back of the curve', said a chief executive when the company's performance in the Carbon Disclosure Project deteriorated. 'Not a leader, but not falling off the back either'.
	Managerial values	'They have pretty thick skins and that has been proven' pointed out a shareholder activist.

The first moderator is that of shareholder rights. These are determined primarily by the legislation governing companies, and secondarily by the company's memorandum of incorporation. The 'new Companies Act' has now strengthened the hand of South African shareholders, providing remedies that were not previously available. While some of these, such as appraisal rights, apply primarily to financial shareholder activism, making shareholder rights explicit within the governing legislation enables shareholders to fall back on specific sections of the Act when subjected to intimidatory tactics by board chairmen.

The second moderator is the degree of effectiveness of the regulators tasked with, *inter alia*, defending shareholders' rights. An energetic and focused regulator that a shareholder can rely upon to act promptly can make it difficult for a board wishing to ignore a shareholder intervention. Supine regulators, by contrast, may lead to a culture of impunity within company boards, who may believe they have little to fear should they neglect to uphold the rights of the company's activist shareholders.

Market depth is a moderator that acts primarily upon the interventions of screening and divestment. If the stock market has only a single technology company listed, a shareholder cannot follow a 'best-of-breed' approach to screening out companies with inferior ESG performance, and likewise cannot divest from such a company without losing exposure to the sector as a whole.

The media, both traditional and social, can have a major moderating effect on non-financial shareholder activism. Some shareholders may choose not to make use of the media, particularly if they are able to exert influence through private and confidential dialogue. Others,

however, would subscribe to the view that ‘it’s always useful to have a [name withheld] in your pocket, so that when . . . a company tells you to go get stuffed . . . it’s fantastic, you just have [name withheld] write about it, and then, boof [sic], there you’ve got your publicity’. A lack of relevant expertise within media houses may, however, mean that the more complex forms of shareholder interventions are not reported on.

There are shareholder characteristics that also serve as moderators of the activism process. One intuitive case is that of the size of shareholding that is held in the company: the greater the shareholding, the greater the perceived power and legitimacy of that shareholder in the eyes of the board. The second is more nuanced, and relates to the resources of the shareholder. The resources which seem to matter are time, money, courage and knowledge. Time, because the interventions of dialogue, resolutions, asking questions and instituting legal action usually require a substantial amount of work by the activist. Money is a particularly important resource in the event that the course of legal action is chosen. Courage was often mentioned by interviewees who had faced bully tactics in controversies with directors. Expertise was seen as crucial, since if the activist does not have a clear understanding of how to deploy the available interventions the desired result is unlikely.

Certain company characteristics also serve as moderators of this process. Exemplary financial performance by the company can lead to a feeling of invincibility within company boards. ‘If you don’t like us, someone else will’ may be heard by a shareholder who is trying to explain to a director why they believe the company should enhance its ESG practices. This weakens the power that the screening and divestment interventions have to effect change.

Company ESG performance plays a more nuanced role. Some company leaders choose to stay ‘below the radar’ of non-financial activists. By avoiding the publicity that leaders in ESG performance may enjoy as well as the notoriety that may accrue to laggards they are able to maintain a degree of anonymity within a pack of other companies.

The last moderator is a function of the kind of people that are directors of that company. Where directors are sensitive to the opinion of the public and their peers, the ‘scandalisation factor’ can be a powerful influence over their behaviour. Those directors that are seemingly impervious to this can be difficult to influence through interventions such as asking questions at AGMs. In such cases, an activist observed, ‘I think the only way you make those people sit up and listen is when you stand up for your legal rights’, and follow the route of legal action.

Outcomes

There is a plethora of outcomes that shareholder activists may seek, and we have described in Table 1 a range of issues in which non-financial shareholders may be interested. The academic literature on non-financial shareholder activism has thus far not critically examined the range of potential outcomes of this process (Cundill *et al.*, 2018). The empirical data from our research, however, has allowed us to develop a typology of these outcomes (Table 4) that goes beyond the usual focus on company disclosures (cf. Marshall, Brown and Plumlee, 2007).

TABLE 4:**Board actions and outcomes of shareholder activism**

Board action	Outcome	Exemplar quotations
Do nothing	Shareholder ignored	'No matter what issue you raise, if it's a contentious issue, environmental, or social, or whatever, I think they'll give you a stock response and then, if you bother to say I don't like your stock response, I think it's not good enough, they will just ignore you', said a shareholder activist.
Deal with ESG disclosure	Performance disclosed	'What typically happened was the disclosure got really good, but there was no marked improvement in performance' said a consultant, referring to the impact of the Carbon Disclosure Project.
	Performance greenwashed	'If you look at their bottom-line or triple bottom-line reporting, it's just dull. There's nothing there. And they don't even write them themselves. . . This is, as far as I'm concerned, florid platitudes', said an attorney acting on behalf of shareholder activists.
Deal with ESG performance	Performance improved	'There were certain small issues that we would win on, like re-election, we completely shifted that. The different share classes and not allowing high-voting classes to vote on the changes in capital on lower-voting classes but more widely held shares. So I think we won those', explained an ex-asset manager.
	Performance improvement resisted	'At first, if we go, there might be a bit of hostility, if you like, why are you interfering with our business? Go away', said an engagement manager.
Pre-emption	Shareholder action diverted	I think [the company's] perception is that belonging to the SRI would have some impact on our reputation out there . . . and maybe in the future investors might . . .', mused a senior environmental manager about the JSE's Socially Responsible Investment Index.

First, and very commonly, the board may decide to do nothing, and ignore shareholder attempts at influence, deeming their efforts immaterial to the company. A second and also frequently seen response is for the board to decide that changes need to be made to the level and manner of disclosure that it provides about the company's activities. This may be done in a positive way that involves increased transparency, displaying not only the company's virtues but also the less satisfactory parts of the company's ESG performance. Alternatively, the well-developed techniques of the spin doctor may be deployed, and a misleading picture of the company's performance portrayed to external stakeholders. The degree of this spin may vary, ranging from highlighting the good and downplaying the bad, to the propagation of blatant untruths.

The third possible response is for the board to consider making changes to the company's ESG performance. This too may be done in a positive way, with the board deciding that the company's practices need to change at least partially in line with shareholder expectations, and implementing the necessary actions to achieve this. Alternatively, the board may decide that the company's performance should not change, and that the efforts of shareholder activists should be resisted by, for example, priming a journalist to write an article approving of the company's practices.

The last course of action that a board may follow is one of pre-emption. Boards dealing with company ESG disclosure and performance have been described above in the context of a reaction as a result of the intervention of a shareholder activist. However, a board may well see shareholders targeting a peer company, and may then act to avoid its own shareholders following a similar course. One surprising example of this relates to the JSE's Socially

Responsible Investment Index. Unlike what has happened in other jurisdictions, the development and adoption of this index was driven largely by companies wishing to display their virtue, rather than institutional investors wishing companies to become more responsible.

Feedback loops

The academic literature has typically portrayed non-financial shareholder activism as an essentially linear process, moving from antecedents to outcomes via shareholder and managerial actions (Goranova and Ryan, 2014; Cundill *et al.*, 2018). We found, however, that at least some of the boards' actions find themselves in a feedback loop that runs back to the moderating factors described earlier. In two cases this is obvious: first, when boards choose the path of resistance. For this choice to have its desired effect, it must of course impact upon the shareholder intervention process. An example of this may be an influential chairman threatening to resign because of pressure from an asset manager, leading to pressure in turn from other asset managers and pension funds being brought to bear upon the asset manager to bring him to heel. The second case is that of pre-emption, described above, that likewise would have no purpose if it wasn't aimed at reducing the likelihood and the impact of shareholders intervening.

Yet the data show other examples of feedback loops that are not so obvious, and may in some cases be counter-intuitive. The decision to ignore a shareholder seems on the face of it to be a null result: the shareholder has attempted to influence the company's ESG performance, but has failed to do so, and so things are back to where they started. This is not necessarily the case, however, since if other boards have witnessed the failed attempt they may be emboldened to follow the same approach. In this way norms of behaviour, in this case of proving recalcitrant to shareholder demands, may be developed and reinforced.

The matter of disclosure is more nuanced. A board that chooses to increase disclosure of the company's performance may strengthen an activist's hand by reducing the information asymmetry between itself and the activist. The shareholder may then be able to target his efforts more accurately and to greater effect. A greenwashing strategy, by way of contrast, may make the shareholder's life more difficult. The company may be able to enhance its reputation in the eyes of other stakeholders, whether these be regulators, civil society or the general public, simultaneously reducing the legitimacy of the shareholder's demands.

Paradoxically, an improvement in company performance may reduce the salience of shareholder interventions in the eyes of the board. If the company can point to a track record of improving performance, it may be able to portray the attempted interventions by shareholders as unrealistic and therefore illegitimate, or at the least reduce their perceived urgency.

CONCLUSION

This paper contributes in several ways to the body of academic literature focused on non-financial shareholder activism, responding to the agenda proposed by other researchers that was described in the literature review section above. First, the study was carried out in the under-researched context of an emerging market. Second, it provides a data set of ESG issues currently of interest to shareholders in this market. Third, it offers a new process model of non-financial shareholder activism that details a broad range of shareholder interventions, and showing how these are affected by specified moderators. Fourth, a typology of directors' actions and concomitant outcomes is detailed. Fifth, the presence of a feedback loop to the moderating factors including pre-emptive and reactive actions is explained.

Practitioner implications

Shareholders wishing to exert influence upon corporate ESG performance naturally wish their efforts to be rewarded with as much success as possible. Our research facilitates this first by alerting non-financial shareholder activists to the array of moderators that may enhance or detract from the efficacy of their interventions. Second, we sensitise them to the range of possible outcomes of their activism, helping them to discern whether companies have in fact met their expectations.

Company boards should of course always be cognisant of the general environment within which the company is operating, but our research shows that there is a need to understand exactly what pressures non-financial shareholders may bring to bear on the company. This will enhance directors' ability to decide whether pre-emptive measures are appropriate, as well as what actions would be most advantageous to the company and its stakeholders if it becomes the object of such activism.

Research directions

Three directions stand out as offering the potential to reward more detailed exploration. The first is those factors that moderate the shareholder intervention process; it would be worth examining these in more detail to see how they may differ from the factors that moderate the related phenomenon of financial shareholder activism. The second would be to unpack further the largely opaque process of decision-making by directors and other actors within companies that are engaged by non-financial shareholder activists. The third would involve exploring how boards can respond to shareholder influencing attempts in ways that do not detract from the claims of the company's other stakeholders.

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Private sector impact investing in water purification infrastructure: is there a moral dilemma?

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ABSTRACT

The Human Rights Council Resolution 27/7 of September 2014 entitles every human, without discrimination, to have “access to sufficient, safe, acceptable, physically accessible and affordable water for personal and domestic use and to have physical and affordable access to sanitation, in all spheres of life, that is safe, hygienic, secure, socially and culturally acceptable and that provides privacy and ensures dignity”. The primary responsibility for fulfilling this basic human right lies with a country’s government. In South Africa, as elsewhere in the developing world, the government has not been able to do so for a number of years (Department of Water and Sanitation, 2014). Private sector investment has thus become vital (Ruiters and Matji, 2016) and tends to centre on the provision of water purification infrastructure.

Concerns have, however, been raised about the moral acceptability of seeking a return when providing a basic human right (Koppenjan and Enserink; 2009; Davis, 2005; Lee and Floris, 2003). Given limited academic research on the apparent moral dilemma, the researchers set out to gauge the views of carefully selected local experts. Semi-structured personal interviews were conducted with eight impact investors, five other role players in the impact investment market and seven experts in the water provision process. The interviews were audio-recorded and professionally transcribed. Conventional deductive content analysis was used to identify common and opposing responses.

Contrary to what the literature suggests, 17 of the 20 participants felt that there was nothing wrong with earning a return on a water purification infrastructure investment. The lack of a moral dilemma stems from the fact that South Africa is a capitalist economy. The interviewees did, however, state that individuals should not be denied access to potable water if they cannot afford it. The remaining three interviewees did not answer the question.

Several participants pointed to an expectation that has been created by government. Given that every South African citizen has the right to sufficient water of acceptable quality (The Bill of Rights in the South African Constitution, 1996), six kilolitres of potable water is provided free of charge per household per month. One interviewee indicated that households could live on far less than that in a month. “This expectation among South African citizens creates a perception that they should not be charged for water at all”.

One participant stressed that the provision of potable water is more sensitive than the delivery of other basic human rights. “Electricity supply, for example, can be cut off if the household fails to pay for it because there are alternative options. Water, however, cannot be refused as it is essential to everyday life”. This impact investor aptly concluded that “acceptable access to water will always be regulated and complicated”.

The empirical findings suggest that a moral dilemma will only occur if private sector investors overcharge consumers when providing them with much needed water purification infrastructure. The difficulty, however, lies in trying to establish an affordable price. This challenge is particularly complex in South Africa given citizens’ expectations.

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Determining the impact of supplier environmental adaption, supplier development support and supplier conflict resolution on supplier performance

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ABSTRACT

Supplier performance is a critical issue worldwide because it influences business performance and revenue. The main objective of the study is to analyse the impact of supplier development support, environmental adaptation and supplier conflict resolution on supplier performance. This attention, stem from the need to manage efficacy in Small and Medium Enterprises in the Gauteng province. Descriptive statistics were analysed using the Statistical Packages for Social Sciences (SPSS version 24.0) software. A confirmatory factor analysis (CFA) was conducted to determine the psychometric properties of the measurement scales. Hypotheses statements and relationships were tested using structural equation modelling (SEM), which demonstrates and tests any theoretical linkages of a proposed study and significance of the relationship between the constructs. Both the CFA and SEM techniques were achieved using AMOS 24.0 software. The results of the study showed a positive relationship between the research variables. Recommendations and future research directions are provided at the end of the paper.

INTRODUCTION

The existing literature seems to show that supplier environment adaptation, supplier development support and supplier conflict resolution contribute to supplier performance in small and medium enterprises (SMEs) in the Gauteng province. The role and importance of supplier management has received much attention from both academics and practitioners (Chuah, Wong, Ramayah & Jantan 2010; Teller, Kotzab, Grant & Holweg 2016; Yawar & Seuring 2018).

SMEs are facing some challenges in terms of vetting and selecting suppliers that perform excellently in the market. A lot has been written concerning the issues of suppliers in the

developed world but to the best of the researchers' knowledge, little has been done or written concerning the issue of suppliers in the developing world, let alone South Africa. Therefore, this study seeks to scrutinise this research gap because suppliers are important for the smooth functioning of SMEs as they contribute to the gross domestic product (GDP) of South Africa.

From 1960 to 1985, there was increasing competition from Japan with its growing reputation for high quality products and a different management style. Ultimately, this led to panic as United States executives started to lose market shares worldwide (Louise & Stuart, 2000; Chang, Chiang & Pai, 2012). The Japanese developed an efficient supply chain management approach, which builds on the synergy advantages of materials management and expands the strategy to include suppliers at the planning and design stage in a partnership atmosphere (Dequiedt & Martimort, 2004). According to Spekman and Carraway (2006), this collaborative supply-chain relationship helped the Japanese firms to reach 140 percent greater output per worker, lowered inventory by 25 percent and achieved 50 percent fewer defects than competitors did. During this time, just in time (JIT), which was made possible by total quality management (TQM), improvement of transportation networks and cycle time reduction also became mandatory. According to Wagner (2006) and Hanninen and Karjaluoto (2017), supplier development is a long-term cooperative effort between a buying firm and its suppliers to upgrade the suppliers' technical, quality, delivery and cost capabilities and to foster ongoing improvement.

The focus is now on a long-term relationship based on a trust or win-win negotiation philosophy and sharing of confidential information. The individual organisation became more proactive and strategic and moved from exchange thinking to a long-term relationship. The buying organisations then took the initiative to obtain supplying organisation support and involvement in a variety of projects to reduce procurement cost, gain competitive advantage and improve performance. The long-term relationship has moved from procurement of supplies to managing the supply chain networks. Supply chain networks relate to the way in which materials processes are managed within the company. It also relates to the way in which the external materials processes are managed (Van Weele, 2010:205). The research aims to examine the relationship between supplier environment adaptation and supplier performance, explore the relationship between supplier development support and supplier performance and, last but not least, determine the extent of the relationship between supplier conflict resolution and supplier performance. This research's overall objective is to scrutinise the extent to which supplier development support, supplier environmental adaptation and supplier conflict resolution enhance supplier performance in SMEs in Gauteng province.

LITERATURE REVIEW

Supplier Development Support

The interdependency of SMEs is increasing due to the growing volume and variety of outsourcing activities, which is now aided by advancement of information technology and communications globally (Zhu, Ng, Wang & Zhao, 2017; Rosar, 2017; Gunasekaran, Subramanian & Papadopoulos, 2017). To survive the emergent level of business complexity, disruptions and the new forms of competition with shorter product life cycles, SMEs harness strategic decisions to focus on core competence and collaborate with outside suppliers for supply (Chen & Xiao, 2015; Bals & Turkulainen, 2017). However, to improve product quality and service performance over time and enable the buying organisation to benefit from low cost purchases, supplier development support decisions has become a strategic tool for competitive performance (Chavhan, Mahajan & Sarang, 2017; Saranga, George, Beine & Arnold, 2018).

Supply development support is defined as any effort undertaken by the buying organisation to improve the performance, skill and capabilities of existing suppliers (Yawar & Seuring, 2018). Drawing from materials management theory, supplier development was started by Toyota, Nissan and Honda in 1930. These companies believed that buying organisations should work together with suppliers to improve collective performance effectively, which makes sense. However, over the years, academics together with practitioners have developed a supplier support process model to aid skills, capacity and competitive performance effectively (Kraus, 1999; Glock, Grosse & Ries, 2017). The procedure for initiating supplier development includes identifying critical commodities and critical suppliers for development through benchmarking and Pareto analysis. It can also be achieved (supplier development) through cross-functional development teams, meeting with the supplier's management team, identifying opportunities and probability for improvement, defining the key metrics and cost-sharing mechanisms, reaching agreements on key projects and joint resource requirements, monitoring the status of projects and modifying strategies as appropriate (Monczka, Hndfield, Giunipero, Patterson & Waters, 2010:231-232). Therefore, the need for supplier development support is to improve supplier performance through significant benefit in product quality, product development and visibility as well as lower operating costs (Pradhan & Routroy, 2018; Morita, Machuca, Pérez Díez de los Ríos, 2018). Hence the proposed hypothesis that:

H1: Supplier development support can impact positively on supplier performance if managed effectively.

Supplier Environmental Adaptation

Customer value creation in the emergent global competitive environment has received great attention from researchers and practitioners alike (Kähkönen & Lintukangas, 2012; Brandenburg, 2016; Liao, Hu & Din, 2017). Accordingly, organisations in the 21st century are expected to implement environmental management strategies for sustainability (Winter & Lasch, 2016). Competitively, most organisations especially the larger organisations through enhanced resource productivity, product differentiation and cost savings strategies have achieved effective value creation and customer satisfaction while innovatively adapting to environmental changes and uncertainties (Liao, Marsillac, Johnson & Liao, 2011). Adaptation according to Hegberg-Andersson and Gronhaug (2010) refers to a change or an adjustment to existing product or service because of supply uncertainty and external environmental pressures.

According to Fink, Edelman and Hatten (2007) and Mani, Gunasekaran and Delgado (2018), the development of environmentally sound purchasing strategies, which include the use of recycled materials, proper disposal of waste, air pollution, carbon dioxide emissions and reusing materials determine supplier's performance over time. This is because the development of supplier environmental adaption policies governs supplier's compliance to environmental issues from the acquisition of raw materials through to the distribution of final products to enhance quality standard and performance (Jiang, 2009; Roden & Lawson, 2014; Tate, Ellram & Dooley, 2014). According to Preuss (2001), the process of being innovative to external pressure such as environmental adaptation issues, can lead to improved process and improved value of product to customers and, thereby, develop supplier performance (Murfield & Tate 2017).

However, apart from environmental adaptation, there are other external environmental changes that buyer-supplier in a collaborative relationship need to adapt to for improved performance and surviving, for example, adapting to changes in customer demands, technological innovation, market instability and economic crises (Wong, Lai & Ngai, 2009; Huang, Yen & Liu, 2014; Schmitt & Klärner, 2015). According to Murfield and Esper (2016), buyer-supplier relationship

performance is influenced by the extent to which they are able to adapt quickly to external environmental changes and uncertainties. Therefore, the hypothesis stating that:

H2: Supplier environmental adaptation can impact positively on supplier performance.

Supplier Conflict Resolution

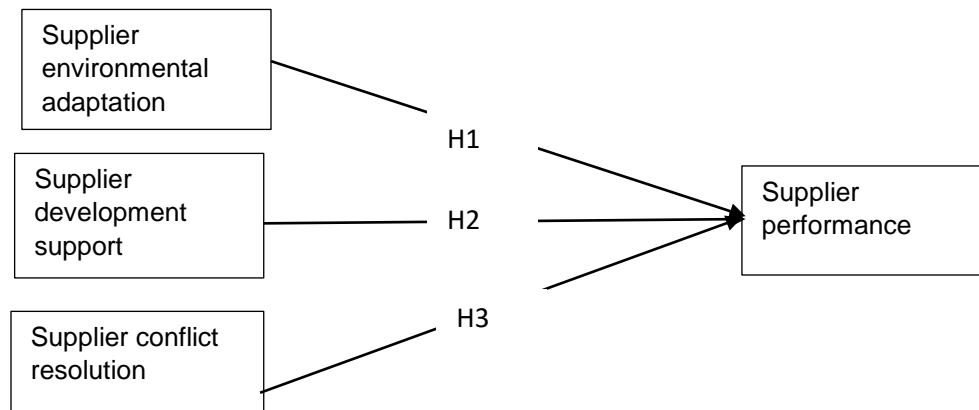
Yang, Gao, Li, Shen and Zheng (2017) define relationship conflict as the tension between two or more entities, which arises from the incompatibility of actual or desired responses. According to the Chartered Institute of Purchasing and Supply (CIPS), “conflict arises when buyer-supplier disagree over values, motivations, perceptions or ideas and hence conflict resolution is needed when agreement cannot be reached and is used to facilitate peaceful outcome”. Conflict can cause harm and disruption to both the business relationships and operations to dissatisfying customers if not managed effectively and can also enhance or build a strong relationship if strategically resolved peacefully (Ellegaard & Andersen 2015; Gounaris, Chatzipanagiotou, Boukis & Perks 2016; Song & Sakao 2016; Lacity & Willcocks 2017). Mistakes in product quality, service quality and delivery reliability could result in serious conflict. However, it is believed that during the contractual agreement, having or developing a shared understanding of the objectives and expectations of both parties is essential to eliminate conflict between the suppliers and the SMEs.

According to Bai, Sheng and Li (2016); Yang *et al.*, (2017), due to the complex areas involved in buyer-supplier relationships, which are based on providers' capabilities and performance, there is therefore a need for the establishment of appropriate conflict management based on mutual trust, relational governance and respect that is aimed at developing and maintaining business relationships. These conflict management strategies may include statements about “treating supplier fairly with integrity, supporting and developing those suppliers that work to improve quality, delivery, cost and other performance criteria, providing prompt payment to suppliers, encouraging suppliers to submit innovative ideas with joint sharing of benefits, developing open communication channels, telling suppliers why they did not win a purchase contract and establishing a fair process to award purchase contracts” (Monczka, Hndfield, Giunipero, Patterson & Waters, 2010:142-143). Therefore, the establishment of agreement on desired performance level over time as well as continuous monitoring to determine the standard of product, service quality and performance measures is important and thereby eliminating unethical behaviour that may result in any kind of conflicts of interest. In the literature, there are two types of conflicts that can influence buyer-supplier relationships, namely constructive conflict (functional phenomenon) a low-level intensive conflict that arises because of variation in contractual exchange and can be resolved amicably within the established relationship. Destructive conflict (dysfunctional phenomenon) arises because of increasingly hostile behaviour of each party and may require deliberate conflict resolution management (Johnsen & Lacoste, 2016; Yang *et al.*, 2017; Lacity & Willcocks, 2017). Ellegaard and Andersen (2015), state that to enhance relationship performance, these two conflict phenomena can be effectively resolved and managed through “voicing and providing the opponent opportunity for voicing, listening, improved communication, investing in the relationship and making joint plans for normalizing actions”. Therefore, this research proposed that:

H3: Supplier conflict resolution can impact positively on supplier performance if managed effectively.

FIGURE 1:

Research proposed model



RESEARCH METHOD

Convenience sampling was used because of the ease of access, geographic closeness and the disposition of the sample unit to participate to this study. Moreover, the advantages of convenience sampling such as the target population is easy to reach and the least expensive. In this study, the target population consisted of SME owners and those in managerial positions in Gauteng province. 400 questionnaires were distributed and out of 400 only 345 were returned, yielding a valid response rate of 86 percent.

Measurement Instruments

The questions for this study were developed from pre-existing scales in the literature. The existing items were adapted to suit this study. For this reason, confirmatory factor analysis (CFA) and structural equation modelling (SEM) were used to confirm validity, test if the data fits the model and examining the strength of the relationships. The measurement instruments were measured using a five-point Likert-type scale with the following representative values: 1=strongly disagree, 2=disagree, 3=moderately agree, 4=agree and 5=strongly agree. Supplier environmental adaptation was measured with five questions adopted from Hanninen and Karjaluoto (2017). Supplier development support was measured with five items adapted from Nagati and Rebolledo (2013). Supplier conflict resolution was measured with four measurement items adopted from Yang, Gao, Li, Shen and Zheng (2017) and supplier performance was measured with six measures instruments adapted from Mani, Gunasekaran and Delgado (2018).

Data Analysis Results

Psychometric properties of the measurement scale: Psychometric properties of the measurement scale are reported in Table 2, which presents the research constructs, Cronbach alpha test, composite reliability (CR), average variance extracted (AVE) and item loadings.

TABLE 1:
Accuracy analysis statistics

Research constructs	Descriptive statistics		Cronbach's test		C.R. value	AVE value	Factor loading	
	Mean	SD	Item-total	α Value				
Supplier environmental adaptation	SA1			0.655			0.756	
	SA2			0.799			0.892	
	SA3	3.001	4.102	0.700	0.872	0.872	0.655	0.808
	SA4			0.789				0.863
	SA5			0.791				0.885
Supplier development support	SS1			0.899			0.971	
	SS2			0.845			0.906	
	SS3	3.009	4.247	0.769	0.908	0.908	0.877	0.888
	SS4			0.874				0.921
	SS5			0.813				0.911
Supplier conflict resolution	SR1			0.695			0.769	
	SR2	3.791	3.220	.0722	0.795	0.795	0.602	0.897
	SR3			0.676				0.754
	SR4			0.605				0.712
Supplier performance	SP1			0.759			0.884	
	SP2			0.725			0.891	
	SP3	3.638	5.000	0.799	0.910	0.910	0.893	0.873
	SP4			0.923				0.956
	SP5			0.800				0.909
	SP6			0.880				0.908

Note: SA= Supplier environmental adaptation; SS= Supplier development support; SR=Supplier conflict resolution; SP= Supplier performance; C.R: Composite reliability; AVE: Average variance extracted

Cronbach's alpha test: From the results provided in Table 1, the Cronbach alpha for each research construct ranges from 0.795 to 0.910 and as these are above the required threshold of 0.6, which is recommended by Nunnally and Bernstein (1994). Furthermore, the item to total values range from 0.605 to 0.923. The Cronbach alpha results are indicated in Table 1 and validate the reliability of measures used for the current study.

A CR index that is greater than 0.6 signifies sufficient internal consistency of the construct. In this regard, the results of CR that range from 0.795 to 0.910 in Table 1 confirms the existence of internal reliability for all constructs

A good representation of the latent construct by the item is identified when the variance extracted estimate is above 0.5 (Sarstedt, Ringle, Smith, Reams & Hair, 2014). Therefore, the results of AVE that range from 0.655 to 0.893 in Table 1 authenticate good representation of the latent construct by the items.

Discriminant validity: To check if there is discriminant validity is to assess if the correlation between the researches constructs is less than 1.0 as recommended by Chinomona (2011:110). As indicated in Table 2, the inter-correlation values for all paired latent variables are less than 1.0 hence confirming the existence of discriminant validity.

TABLE 2:
Correlations between constructs

Research construct	SA	SS	SR	SP
Supplier environmental adaptation (SA)	1.000			
Supplier development support (SS)	0.504**	1.000		
Supplier conflict resolution (SR)	0.441**	0.558**	1.000	
Supplier performance (SP)	0.391**	0.458**	0.577**	1.000

Note: SA= Supplier environmental adaptation; SS= Supplier development support; SR=Supplier conflict resolution; SP= Supplier performance

TABLE 3:
CFA model fit indices results

CFA indicator	Accepted level	Results	Decision
Chi-square	< 3.00	1.999	Acceptable level
GFI	> 0.900	0.902	Acceptable level
CFI	> 0.900	0.900	Acceptable level
RFI	> 0.900	0.924	Acceptable level
IFI	> 0.900	0.976	Acceptable level
TLI	> 0.900	0.982	Acceptable level
NFI	> 0.900	0.913	Acceptable level
RMSEA	< 0.08	0.043	Acceptable level
AGFI	< 0.900	0.906	Acceptable level

The statistics for the model fit provided for CFA were above the recommended thresholds, indicating that the proposed conceptual framework converged reasonably well with the underlying empirical data structure. However, since the acceptable CFA measurement model fit was secured, the study proceeded to the next stages of checking the SEM model fit and testing of hypotheses. Table 4 reports the structural equation model fit results. The results show the acceptable goodness-of-fit of the model. The acceptable models are indicated by the chi-square

value (CMIN/DF) of 2.303 less than the recommended threshold level of <0.3, RMSEA value of 0.058, GFI, CFI, RFI, IFI, TLI and NFI with the values of 0.901, 0.900, 0.909, 0.906, 0.904 and 0.905 respectively. These results are within the recommended level of greater than 0.900 (Malhotra, 2010:19).

TABLE 4:
SEM model fit indices results

SEM indicator	Accepted level	Results	Decision
Chi-square	< 3.00	2.303	Acceptable level
GFI	> 0.900	0.901	Acceptable level
CFI	> 0.900	0.900	Acceptable level
RFI	> 0.900	0.909	Acceptable level
IFI	> 0.900	0.906	Acceptable level
TLI	> 0.900	0.904	Acceptable level
NFI	> 0.900	0.905	Acceptable level
RMSEA	< 0.08	0.058	Acceptable level
AGFI	< 0.900	0.902	Acceptable level

The statistics for the model fit provided for SEM were above the recommended thresholds, indicating that the proposed conceptual framework converged reasonably well with the underlying empirical data structure.

DISCUSSION OF EMPIRICAL FINDINGS

Table 5 indicates the proposed hypotheses, factor loadings, p values and whether a hypothesis is rejected or supported. The literature asserts that $p < 0.05$, $p < 0.01$ and $p < 0.001$ are indicators of relationship significance and that positive factor loadings indicate strong relationships among latent variables (Chinomona, Lin, Wang & Cheng, 2010:191). All the p-values have three stars indicating that the relationships are very strong and significant at 99 percent confidence interval.

TABLE 5:
Results of hypotheses testing (path modelling)

Proposed hypothesis relationship	Hypothesis	Path coefficient estimates	P-value	Decision
Supplier environmental adaptation → Supplier performance	H1	0.811	***	Accepted
Supplier development support → Supplier performance	H2	0.777	***	Accepted
Supplier conflict resolution → Supplier performance	H3	0.616	***	Accepted

Note: SA= Supplier environmental adaptation; SS= Supplier development support; SR= Supplier conflict resolution; SP= Supplier performance

Discussion of Findings

Hypothesis testing 1: Results found following the test of Hypothesis 1, confirmed the relationship between SA and SP. A coefficient of 0.811 was realised after testing Hypothesis 1. This means that SA has a strong positive influence on SP. Furthermore, the results indicate that the relationship between SA and SP is significant at $P < 0.001$.

Hypothesis testing 2: The results obtained after the testing of Hypothesis 2 validated the presence of a relationship between SS and SP. Following the test of Hypothesis 2, a coefficient of 0.777 was exhibited. This means that SS has a positive and strong influence on SP. Furthermore, the relationship between SS and SP is significant. These results confirm the relationship as hypothesised.

Hypothesis testing 3: The relationship between SR and SP was confirmed by the results obtained. A coefficient of 0.616 was realised after testing Hypothesis 3. This means that SR has a positive and strong influence on SP. More so, the results revealed that the relationship between SR and SP is significant at $p < 0.001$. The results validate the relationship as hypothesised. With this, it can be accepted that SR can increase the level of SMEs SP over time.

CONTRIBUTION AND IMPLICATION OF THE STUDY

This study has both managerial and theoretical contributions to SMEs and the whole body of the literature. It contributes to organisational (SMEs) research in general and to research on SA, SS, SR and SP in several ways. Given the dearth of knowledge on the influence of suppliers on organisational performance, this study provides important insights into a largely blind spot of SMEs research. Most importantly, the present study informs SMEs on how SA, SS and SR could benefit SP.

From the results, it can be understood that when new skills are being found, suppliers are able to provide quality services in order to fulfil customers' demands. SMEs, therefore, should improve their supplier environmental adaptation in order to improve their SP. From the results, it can be judged that when there are new skills and new opportunities, SMEs are more likely to go into new supplier development support. This being the case, SMEs that intend to remain relevant and competitive must constantly persevere towards delivering the best and highest quality service to customers and develop good supplier conflict resolution tactics.

In addition, the conceptual model of this study will make a positive contribution to the growing body of knowledge as well as helping SME managers and owners to develop strategies that focus on improving the relationship between business entities and suppliers in general. The findings indicate that the study's theoretical proposition is valid and acceptable. This study will assist SMEs to gain more knowledge on how to build a successful business through good working relationships with suppliers.

LIMITATIONS FOR FUTURE RESEARCH

One of this study's limitations was that the study was confined to SMEs only in the Gauteng province. Further studies can consider the South African SME sector as a whole since South Africa has nine provinces. The study employed a quantitative research approach. Future research may consider employing both qualitative and quantitative research design to generate rich ideas and explanations. Convenience sampling, which is a non-probability sampling technique, has many drawbacks, which include bias and it is difficult to generalise the results, therefore, future

studies could use other probability sampling techniques like simple random sampling to improve reliability and validity of results and it will become easier to generalise the findings. Despite these limitations, the study advances knowledge regarding SA, SS, SR and SP in SMEs in the Gauteng province.

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Determinants of organisational agility amongst South African small to medium enterprises

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ABSTRACT

Small and medium enterprises (SMEs) in South Africa continue to face numerous challenges, resulting in a high failure rate of these enterprises. The nurturing of organisational agility is an essential area for consideration in turning around underperforming SMEs. This study investigated the determinants of organisational agility in South African SMEs. Using a quantitative approach, 564 owners, managers and professional employees in SMEs based in Gauteng Province were surveyed. An exploratory factor analysis technique was used to extract the factors determining organisational agility. The analysis yielded four elements, namely technology capability, collaborative innovation, organisational learning and internal alignment that determine organisational agility in SMEs. Amongst these factors, technology capability emerged as the most critical determinant of organisational agility. The results of this study provide SMEs with information on relevant areas to which managerial attention should be directed in the bid to make their businesses more agile.

INTRODUCTION AND BACKGROUND

The contribution of South African small to medium enterprises (SMEs) to the national economy in terms of employment and productivity is notable. By 2018, it was estimated that the number of SMEs contributing to the GDP and providing nearly 61% of jobs in the country had surpassed the two million mark and (Statistics South Africa, 2018). A long-standing trend is that more than 80% of all businesses in South Africa are classified as SMEs, contributing to at least 40 percent to all economic activity in the country, which makes their survival essential (Tshabalala, 2007; Mbedzi, 2011; Statistics South Africa, 2017). In the light of the high unemployment rate which currently

stands at nearly 27%, entrenched economic deprivation and the highest income discrepancies in the country, it is important to have a vibrant SME sector that contributes significantly to easing these challenges (Ryan, 2012; Statistics South Africa 2017). However, most SMEs in South Africa are failing to either make profits or survive. Kalane (2015) noted that the SME failure rate in South Africa is very high, with 80% failing within their first five years of existence. Other reports (e.g. Chimucheka & Rungani, 2011; Mthabela, 2015), highlight that an average 71% of all SMEs either self-liquidate or become financially insolvent within just five years of existence in South Africa. These high mortality rates demonstrate that SMEs in South Africa are inundated by wide-ranging problems that persistently threaten their survival and limit their performance.

This study aims to investigate the determinants of organisational agility in South African SMEs. To create solutions to counter the problems experienced by SMEs, it is necessary to generate new information from which management solutions to these ills can be derived. The list of management solutions that can be directed at resolving the challenges facing SMEs is quite broad. However, one area that has emerged as an important to the survival and success of businesses is the development of organisational agility. In today's challenging business environment, managers have had to contend with the critical task of designing firms that are agile enough to drive performance in the short run and sufficiently flexible/ responsive to sustain business performance over the long term (Doz & Kosonen, 2010; Di Minin, Frattini, Bianchi, Bortoluzzi & Piccaluga, 2014). Organisational agility refers to the ability of firms to stay competitive in their businesses by adjusting and adapting to new innovative ideas and using these ideas to create new products and services as well as new business models (Mavengere, 2013). Through agility, numerous benefits can be realised, ranging from better responsiveness to market changes, reduced costs, healthier relationships with stakeholders, improved information sharing, and increased profit growth as well as competitiveness (Mitchinson & Morris, 2014; Tikkanen, 2014; Dabiri & Gholami, 2015; Murungi, 2015). It is through the realisation of these benefits that agile businesses can succeed in their operations. This study presupposes that the cultivation of organisational agility is an essential activity for SMEs that intend to overcome the problems they are experiencing and excel in their operations.

Despite the established importance of organisational agility to businesses, several gaps remain and require further examination. For instance, in the context of South African SMEs, the subject of factors that contribute to or determine organisational agility still needs new research due to the scant evidence of research focusing on this topic. Organisational agility itself is a broad concept that still demands continuous investigations, especially with regards to its underlying dimensions within different environments (Dehaghi & Navabakhsh, 2014; Mukerjee, 2014). While there is plenty of research evidence focusing on South African SMEs (e.g. Abor & Quartey, 2010; Herrington, Kew & Kew, 2010; Timm, 2011; Cant 2012; Manzani & Fatoki 2012; Mafini & Omoruyi, 2017; Kalane, 2015; Mthabela, 2015) it appears that the subject of organisational agility is mostly disregarded. Instead, most of the previous studies on SMEs are dedicated to investigating the impact of specific challenges facing South African SMEs without necessarily examining the structure of particular management interventions that can be applied to resolving these challenges. The current study offers a slightly different view by investigating the determinants of a noted managerial solution to business problems, which is organisational agility. Thus, the study examines which dimensions of organisational agility can be harnessed to improve the business performance of SMEs, thereby boosting their chances of survival in the unpredictable operational climate of today.

In addition to the above aspects, it is necessary to conduct this study because it is significant in a number of areas. To future researchers on similar topics, this study may serve as a vital source of literature on organisational agility within SMEs in South Africa as well as information on

research methodologies that may be employed when investigating similar issues. Given the well-known contributions of SMEs to the economy of South Africa, this study will serve as an essential source of information on the areas to which SMEs may direct attention in addressing developing organisational agility, which is an important intervention to the challenges they face. The government, as well as industry authorities and other relevant bodies interested in SMEs, may also refer to the findings of this study as they seek approaches to enhance the sustainability of SMEs. Concerning the managerial implications of the research, the research provides valuable insights that may be applied in the management of SME operations, thereby ensuring their survival and viability.

THEORETICAL OVERVIEW

Small and Medium Enterprises in South Africa

The SME sector in South Africa continues to face a plethora of challenges, which increase the need for the development of more effective managerial and other interventions from all stakeholders. The economic and labour environment, including policies that favour large corporations, and labour legislation has proved to be forbidding for most SMEs (Strydom, 2011). Furthermore, South African SMEs must also negotiate the legacies of apartheid, notably high levels of inequality and lop-sided ownership and control, as well as the oversupply of a mostly unskilled, under-utilised and alienated labour force (Vivier, 2013; Ramukumba, 2014). South African SMEs also suffer from poor management skills, which is as a result of a lack of adequate training and education (Mahembe, 2011).

Moreover, the high start-up costs for firms, including licensing and registration requirements, can impose excessive, unnecessary burdens on them (Cant, 2012). Also, SMEs frequently lack the collateral and financial records, such as financial statements that are mandatory for loan applications from commercial banks or financial services providers, thereby affecting their ability to obtain funding (Cant, Erdis & Sephapo, 2014). Still, implementing marketing activities is a challenge for SMEs due to the high costs of establishing and running a business, resulting in SMEs experiencing marketing skills shortages and often failing to implement marketing in their firms, which poses a risk to the survival of the business in future (Hlatshwayo, 2015). Information is needed on a continuous basis that can be used by these SMEs to overcome these notable barriers and constraints. Hence, the current study identifies the determinants of a vital capability; organisational agility to which managerial attention should be directed, and interventions can be applied to the survival and success of SMEs.

Organisational Agility

Organisational agility is part of a discussion on how organisations should be organised to execute effective business strategies in a dynamic business environment (Salih & Alnaji, 2014). It refers to the ability to dynamically revise or reinvent the firm and its approach as the business environment changes (Abu-Radi, 2013). There is a widespread acceptance that organisational agility is not only a necessity for survival in the short term, but it is critical for profitability into the future (Chandler Macleod Group Limited, 2011; Dehaghi & Navabakhsh, 2014). Businesses that want to thrive in this continually evolving business environment need the ability to change quickly; and should have agile business leaders who can learn, develop and adapt rapidly to changing circumstances in their environment (Kelly, 2012; Murungi, 2015). This is achieved by continuous anticipation as well as adjusting to trends and customer needs without giving up on the firm's vision (Santala, 2009). Businesses that can be responsive to the changing, diverse and unpredictable demands of customers on the front-end, while minimising the back-end risks to

supply disruptions can be seen as strategically agile (Mitchinson & Morris, 2014). Organisational agility improves both financial and operational performance (Tikkanen, 2014). The most significant performance impact is on customer satisfaction, which in turn, contributes to improved financial performance (DeGroot & Marx, 2013). Also, organisational agility is most important for firms in which the business environment is rapidly changing, and this change has a complex nature (Dabiri & Gholami, 2015). This makes it valuable for South African SMEs to develop agility as a strategic tool since they also operate in a highly dynamic and complex business environment.

RESEARCH METHODOLOGY

The respondents in this study consisted of 564 employees, managers and owners of SMEs based in Gauteng Province, South Africa. The sample frame for this research study was the list of SMEs maintained by the Small Enterprise Development Agency. The probability sampling approach, using the simple random technique was used in this study to select the sampling elements from the target population (SMEs in the Gauteng province). A cross-sectional survey research design was used, involving the personal delivery and collection of questionnaires by the principal researcher, between December 2016 and June 2017.

Measurement scales were operationalised from previous studies. These included several studies (Senge, 1990; Choi & Harley, 1996; Boyer & McDermott, 1999; Lee, Lee & Pennings, 2001; Liker & Choi, 2004; Choi & Krause, 2006; Braunscheidel & Suresh, 2009; Hung, Yang, Lien, Mclean & Kuo, 2010; Inman, Sale, Green & Whitten, 2011; Kitapci & Celik, 2014) focusing on organisational agility. Response options for the determinants of organisational agility were presented on a five-point Likert-type scale anchored by 1 = strongly disagree to 5 = strongly agree, to express the degree of agreement. A list of the measurement scales used in this study is provided in Table 2.

The collected data were analysed using the Statistical Package for Social Sciences (SPSS version 24.0) software. Descriptive statistics were used to examine the demographic profile of respondents while exploratory factor analysis was used to extract the factors determining organisational agility in SMEs. Ethical considerations that include informed consent, voluntary participation, respondent anonymity and confidentiality were observed in conducting this study.

RESEARCH RESULTS

The Demographic Details of Respondents

The demographic details of the 564 respondents are shown in Table 1. Five demographic factors, namely, gender, age group, highest qualification, work experience and race were analysed.

TABLE 1:
Demographic details of respondents

Variable	Categories	Frequency (n)	Percentages (%)
Gender	Male	388	68.8
	Female	176	31.2
Age group	Below 25	96	17.0
	26-33 years	215	38.1
	34-41 years	142	25.2
	42- 49 years	77	13.7
	50 years and over	34	6.0

Variable	Categories	Frequency (n)	Percentages (%)
Highest Qualification	Matric	356	23.2
	Diploma	24	46.6
	Degree/Honours	13	15.8
	Postgraduate	1	7.6
	Other	170	6.7
Work experience	Less than 2 years	131	0.0
	Between 2 to 5 years	263	0.7
	Between 5 to 10 years	89	18.0
	Between 10 to 15 years	43	74.2
	15 years and above	38	7.2
Race	African	521	92.4
	White	25	4.4
	Indian/Asian	14	2.5
	Coloured	4	0.7

Exploratory Factor Analysis

The determinants of organisational agility in SMEs were established through the exploratory factor analysis procedure. According to Norris and Lecavalier (2009), an exploratory factor analysis is a statistical procedure used to examine the underlying structure of a set of constructs. However, before conducting exploratory factor analysis, it is necessary to perform Bartlett's Test of Sphericity and calculate the Kaiser–Meyer–Olkin (KMO) measure of sampling adequacy to determine the factorability of the data. Bartlett's test results should be small and significant (preferably less than 0.05) to be acceptable while in the case of the KMO, high values close to 1.0 are preferable, and those less than 0.5 show that factor analysis will not be useful (Snedecor & Cochran, 1989). In the current study, an acceptable KMO value of 0.921 was realised, and the Bartlett's test was significant at (Sig= 0.000). These values illustrated that multivariate analysis was appropriate. Exploratory factor analysis using Varimax rotation was then undertaken to analyse the data. Only factors with eigenvalues greater than 1 and those scale items with factor loadings higher than 0.5 were retained in the study. Two questions (CI5 and CI6) that had factor loadings below 0.5 were subsequently deleted from the collaborative innovation scale. A description of the two items and their factor loadings are provided in Table 2.

TABLE 2:
Items deleted during Factor Analysis

Item Deleted from Scale	Description	Factor loading
CI5	The innovation process is considered as common standards within our firm	0.365
CI6	Our firm opens and maintains physical and virtual channels for information and knowledge sharing	0.312

Table 2 shows that the two items (CI5 & CI6) that were deleted had factor loadings of 0.365 and 0.312, respectively, which were below the recommended minimum of threshold of 0.5. After the deletion of these two items, further factor analyses resulted in the extraction of four factors that were the determinants of organisational agility in SMEs. The four extracted factors, their item

descriptors, factor loadings, reliabilities, mean scores and standard deviations are provided in Table 3.

TABLE 3:
Results of the Factor Analysis

SCM Exposure	Item Descriptors	Factor Loadings	% of Variance	Cronbach Alpha Value	Descriptive Statistics	
					Mean	SD
Technology Capability	TC1: Our firm adopts technology-driven production systems such as Just-in-Time, value analysis, concurrent engineering and modular design systems	0.772	21.262	0.930	4.23	0.951
	TC2: Our firm invests in upgrading production, information and inventory management systems	0.838				
	TC3: Our firm regularly assesses the potential influence of new technology on its operations	0.897				
	TC4: Our firm is susceptible to new technology and methods to do business	0.869				
	TC5: Our firm has specific mechanisms to do environmental scanning on technology	0.834				
Collaborative Innovation	CI1: Our firm upgrades process/product design by investigating customer needs in the product development process	0.824	14.130	0.843	4.61	0.787
	CI2: Our firm promotes collaboration among major functions from the planning stage	0.831				
	CI3: Our firm collaborates with customers for process development and improvement	0.810				
	CI4: Collaborative innovation is a viable innovation method for our firm	0.777				
Organisational Learning	OL1: Our firm provides an optimal working environment in which best performance practices can be disseminated	0.654	9.234	0.939	3.73	0.833
	OL2: Our firm promotes interdisciplinary training and team-based activities	0.778				
	OL3: Our firm empowers employees for individual learning to manage customer contact services	0.798				
	OL4: Our firm promotes individual and organisational learning for business environment adaption	0.864				
	OL5: Learning in our firm is seen as a key to guarantee the firm's existence in its sector	0.861				
	OL6: Our basic values of any change in the business process include learning as a key factor	0.856				
Internal Alignment	IA1: Our firm aligns functional strategies with business strategy well	0.800	4.551	0.902	4.58	0.734
	IA2: Our firm aligns operational strategy with other functional strategies well	0.776				
	IA3: Our firm aligns its goals and objectives measures with strategic task performance well	0.807				
	IA4: Our firm has well-integrated IT systems across functional units	0.576				
	IA5: Our strategic planning process encourages information sharing and cross-functional cooperation	0.797				
Scores for overall scale			49.177	0.932	4.28	0.826
Scale: 1=Strongly disagree; 2= disagree; 3=Neutral; 4= Agree; 5= Strongly agree						

As shown in Table 3, after analysing the responses of owners, managers and professionals drawn from SMEs regarding their views on the determinants of organisational agility in their businesses, four factors were identified. These factors are technology capability, collaborative innovation, organisational learning and internal alignment. These factors accounted for approximately 49.18% of the total variance explained. The overall mean score for the scale was 4.28, which denotes a general inclination towards the agree point on the Likert-type scale. Thus, most responses were generally in agreement with the statements considered in this study.

DISCUSSION

Factor 1: Technology Capability

Factor 1 was labelled as *technology capability* and contributed to 21.262% of the variance. Technology capability emerged as the highest contributor to the total variance explained, which implies that it is the most critical determinant of organisational agility in this study. According to Diyamett and Mutambala (2014), technology capability is the ability of a firm to innovate. It further refers to the ability of a firm to make practical use of technological knowledge in assimilating, using, adapting, and changing existing technologies (Noh, Kim & Jang, 2014). The results of this study demonstrate that the adoption of technologically driven systems during production is very sound in SMEs. The results further imply that these SMEs intensely invest in upgrading production, information and inventory management systems. The study further validates that SMEs most regularly assess the potential influence of new technology on their operations. Still, the results illustrate that SMEs are mainly susceptible to new technology and methods of doing business. In addition, the results suggest that these SMEs have specific mechanisms with which to implement environmental scanning on technology.

The above results support the results of a study by Shin *et al.* (2015), which investigated the organisational agility of Korean SMEs and its influence on operational and business performance. The study found that technology capability enabled SMEs to be operationally responsive to customers' requirements and suggested that agile firms must respond to the emergence of new technologies in a cost and time efficient manner. Additionally, Lu and Ramamurthy (2011) examined the link between information technology capability and organisational agility within SMEs in the USA. Their study concluded that there is a logical connection between agility and technology capability as found in information technology (IT) literature. In their research, Lahovnik and Breznik (2013) focused on innovation management and technological capabilities as a source of competitive advantage within small exporting firms in Slovenia. Their study confirmed that the development and deployment of technological capability could lead to sustainable, competitive advantages and hence to improved long-run business performance. A survey by Pednekar (2015) directed its attention to building technological innovation capability in high technology SMEs in India. The results of that study indicate that SMEs might benefit more from technology capability than large firms might. This makes it evident that technology capability is an important factor that contributes positively to organisational ability within SMEs.

Factor 2: Collaborative Innovation

Factor 2 was labelled as *collaborative innovation* and contributed to 14.130% of the variance. Collaborative innovation occurs when a firm deliberately uses inflows and outflows of knowledge to accelerate internal innovation and to expand markets for the external use of innovation, respectively (Brunswick & Ehrenmann, 2013). The results of this study demonstrate that the SMEs actively upgrade process/product design by investigating customer needs in the product development process. The results further imply that these SMEs promote collaboration among significant functions from the planning stage. The study also reveals that these SMEs collaborate with customers for process development and improvement and view collaborative innovation as a useful innovation method. The results further illustrate that SMEs consider the innovation process as a universal standard and that these SMEs are open and maintain physical and virtual channels for information and knowledge sharing.

Similar to the results above, Krause, Schutte and Du Preez (2012) examined open innovation in South African SMEs and concluded that there is indeed an appetite for collaborative innovation.

Their results provide a good indication of the collaborative innovation background within SMEs in South Africa. Ghalamzan, Sadreddin and Schiffauerova (2015) investigated open innovation within the collaboration network of nanotechnology SMEs in Canada. They found that businesses that use collaborative innovation practices are likely to have more collaborative connections with other businesses, resulting in an increased ability to adapt to market changes. In their study, which focused on university-industry collaborations and open innovation within SMEs in the province of Quebec in Canada, Roshani, Lehoux and Frayret (2015) found that collaboration innovation, as a new approach for gathering ideas and improving innovation helps businesses to implement inter-organisational linkages. Their results are also supported by Lasagni (2012), who investigated how external relationships can enhance innovation in European SMEs. That study found that the use of external relations is increasingly interpreted as a key factor in strengthening the innovation performance of modern enterprises. It is evident then that collaborative innovation is an effective way to enhance the capability for organisational agility within SMEs.

Factor 3: Organisational learning

Factor 3 was labelled as *organisational learning* and contributed to 9.234% of the variance. Organisational learning is defined as a process of inquiry through which members of the organisation develop shared values and knowledge based on their own experience and that of others (Ranjbar & Absalan, 2015). It involves creating, acquiring, interpreting, transferring and retaining knowledge to improve actions (Herstein, 2011). The results of this study demonstrate that the SMEs provide an optimal working environment in which best performance practices can be disseminated. The results further imply that these SMEs promote interdisciplinary training and team-based activities and they empower their employees for individual learning to manage their customer contact services. The results also illustrate that SMEs firmly see learning in their firms as a key to guarantee the firm's existence in its sector. Also, the results suggest that these SMEs profoundly believe that their fundamental values of any change in their business process include learning as a strategic factor.

The results of the current study support the findings of research conducted by Wang Wang and Horng (2010) as well as Wang, Hermens, Huang and Chelliah (2015) on entrepreneurial orientation and organisational learning on SME innovation in Australia. These studies discovered that learning at individual and organisational levels is the source of organisational strategic renewal and innovation, which are both connected to agility. Argote (2011) explored organisational learning research within SMEs in the USA and found that a greater understanding of organisational learning improves the performance of organisations and the prosperity of their members. Similarly, Onyema (2014) considered the effect of entrepreneurial orientations on organisational learning in a small manufacturing firm in Nigeria. The results of the study show that organisational learning facilitates the ability of the business to compete effectively and efficiently since they can use the knowledge so generated to respond to unexpected developments in the operational environment, and by so doing, experience achievement and growth. These results indicate that organisational learning is an essential contributor to organisational agility within SMEs

Factor 4: Internal Alignment

Factor 4 was labelled as *internal alignment* and contributed to 4.551% of the variance. Internal alignment is defined as the process of achieving unity of effort among the various subsystems in the accomplishment of the organisation's tasks and deals with specifying how harmoniously the different departments of an organisation work together and how tightly their activities are coordinated (Pardo, Ivens & Wilson, 2013). The results of this study illustrate that there is

alignment between functional, operational and business strategies in SMEs. The study also demonstrates that SMEs align their goals and objective measures well with strategic task performance and that well integrated IT systems across functional units are available. Additionally, the results suggest that these SMEs firmly believe that their strategic planning process encourages information sharing and cross-functional cooperation.

Identical to the results above, Sardan Terziovski and Gupta (2010) investigated the impact of strategic alignment and responsiveness to the market on a small manufacturing firm's performance in India. They found that internal alignment contributes positively to responsiveness in manufacturing operations. Kellermanns, Walter, Floyd, Lechner and Shaw (2011) who conducted a meta-analytical review of strategic consensus and organisational performance within SMEs in the USA demonstrated that internal alignment enables SMEs to adapt to market changes, thereby enhancing their business performance. Walter, Kellermanns, Floyd, Veiga and Matherne (2013) examined a missing link in the relationship between strategic consensus and organisational performance within SMEs in the USA and found that the implementation of internal alignment is particularly important for firms because it results in agile businesses with meaningful performance. It is therefore clear that SMEs stand to benefit through agility if their processes and resources are internally aligned.

LIMITATIONS OF THE STUDY

The first limitation is that the SMEs that participated in the study were based on one geographic location, namely, Gauteng Province. In view of this, future studies could be conducted using samples composed of SMEs drawn from different provinces. The second limitation is that the study did not consider all organisational agility factors, which raises the need to conduct future studies using other organisational agility-related factors that were excluded from this study. The third limitation pertains to the high possibility of survey bias since the questionnaire was self-administered. In the future, it may be best to conduct the study using a mixed method approach, which ensures that the data collection is triangulated through the use of a combination of qualitative and quantitative methodologies. In that manner, an opportunity is provided to collect data using face-to-face interviews, which ensures that the researcher can control the responses provided by participants.

CONCLUSIONS AND MANAGERIAL IMPLICATIONS

The purpose of this study was to examine the determinants of organisational agility in South African SMEs. Data were collected from 564 respondents randomly drawn from the SME sector in Gauteng province. The study demonstrated that organisational agility is important as it enables SMEs to stay competitive in their lines of business by adjusting and adapting to novel ideas and using these ideas to create new products, services and business models. The study further showed that SME agility is composed of four factors, namely technology capability, collaborative innovation, organisational learning and internal alignment. Through technology capability, the study illustrated that SMEs could achieve greater agility through the adoption and utilisation of new technologies and keeping abreast with developments in this area.

Regarding collaborative innovation, SMEs could achieve greater agility by developing new ways of creating synergies with their various business partners and maintaining such relationships in the long-term. Regarding organisational learning, the study showed that greater agility could be achieved when SMEs embrace, create and manage new knowledge that could improve the enterprise in any way. With regards to internal alignment, the study indicated that greater SME agility could be attained through the coordinated and harmonised efforts of various divisions,

departments, levels and functions within the business. Amongst the four organisational agility factors identified in the study, technology ability emerged as the most influential determinant of organisational agility. The study concludes then that SMEs in South Africa could direct their strategic focus on technology capability, collaborative innovation, organisational learning and internal alignment in their bid to nurture agility within their enterprises.

The study has managerial implications. The primary suggestion is that management may be able to apply the results of this study as a reference point in the attempt to make their organisations agile and more responsive to changes in the market. Future technology investments could be directed to upgrading production, information and inventory management systems to meet international standards. The use of technology-driven systems such as Just-in-Time, value analysis, concurrent engineering and modular design systems could enable SMEs to enhance their technology capabilities. The promoting of partnerships between main functions from the planning stage within SMEs could go a long way to increasing collaborative innovation. An enabling internal environment in which best performance practices can be communicated to all stakeholders should be cultivated. Interdisciplinary training and team-based activities should be promoted in the attempt to provide alignment across the different structural levels of the organisation.

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Disruption risk mitigation strategies for supply chain resilience: perspectives from 3PLs and their clients

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ABSTRACT

Third-party logistics providers (3PLs) play a vital role in the South African economy. However, together with their clients, 3PLs are faced with a series of disruptive risks brought about by increased complexity, uncertainty and turbulence caused by various factors in the global business environment. In light of the negative effects that such disruptions have on supply chains, practitioners and academics have realised the importance of developing supply chain resilience. Resilience prepares the supply chain for disruptions, providing it with the ability to rapidly recover from a disruption and continue operating at a normal or improved state. Previous studies have either focused primarily on disruption risk mitigation strategies, or on supply chain resilience but did not link the two concepts. One study conducted in the United States in a disaster response context established the link between the two concepts. However, the relevance of their findings in a 3PL and client context has not yet been explored. The purpose of this study is therefore to explore the roles that South African 3PLs and their clients play in the development of disruption risk mitigation strategies and how these strategies ultimately contribute to the resilience of their supply chains.

The proposed study will be guided by the following research questions:

- What impact do disruptions have on the supply chains of 3PLs and their clients?
- What mitigation strategies do 3PLs and their clients employ in preparing the supply chain for disruption risks?

- Which enablers do 3PLs and their clients have in place that assist in mitigating the effects of supply chain disruptions?
- How do the mitigation strategies applied by 3PLs and their clients contribute to supply chain resilience in the face of disruption risks?

This study will employ a descriptive qualitative research design and data will be collected through semi-structured interviews with senior managers of 3PLs and client firms based in Gauteng. At least 12 interviews will be conducted. The interviews will be recorded and transcribed, after which thematic analysis will be performed to generate codes, themes and subthemes.

The study aims to make the following contributions. Firstly, by exploring the role of risk mitigation strategies in supply chain resilience, the study seeks to contribute to the academic body of knowledge by developing a deeper understanding of what mitigation strategies 3PLs and their clients employ. It will further explore the role the 3PLs play in the development of these strategies and how they ultimately contribute to supply chain resilience. From a managerial perspective, this study seeks to highlight the importance of developing risk mitigation strategies in the light of disruption risks, whilst emphasising the opportunities these strategies present in contributing to supply chain resilience. It is expected that managers could use the insights gained from this study to analyse and improve their existing mitigation strategies to enhance its contributions to supply chain resilience.

Supply chain exposures in the South African public sector

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Keywords: Supply Chain Exposures, Namely Government Policies, Supply Complexity, Availability of Skills, Supplier Performance Monitoring, Information Security and Process Efficiency

ABSTRACT

Stakeholders expect that the South African public sector must contribute positively to the economy through its role as a service delivery provider. It appears though, that government has failed to fulfil its mandate due to the volatile and imperfect nature of its public supply chain. This study aimed to determine supply chain exposures facing the South African public sector. A quantitative approach using the cross-sectional survey design was adopted in which questionnaires were distributed to 306 supply management professionals who were based in Gauteng Province. An exploratory factor analysis procedure was used to identify the supply chain exposures. The study extracted six major supply chain exposures, namely government policies, supply complexity, availability of skills, supplier performance monitoring, information security and process efficiency. Service delivery in the country could be improved if supply chain practitioners in the public sector can develop interventions for mitigating the exposures identified in this study.

INTRODUCTION AND BACKGROUND

Today's public supply chains are characterised by intense operational and strategic pressures as well as high levels of turbulence and uncertainty (Harland, Telgen & Callender, 2013; Gurría, 2016). These pressures, turbulences and uncertainties stem from issues such as by political forces, economic downturns, the unpredictable demands for improved service delivery from the public and technological disruptions, amongst others (Warn, 2016). As a result of these pressures, most public supply chains fail to perform optimally when they are subjected to tests with disruptions, (Nyaga, Whipple & Lynch 2010; Eyaa & Oluka, 2011). This trend is similar to South Africa, where most public organisations perform below par since they operate in a highly unstable

environment where they are subjected to numerous adverse conditions (Mafini & Pooe 2013). Examples of such conditions include an unstable currency, high levels of unethical practices such as fraud and corruption in the economy, political interference, the lack of skills, declining investor confidence and sporadic volleys of social unrest (South African National Treasury, 2016). These conditions tend to disturb the flow of organisational processes and demand more considerable managerial attention as well as significant outlays of scarce resources to address them. Consequently, the supply chain performance of most public organisations in the country remains unsatisfactory, with obvious negative implications for the South African economy (Ambe, 2016; Bolton, 2016). This presents the need for public sector organisations in the country to explore ways towards improving the performance of their respective supply chains.

According to Stuart, Verville and Taskin (2012), a supply chain is a network or a web of processes and activities that produce values in the form of products and services to meet the needs of the ultimate customer. A supply chain links or connects various autonomous organisations with the objective of creating value in products or services that will eventually end up in the hands of final consumers (Yuan, Zhongfeng & Yi, 2010). In the public sector, the supply chain may be inbound into the public sector – an operational requirement for internal customers, or it may be outbound from the public sector – in place to deliver wider organisational objectives to provide services for delivery to citizens, or a combination of both (Braunsheid & Suresh, 2009). The government spends a lot of resources on various payments to many suppliers who provide multiple products and services (Pauw, 2011). In the case of South Africa, supply chain management has become a critical component of government activities, as demonstrated through the appointment of the Office of the Chief Procurement Officer who oversees all public supply chain management activities in the country (Gordhan, 2014). This appointment demonstrates the critical nature of supply chain management in the public sector and the importance of addressing all exposures that its supply chain is subjected to (South African National Treasury, 2015).

In these modern times, many organisations endeavour to improve their overall performance by implementing various supply chain initiatives (Hashemi, Butcher & Chhetri, 2013). These are intended to increase revenue, reduce cost, reduce assets and enhance the provision of services or production of goods, and can be effective in a stable environment (Tang & Tomlin, 2008). However, in doing so, most organisations and their supply chains are exposed to inertia exposures, that is, a general lack of responsiveness to changing environmental conditions and market signals (Juttner, Peck & Christopher, 2003). Inertia risks are critical since they exercise an impact on the ability of supply chains to flexibly adjust to fluctuating demands and environment, more so in today's current reality that is characterised by increasing global complexity (Blome, Schoenherr & Eckstein, 2014). Ebaid (2011) suggests that it is difficult for organisations to avoid risk, hence they have to identify and manage them as they get exposed. According to Juttner et al., (2003), organisations have for some time been aware of the need for exposure management and contingency planning, which is a requirement for superior and sustainable supply chain performance. As such, successful supply chains are those that can continue performing and still be efficient and effective in predictable or unpredictable circumstances driven by continuously changing market conditions.

Given the above backdrop, this study aimed to determine the supply chain exposures facing the South African public sector. The South African public sector is struggling to meet its service delivery obligations, owing to various challenges it faces (Watermeyer, 2011; Ambe, 2016). The public sector supply chain in South Africa is both unpredictable as demonstrated by the level of service delivery protests, which stem from the feeling that people are not receiving the quantity and quality service that they need (South African National Treasury, 2015). Due to its significant impact on the economy, particularly on the larger public companies that operate in key sectors of

the economy, such as energy, telecommunications and transport (Khoza & Adam, 2005), it is necessary to generate information from which solutions to the current challenges facing this sector have to be drawn. One area of importance is to ensure that the challenges facing the public sector receive research attention continually, so that updated information is available which can then be applied to improving the decisions being made. Hence this study was intended to identify the exposures facing the public supply chain in South Africa.

LITERATURE REVIEW

Supply chain management in the south african public sector

In the public sector, supply chain management is essential to the delivery of public services, and as such it must be used as a strategic tool to enhance performance and the quality of services (Dzuke & Naude, 2015). According to Arlbjørn and Freytag (2012), the main objective of public supply chain management is to use public funds efficiently and provide high-quality service delivery. To ensure that the South African public sector can meet its service delivery obligations, several governing policy frameworks have been put in place to regulate SCM activities. Examples of these policy frameworks include the Public Finance Management Act of 1999, the Preferential Procurement Policy Framework Act (PPPFA) Act No 5 of 2000, the Municipal Finance Management Act No 56 of 2003, and the Broad-Based Black Economic Empowerment Act of 2003. However, in spite of the availability of these policy frameworks, numerous challenges remain that limit the performance of the South African public sector supply chain. Examples of these challenges include unethical conduct by both civil servants and the private sector, the inconsistencies regarding the interpretations of policies, mass protests by dissatisfied citizens, an underperforming economy and inappropriate decision-making by the government (Dlamini & Ambe, 2012; Franks, 2014; Ambe 2016).

Supply chain exposures

According to Lockamy III (2014), exposure is the probability of variance in an expected outcome. Supply chain exposures are associated with the occurrence of an event where the affected organisations are unable to cope with the consequences (Kull & Closs, 2008) and have a direct impact on the country's economy. Cedillo-Campos, Perez-Salas, Bueno-Solano, Gonzalez-Ramirez and Jimenez-Sanchez (2014) suggest that supply chain exposures can damage the country's economy and have the potential to affect the supply chains of other countries involved in the same chain. Hunter, Kasouf, Celuch and Curry (2004) classified exposures based on their probability and importance. Zeng, Berger and Gerstenfeld (2005) divide risks based on their origins from capacity limitation, technology incompatibility, supply disruptions, currency fluctuations or disasters, while Tang (2006) divides risks into either operational and strategic disruptions.

Moreover, Wu, Blackhurst and Chidambaram (2006) classified a broader set of supply chain exposures as internal and external, as well as by the level of controllability. Sindhuja and Kunnathur (2015) argue that supply chains consist of three subsystems, namely, internal supply chain management, customer relationship management, and supplier management. These three subsystems are therefore exposed to various supply chain disruptions. Another classification developed by the Chartered Institute of Procurement and Supply (2017) identifies six primary supply chain exposures, namely government policies, supply complexity, availability of skills, supplier performance monitoring, information security and process efficiency. Thus, there are various classifications/taxonomies of supply chain exposures, and this study interrogates their relevance to the South African public sector.

RESEARCH METHODOLOGY

The study used a quantitative approach anchored by the survey design, which involved the collection of data using questionnaires (Cresswell, 2014). A total of 306 supply management professionals drawn from selected departments within the public sector in Gauteng Province participated in the study. A convenience sampling approach was used to select the respondents, given that there was no sample frame for identifying the names of the intended sample elements.

Using emails and face to face contact, the questionnaire was administered to supply management professionals employed in the public sector and based in Gauteng Province. This was conducted from March to May 2017. The questionnaire contained measurement scales adapted from previous studies (Herath, 2008; Betts & Tadisina, 2009; Heyns & Luke, 2012; Prajogo, Chowdhury, Yeung & Cheng, 2012; Hashemi et al., 2013; Tummers & Knies, 2014). All response options were presented on five-point Likert-type scales anchored by 1= strongly disagree, and 5= strongly agree. A list of measurement items used in this study is presented in Table 2.

In this study, data were analysed with the aid of the Statistical Package for Social Sciences (SPSS version 24.0). Data analysis techniques used included descriptive statistics and exploratory factor analysis.

RESEARCH RESULTS

The Demographic Profile of Respondents

The Demographic Profile of the 306 respondents is shown in table 1. Five demographic factors, namely, gender, highest qualification, work experience, race, and occupational position were considered.

Variable	Categories	Frequency (n)	Percentages (%)
Gender	Male	274	89.5
	Female	32	10.5
Age group	Below 25	51	16.7
	26-33 years	93	30.4
	34-41 years	112	36.6
	42- 49 years	12	3.9
	50 years and over	38	12.4
Highest Qualification	Matric	11	3.6
	Diploma	223	72.9
	Degree/Honours	69	22.5
	Postgraduate	3	1.0
Work experience in Supply Chain Management in the Public Sector	Less than 2 years	0	0.0
	Between 2 to 5 years	2	0.7
	Between 5 to 10 years	55	18.0
	Between 10 to 15 years	227	74.2
	15 years and over	22	7.2

Variable	Categories	Frequency (n)	Percentages (%)
Race	African	304	99.3
	White	2	0.7
	Indian/Asian	0	0.0
	Coloured	0	0.0
Occupational Position	Clerical	12	3.9
	Specialist	265	86.6
	Supervisor/Line Manager	19	6.2
	Middle Manager	9	2.9
	Senior Manager	1	0.3

Factor Analysis

A Bartlett's Test of Sphericity procedure was conducted on the collected data, and the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was computed to ascertain if the data were suitable for factor analysis. A Principal Component Analysis (PCA) procedure was conducted on the items on the measurement scales. Arising from the analysis the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was calculated at (0.867) and Bartlett's test of sphericity at (Sig = 0.000), which demonstrated that the data were suitable for multivariate data analyses. Only those items with factor loadings greater than 0.5 were retained, and only those variables with eigenvalues higher than '1' were also retained. In the resultant factor analysis, six factors each representing supply chain exposures were generated. The resultant factors, their item descriptors, factor loadings, reliabilities and mean scores are provided in Table 2.

TABLE 2:
Results of the Factor Analysis

SCM Exposure	Item Descriptors	Factor Loadings	% of Variance	Alpha Value	Descriptive Statistics	
					Mean	SD
Government Policies	<i>GP1: My organisation gives employees the means to properly follow government rules and regulations</i>	0.698	16.231	0.81	4.81	1.28
	<i>GP2: My organisation has effective structures to communicate government policies to stakeholders</i>	0.778				
	<i>GP3: My organisation ensures that employees adhere to rules and regulations</i>	0.781				
	<i>GP4: My organisation encourages employees to defend political choices even if they see shortcomings</i>	0.689				
	<i>GP5: My organisation clearly explains what is expected of employees regarding integrity and ethics</i>	0.687				
Supply Complexity	<i>SC1: My organisation can easily replace its key suppliers</i>	0.845	11.502	0.83	4.68	1.35
	<i>SC2: A high level of trust exists between my organisation and its suppliers</i>	0.812				
	<i>SC3: There are deep similarities between the business culture and structure of my organisation to that of its key suppliers</i>	0.893				
	<i>SC4: My organisation and its key suppliers have a huge influence on each other's supply chain decisions?</i>	0.811				
	<i>SC5: There is a high level of information sharing between my organisation and its key suppliers</i>	0.801				
Skills Shortage	<i>SS1: My organisation finds it easy to recruit required supply management professionals</i>	0.669	10.441	0.74	4.31	1.68
	<i>SS2: My organisation often experiences a high staff turnover (resignations)</i>	0.687				
	<i>SS3: In this organisation, people are generally enthusiastic about their jobs</i>	0.753				
	<i>Employees in my organisation have the necessary qualifications and skills for the SS4: positions they hold</i>	0.595				
	<i>SS5: My organisation relies on external consultants to fill vacant positions</i>	0.536				

Supplier Performance Monitoring	<i>SP1: My organisation visits supplier premises to help suppliers improve their performance</i>	0.536	7.012	0.78	4.04	1.54
	<i>SP2: My organisation trains suppliers' personnel</i>	0.783				
	<i>SP3: My organisation provides suppliers with feedback about their performance.</i>	0.639				
	<i>SP4: My organisation uses rewards to recognise suppliers' achievements</i>	0.752				
	<i>SP5: Price is a major consideration when my organisation selects suppliers</i>	0.653				
	<i>SP6: Suppliers inform my organisation on major changes in their organisations</i>	0.757				
Information security	<i>IS1: Information security awareness is communicated well throughout the organisation</i>	0.517	4.318	0.76	3.94	0.78
	<i>IS2: Users receive adequate security training prior to receiving a network account</i>	0.597				
	<i>IS3: A variety of business communications (notices, posters, newsletter, etc.) are used to promote security awareness</i>	0.765				
	<i>IS4: Information security policies are written in a manner that is clear and understandable</i>	0.697				
	<i>IS5: Information security rules are enforced by sanctioning the employee who breaks them</i>	0.816				
	<i>IS6: Employee computer practices are properly monitored for policy violations</i>	0.807				
Process Efficiency	<i>PE1: The top management team emphasises team work</i>	0.756	2.801	0.72	3.81	1.06
	<i>PE2: The top management team provides clear feedback to employees</i>	0.793				
	<i>PE3: My organisation involves waste reduction in its operations</i>	0.786				
	<i>PE4: The IT system in my organisation is convenient to access information</i>	0.795				
	<i>PE5: The IT system in my organisation has well-developed guide material for using the system.</i>	0.706				
	<i>PE6: My organisation standardises operational processes</i>	0.754				
Scores for overall scale			51.31	0.79	4.25	1.28
Scale: 1=Strongly disagree; 2= disagree; 3=Neutral; 4= Agree; 5= Strongly agree						

In analysing the responses of supply management professionals regarding their views on supply chain exposures facing the South African public sector, six factors namely government policies, supply complexity, skills shortage, supplier performance monitoring, information security and process efficiency were identified. These factors accounted for approximately 51.31% of the variance. The overall mean score for the scale was 4.25, which indicates that respondents generally agreed with the statements on the scale.

DISCUSSION

Government Factor 1: Government Policies

Factor 1 was labelled as government policies and contributed to 16.231% of the variance and scored a mean value of 4.81. Government policies refer to the regulatory framework within which SCM is implemented, as set by the national government (Colyvas, 2014). The results of this study demonstrate that the South African public sector provides their employees with the means to properly follow the rules and regulations. The study also confirms that the South African public sector has effective structures to communicate government policies to stakeholders and ensures that employees accurately adhere to such rules and regulations. It further demonstrates that the South African public sector explains what is expected of employees regarding integrity and ethics while discouraging them to defend political choices even if they see shortcomings.

The results regarding the perceptions of respondents towards government policies are in line with a study conducted by Mofokeng and Luke (2014), which investigated the effectiveness of procurement practices in public entities in South Africa. Their study confirmed that the South African public sector through the National Treasury administers procurement legislation and policies, and provides support to employees in the public sector. Another study by Nakyeyune,

Tauringana, Ntayi and Nkundabanyanga (2016) who investigated the public finance regulatory compliance amongst public secondary schools in Uganda, emphasises leadership support as a tool to achieve compliance with public finance regulations in secondary schools. Arlbjørn and Freytag's (2012) study contrasted between private procurement and public procurement, confirming that public procurement is unique in that sector-wide special rules and regulations govern it to secure goods and service. Also, a study conducted by Fourie (2009) confirms that the South African public sector provides its employees with the means to correctly follow the rules and regulations by publishing all relevant legislation, acts and practice notes on the National Treasury website. A later study by Fourie (2014) directed its attention to procurement in the South African public service, and its results indicate that the South African public sector has a code of conduct of which all public service officials should follow. The code of conduct explains what is expected of all officials regarding ethics and integrity. The study further highlights that some public sectors officials are on suspension pending a disciplinary hearing, which confirms that the South African public sector is continuously ensuring that employees are following the rules and regulations. Therefore, the South African public sector has adequate legislation and policies and measures that have taken place to ensure their compliance.

Factor 2: Supply Complexity

Factor 2 was labelled as supply complexity and contributed to 11.502% of the variance and scored a mean value of 4.68. Supply complexity occurs when the supply market is highly unpredictable, suppliers are unreliable, and there is an unreasonably high number of suppliers with whom business is conducted (Blome et al., 2014). The results of this study demonstrate that the South African public sector finds it difficult to replace its key suppliers. Also, there appear to be high levels of mistrust between public organisations and their suppliers. However, the results also show that there are profound similarities between their organisations and their suppliers regarding practices such as business culture and organisational structures. The results further show that there is a high level of information sharing and a huge influence on each other's supply decisions between the South African public sector organisations and their key suppliers.

Similar to the results above, Gupta, Prakash and Jadeja (2015) examined supply chain complexity in a public procurement environment. Their study concludes that both the public and private sector have a need to source goods and services by their specifications and as such there are broad similarities between the South African public sector and their suppliers. Another study conducted by Koma (2009) investigated the conceptualisation and contextualisation of corporate governance in the South African public sector and demonstrated specific practices such as the King Code of Corporate Practice and Conduct, which defines the structures and conduct of organisations applicable to both private and public sector. Naude, Ambe and Kling (2013) examined supplier relationship management in the South Africa public sector and found that there is high level of information sharing and massive influence of supply decision between the South African public sector and its critical suppliers during demand management and acquisition management processes, which are in line with the public sector supply chain management framework.

Carr (2016) investigated the relationships between information technology, organisational cooperation and supply chain performance. The results indicate that supply chain performance can be enhanced when organisations direct their efforts towards efficiently managing the transfer of knowledge with their key suppliers. The results also state that the coordinated flow of information between the organisation and its key suppliers is critical to effective supply chain management. Mofokeng and Luke (2014) concentrated on the effectiveness of procurement practices within public entities. The results of their study confirm that both the private sector and the South African public does not trust the public sector, which leads to dysfunctional

relationships. Panayides and Lun (2009) explored the impact of trust on innovativeness and supply chain performance. Their study shows that trust is a critical factor in improving supply chain management performance. The results reveal that trust facilitates better understanding between organisations and their suppliers, which will enhance the service delivery. Thus, although there are significant information sharing and similarities between South African public sector organisations and their suppliers, mistrust still exists between them, and there is an overdependence on these suppliers.

Factor 3: Skills Shortage

Factor 3 was labelled as the availability of skills and contributed to 10.441% of the variance and scored a mean score value of 4.31. Skills shortage refers to circumstances in which employers are unable to fill or have considerable difficulty in filling vacancies for an occupation, or specialised skills needed within that occupation at current levels of remuneration and conditions of employment, and reasonably accessible location (Cappelli, 2015). The results of this study show that the South African public sector finds it difficult to recruit supply management professionals and often experiences high staff turnover (resignations). Furthermore, the results imply that employees are not enthusiastic about their jobs, which may be a sign of dissatisfaction. The results further suggest that the South African public sector does not have the necessary qualifications and skills for the positions. Perhaps because of these deficiencies, the sector relies heavily on external consultants to fill vacant positions.

The results of this study support the findings of research conducted by Rasool and Botha (2011) who discovered that South Africa is losing a considerable percentage of its highly skilled and skilled workers to western economies. The South African National Treasury (2015) reviewed supply chain management performance in the South African public sector. The report showed that supply management professionals do not have the skills, knowledge and experience necessary to execute the supply chain management mandate. They also reported that employees in the public sector lack adequate motivation. Similarly, a recent study conducted by Mabelebele (2017) explored prospects and challenges of implementing projects in the South African public sector. The study found that the South African public sector does not have in-house capacity such that consultants facilitate much of the work. A previous report by The World Bank (2011) focuses on issues of accountability in public services in South Africa. It underscores that many of the organisations within the South African public sector are relatively new to their mandate and as such, they find it challenging to attract capable professionals. Therefore, there are entrenched human resource issues within the South African public sector and the context of supply management professionals. These challenges include the shortage of adequately skilled professionals, lack of motivation, which leads to staff turnover, and the heavy dependence on external consultants to fill vacancies.

Factor 4: Supplier Performance Monitoring

Factor 4 was labelled as supplier performance monitoring and contributed to 7.012% of the variance and scored a mean value of 4.04. Supplier performance monitoring is the measuring, analysis and management of the ability of a supplier to comply with, and if possible surpass their contractual obligation (Lysons & Farrington, 2012). The results of this study point to a deficiency in site visits since the South African public sector does not visit supplier premises to help employees improve their performance. The results also point to a lack of supplier development since the South African public sector neither trains nor gives feedback about performance to suppliers. Also, there are no rewards in place for the recognition of supplier achievements. However, on a positive note, information sharing appears to be effective since suppliers do not

hesitate to inform the South African public sector about major changes occurring in their businesses. The results further show that price is a significant consideration when the South African public sector selects suppliers.

The above results are consistent with the report by the South African National Treasury (2015), which revealed that supplier performance monitoring is often neglected in the South African public sector. Some studies (Naude et al., 2013; Mofokeng & Luke, 2014) support the view that supplier performance management, including activities such as visiting supplier premises to assess their performance, provides suppliers with training where needed and gives them feedback so that employees can improve what is lacking in the South African public sector. A study conducted by Dewhurst, MartõÁnez-Lorente and Dale (1999) which examined the implementation of total quality management in public organisations found that the incentive to reduce costs is not typically considered critical for the public sector. In another study, the World Bank (2011) discovered that suppliers to the South African public sector are hardly rewarded for successful delivery. Quinot (2014) considered the role of quality in the adjudication of public sector transactions and demonstrated that the South African public sector (in line with the Preferential Procurement Policy Framework Act of 2000) uses price as the most important criterion to award tenders to suppliers. Therefore, there exists a need to improve supplier performance monitoring activities such as site visits to suppliers, supplier development and the provision of rewards to the South African public sector.

Factor 5: Information Security

Factor 5 was labelled as information security and contributed to 4.318% of the variance and scored a mean value of 3.94. According to Spears (2006) information security relates to the preservation of confidentiality, integrity and availability of information. The results of this study demonstrate that information security awareness is efficiently communicated in the South African public sector. However, the results suggest that the South African public sector still has to improve in its use of a variety of business communications such as notices, posters, and newsletters to promote security awareness. The results also show that information security awareness is provided in a manner that is clear and understandable. The results further suggest a lack of information security training, since users do not receive adequate security training before receiving a network account. Also, employee computer practices are properly monitored for policy violations, and information rules are enforced by sanctioning the employee who breaks them.

As reported by the South African National Treasury (2015), the public has the right to public sector information. To satisfy this right, the South African public sector communicates data, which includes information security awareness through policies, government plans and practice notes through the Internet. Van Jaarsveldt (2010) investigated information technology skills for the South African public services. The study highlighted that the South African government published a Green Paper on E-Commerce in November 2000 to make people aware of the influence of information technology on the public. The study shows that the Green Paper was written in a manner that the people could understand. In addition, it demonstrated that the employees in the South African public sector do not have the required skills to navigate the information systems in their organisations, which presents information security challenges.

Factor 6: Process Efficiency

Factor 6 was labelled as process efficiency and contributed to 2.801% of the variance and scored a mean value of 3.81. Process efficiency is the streamlining of systems and procedures to ensure that more outputs are achieved using fewer resources in all sets of steps or tasks that the

organisation continually employs in creating its products or services, reaching specific goals or providing value to customers or suppliers (Dohmen & Moormann, 2010). The results of this study imply that in the South Africa public sector, strategic managers have excelled in encouraging teamwork amongst staff. It also appears that most operational processes are standardised, which makes them easier to manage. The results further demonstrate that the South African public sector has an IT system that is convenient for accessing information and there is a well-developed guide material for using that system. However, the provision of feedback by top-level managers to employees is lacking, and there is no emphasis on waste reduction in organisational processes.

The results of the study support the findings of research conducted by Arlbjørn and Freytag (2012) that investigated private and public procurement processes. The study shows that process efficiency is a significant challenge in the public sector, especially when dealing with the tendering system. In the same vein, the South African National Treasury (2015) reported that adoption of IT in supply chain management could increase the efficiency and effectiveness of public sector spending processes. The Worldbank (2011) also stated that although the South African public sector has IT systems, more practical, comprehensive and user-friendly operation manuals should be made available to work on the systems. Ngoepe (2014) examined the role of records management as a tool to identify exposures in the South African public sector. The results show that the South African public sector depends on the Internal Audit Department to assume the role of managing waste reduction in their operations. The study then concluded that risk avoidance is not embedded in the activities of the South African public sector. Hence there is a need to improve further the processes in the sector to enhance the efficiency and effectiveness of systems and procedures.

RELIABILITY AND VALIDITY

In this study, reliability was tested using the Cronbach alpha coefficient. For a variable to be accepted as reliable, its Cronbach alpha value was supposed to be higher than 0.7, as suggested by Malhotra (2011). As indicated in Table 2, all measurement scales had Cronbach alpha values above the recommended cut off value of 0.7, which demonstrates that reliability was satisfactory in this study. To check for content validity, the questionnaire was reviewed by a faculty panel at a South African university whose lines of expertise lie within the field of supply chain management.

Moreover, a pilot study was conducted using a conveniently selected sample of 40 supply management professionals employed in the public sector. Construct validity was checked using factor loadings, as recommended by Malhotra (2011). As revealed in Table 2, all factor loadings for individual items on the measurement scales were higher than 0.5, which confirms that construct validity was adequate in this study.

LIMITATIONS AND SUGGESTIONS FOR FURTHER RESEARCH

The first limitation is that the study was restricted to a small sample size of 306 respondents who were based in one geographic location, namely, Gauteng Province. The second limitation is that the study did not consider all supply chain risks that exist in the public sector. It only acknowledged those risks assumed to be the major ones, namely, government policies, supply complexity, availability of skills, supplier performance monitoring, information security and process inefficiency.

Since the study was inclusive of various public sector departments, future studies should consider specific government entities separately, such as state-owned enterprises, municipalities, government departments and constitutional entities. The scope of the study could be expanded

to other supply chain risks excluded from this current study, such as among other things economic factors, social factors, political factors, environmental risk, human behaviour risk and legal risk.

CONCLUSIONS AND MANAGERIAL IMPLICATIONS

The study aimed to determine the supply chain exposures facing the public sector in South Africa. Using data collected from 306 supply management professionals drawn from the public sector in Gauteng province, an exploratory factor analysis procedure using the Principal Components Analysis technique was applied. Six factors, namely government policies, supply complexity, skills shortage, supplier performance monitoring, information security and process efficiency were identified as the exposures facing the public sector supply chain.

The results of this study have important implications for the South African public sector which has experienced increasing pressure to improve service delivery throughout the country. Managers within the public sector could direct their efforts to develop solutions for dealing with and reducing the adverse effects each of the exposures identified in this study. Regarding government policies, training should be provided to supply management professionals on the purposes and correct interpretations and observance of the available legislative policies. In dealing with supply complexity, it is necessary to build trust between the public sector and its suppliers, and this can typically be achieved through the sharing of high-quality information, creating joint ventures and through supplier development programs. Skills availability may be improved through the further training of available supply management professionals and the use of other innovative recruitment solutions to identify suitable individuals who can take up critical positions in the public sector. The monitoring and evaluation of supplier performance should be improved to enable suppliers to be held accountable for their delivery of expected products and services. Regular feedback should be provided to suppliers regarding their performance, with indications of areas for improvement. Information security awareness should be prioritised in the public sector to increase the vigilance of employees to the common threats. A starting point could be to increase the awareness of employees with regard to applications of passwords, antivirus software, firewalls, encryption software, legal liability and user/administrator training standards. To improve process efficiency, systems within the public sector should be automated to enhance the speed of information processing. This would improve the supply chain activities of the public sector in South Africa, leading to better service delivery.

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Procurement's contribution towards socio-economic objectives within the commuter bus industry

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ABSTRACT

In South Africa, procurement, seen as a strategic tool for socio-economic development, is guided by the Supply Chain Management Policy Framework developed in 2003 (Ambe, 2016:280). Each government entity is driven by its own SCM which is unique to its operations. However, the commuter bus industry is complex and its operations are not in line with the recommended regulations. Procurement in the industry is marred by a lot of challenges, such as the fact that to date no new contracts have been concluded since 2001 (Walters & Manamela, 2016:3). The Small Bus Operators (SBOs) cannot participate in the government contracting system. This paper explores procurement's contributions towards socio-economic objectives within the commuter bus industry in South Africa. The paper is both descriptive and exploratory in nature, and employs a mixed-method research approach. The data were collected from a sample of 18 respondents who are key stakeholders directly involved in the procurement of subsidised commuter bus services in Gauteng. Face-to-face interviews and a semi-structured questionnaire were used. The findings of the study reveal the role of the procurement function within the commuter bus industry, including the development of small, medium, micro enterprises and its contribution to the country's Gross Domestic Product (GDP).

INTRODUCTION

Globally procurement, a sub-process of supply chain management has been accepted that it plays an essential role in local and regional wide industrialisation (Boateng, 2018). Under the apartheid government (pre-1994), procurement practices favoured large, established companies and it was difficult for small businesses to partake in business with the government (Ambe, 2016:279). Before the constitutionalisation of government procurement in SA, the State Tender

Board Act governed procurement at national and provincial government levels, while procurement at local levels was governed by various other pieces of legislation related to the procurement of goods and services (Jones, 2015:11; Thai, 2009). However, over time the regulations to the State Tender Board Act were amended to allow for flexibility in the procurement processes.

When the new government took power in 1994, procurement was given a constitutional status and was put under the management of the National Treasury (Ambe & Badenhorst-Weiss, 2012:245). The National Treasury was given the responsibility of managing and overseeing government expenditure, and they exercised overall responsibility and oversight for the public procurement policy at national, provincial and local levels. As a means of addressing past imbalances and promoting socio-economic objectives, the new government embarked on policy reforms on the procurement practices of the country (Motuba, 2014:12). These were aimed at promoting the principles of good governance, to enable easy access to tendering information and to provide simplified documentation. However, the commuter bus industry is complex and its operations are not in line with regulations. Procurement in the industry is marred by a lot of challenges, such as the fact that no new contracts have been concluded since 2001 (Walters and Manamela, 2016:3). In addition, the current practices favour the subsidised (commonly known as the formal) operators over the unsubsidised (informal) ones, with the former benefitting from government contracts. In addition, most of the old operators are still in the system, limiting the opportunities for new operators to enter the market successfully.

Although there are many studies on procurement in the public sector in SA, such as studies by Ambe (2009), Ambe and Badenhorst-Weiss (2012), Mofokeng (2012) and Dlamini (2016), there are limited studies on procurement in the commuter bus industry. A few studies looked at procurement in higher education, SCM in higher education, SCM in municipalities, SCM in national departments and the implementation of government procurement policy, but none of these studies have been conducted in the commuter bus industry. While many studies have been done on public transport, most of them deal with the policies guiding public transport, and the implementation of policies guiding public transport and the commuter bus industry, little research has been done into the procurement aspects of the commuter bus industry. Therefore, there is a research gap, and hence the need for this study.

LITERATURE REVIEW

This section of the paper provides a review of the relevant literature. It explores procurement in a public sector management context, procurement methodologies in the commuter bus industry, as well as procurement's contribution towards socio-economic objectives within the commuter bus industry.

Review of procurement practices

Procurement refers to the acquisition of goods and services at the best possible total cost of ownership, in the right quantity and quality, at the right time and in the right place, generally through a contract (Munzhedzi, 2016:2). Fourie (2015:38) defines procurement as a business function with an economic activity, a business process in a political system and a strategic profession. Procurement also serves as a management function and is employed as a value-adding process by a specialised department or unit. It can also be used as a social tool, allowing tax money to be returned to domestic residents, creating more jobs and reducing imports (Arrowsmith, 1996; Fourie, 2015).

Procurement can be broadly divided into two types: public procurement and private procurement. According to Mwacharo (2015:14), public procurement is the procurement done by or on behalf of ministries, departments of central and local government, and state corporations. Akafia (2007:10) defines public procurement as the way in which government-funded entities contract various types of civil works and procure goods and other services. These goods and services include standard to large expenditures, for example standard items such as stationery and larger items such as the construction of roads, and key services like education (Dzuke and Naudé, 2015:1). In addition to contributing to the welfare of the public, public procurement has also proven to be a successful management tool of public resources (Ambe and Badenhorst-Weiss, 2012:245).

Procurement in South Africa is deemed to be of particular importance in the public sector and is used as a policy to address the discriminatory and unfair practices stemming from the apartheid era (Bolton, 2006:202). However, within the commuter bus industry there was, and still is, some resistance to the reforms in the procurement of services (Naudé, 2003:5).

Procurement practices in the South African public sector

Under the apartheid government (pre-1994), procurement practices favoured large, established companies and it was difficult for small businesses to partake in business with the government (Ambe, 2016:279). Before the constitutionalisation of government procurement in SA, the State Tender Board Act governed procurement at national and provincial government levels, while procurement at local levels was governed by various other pieces of legislation related to the procurement of goods and services (Jones, 2015:11; Thai, 2009). However, over time the regulations to the State Tender Board Act were amended to allow for flexibility in the procurement processes.

When the new government took power in 1994, procurement was given a constitutional status and was put under the management of the National Treasury (Ambe & Badenhorst-Weiss, 2012:245). In 2001, the National Treasury, in combination with the World Bank, conducted an audit assessing the progress on the proper implementation of procurement practices throughout the public sector (National Treasury, 2003:2). A number of inconsistencies were identified within the operations, specifically in terms of the interpretation and implementation of the PPPFA and related policies (Ambe & Badenhorst-Weiss, 2012:243). This joint Country Procurement Assessment Report (CPAR), then led to the adoption of the Regulatory Framework for Supply Chain Management in 2003, entitled “Policy to guide uniformity in procurement reform processes in government” which, in conjunction with provincial treasuries, replaced the outdated procurement practices within provinces and municipalities.

Procurement practices within the commuter bus industry

A commuter bus can be defined as a scheduled bus that is assigned for short travel distance of 100 kilometres or less, mainly utilised by the working population as a mode of transport from their places of residence to their places of employment (Public Service Commission, 2017:4). Commuter buses are used within the commuter bus industry, which falls under the auspices of the Department of Transport (DoT) and forms part of the public transport spectrum (Walters, 2014:1). This section of the DoT is responsible for passenger transport, together with the train and minibus taxis industries. This industry is then further divided into municipal buses, the new

Bus Rapid Transit system and subsidised and unsubsidised buses (DoT, 2013). The industry provides public transport services to people commuting to work, learners travelling to and from school, and individuals who are seeking access to employment, hospitals and other services. In 1986, the White Paper on National Transport was introduced. This allowed minibus taxis to enter the bus industry, which led to intense competition and increased subsidy levels per passenger. The White Paper further stipulated that the bus services had to be put out to tender (Walters, 2014:2). In 1987, the bus services were put out on tender as a pilot to see if the tender system would work in the bus industry. However, this did not last, because the system was severely criticised, which eventually led to the subsidy policy being phased out completely. The industry has undergone some major transformation, especially after the introduction of the National Land Transport Transition Act No. 22 of 2000. This Act makes provision for the transition from the previous subsidy system and the introduction of the interim and tender subsidies.

The standard procurement methods that are used in the industry are based on the methods used in the general public procurement in South Africa, but adapted to the specific needs of this industry (Ngcamphalala & Ambe, 2016:7). As part of the reforms, the White Paper on National Transport Policy of 1996 was introduced, which introduced the procurement of commuter bus services through competitive tendering (Walters, 2014:2). However, there were then labour-related issues between the DoT, the industry association (the Southern African Bus Operators Association) and labour, which then led to the enacting of the National Land Transport Act of 2009, which introduced the contemporary procurement methods, namely, negotiated contracts and competitive contracts (Walters, 2010:362).

However, before either of these two were introduced, interim contracts (ICs) came into play as discussed below:

- **Interim contracts:** These were introduced as an interim measure in 1997 to assist operators in becoming financially ready for the tender practice (Walters, 2010:362). They were based on the original services offered by the operators at the time, and operated on a passenger-based subsidy.
- **Tender contracts:** In 1997, following the challenges presented by interim contracts, the government introduced tender contracts in line with the White Paper policy objectives (Walters, 2010:363; Walters, 2014:2). These contracts are government controlled, with the government specifying the required services and inviting operators in an open market to tender for these services. The aims of these contracts are to encourage the participation of new entrants, to empower small operators and also to enable the transparent monitoring of funds for this industry.
- **Negotiated contracts:** Between 1999 and 2000, negotiated contracts were introduced through the National Land Transport Transition Act (NLTTA). Originally, they were intended to assist government-owned and municipal operators who were financially unfit in participating in competitive tendering (Walters and Cloete, 2008:1163). This Act was later amended to make provision (under certain conditions) for private sector companies. These include small operators and previously disadvantaged persons who have been excluded owing to unfair discrimination.

Procurement's role in socio-economic development within the commuter bus industry

Post-1994, the ANC government transformed public procurement to cater for diverse economic needs, such as the inclusion of women, black people and people with disabilities, groups that were previously marginalised in economic activities (Vabaza, 2015:27). A part of this initiative was to support this industry. The South African government identified that the Small, medium, micro enterprises (SMME) sector has the potential to provide job creation opportunities, economic growth and equity in South Africa (Peters & Naicker, 2013:13). This has been proven since 1996, where the number of individuals employed within the SMME sector increased from 19% to 26% of all employed persons by 1999. Since then the SMME sector has received increased attention from the government, especially with regards to investment, supportive legislation, a variety of funding institutions and assistance from government institutions through the Department of Trade and Industry (DTI) (Boosting small businesses, 2002:1).

Despite the reforms and regulations put in place to redeem the irregularities in promoting socio-economic objectives in public procurement, there are still some predicaments. The commuter bus industry has noted the following gaps:

Use of procurement to achieve socio-economic objectives within the commuter bus industry

The contemporary procurement practices employed within the commuter bus industry are still not in line with some of the policies like the B-BBEE Strategy that says there must be contract guarantees (B-BBEE Strategy-page). There are no contract guarantees as per the set policies. According to the Parliamentary Monitoring Group, on "Bus subsidies and their impact on taxi industry: DoT briefing" (2013:1), the subsidised bus contracts were operated on a month-to-month basis despite the promise to provide contract guarantees through these contracts. According to Thys Heyns, PUTCO executive director, the longest contracts were 12 months' contracts and operators cannot invest in anything for such a short period (Venter, 2015:1). Therefore, operators cannot hire additional staff, since there is no certainty of their business and thus the industry is not contributing towards job creation or economic growth.

There have not been any new signed contracts since 2002 (Munshi, 2014, Walters 2014:2). Section 41(1) (b) of the National Land Transport Act stated that authorities may enter into negotiated contracts with operations in their areas, on a once-off basis, with a view to promote the economic empowerment of small businesses, or of persons previously disadvantaged by unfair discrimination (Parliamentary Monitoring Group,2013:1). This was to be done so that when new contracts were brought in, the negotiated routes of all the previously disadvantaged people would be incorporated. Since April 2015, these are now operating on a three-year contract, due to expire in April 2018 (Saboia, 2015:12). The Green paper on procurement (1997:7) concurred that the inclusion of SMMEs is important to stimulate the growth of the SA economy, however the execution of the proposed policies seem to have side-lined this industry.

Development of SMMEs

SMMEs constitute the vast majority of business establishments in all economies and are usually responsible for job creation opportunities and contribute a big part of the private sector turnover (Hlakudi, 2012:55). Government have since seen that the small businesses present a big opportunity to assist in reducing the poverty gap.

However, within the commuter bus industry the status quo shows that there is still some resistance with regards to the inclusion of SMMEs or small bus operators (Mitchell & Walters, 2011:252; Walters & Heyns, 2012:45). The employed procurement practices still favour big companies. The old contracts from the previous era in the form of interim contracts are still in place, and they have been extended more than a 150 times (Venter 2015:1). To date, however, despite the newly effected policies under the new government with the aim of promoting socio-economic objectives, SMMEs are still not fully recognised in SA (Hlakudi, 2012:4). At present, only a few small bus operators are taking part in the procurement processes with negotiated contracts (Walters, 2013:40). The majority of the small and/or black-owned companies still find it difficult to compete with the large white-owned companies for contracts. Small bus operators (SBOs) or informal bus operators, as referred to in most literature, are still struggling to take part in these operations, because of the protection afforded the large operators (Naudé, 1999:167). Venter (2013:2) concurs saying that in the public transport sector informal or SBOs are still regarded as “a problem to be solved”. These operators are said to be resistant of the proposed policies. According to Harrison (2012:6), small and new bus operators are still struggling to penetrate this industry. The main challenge is lack of subsidies to purchase the required fleet of buses needed to partake in the competition with the large operators. The large operators were given a huge capital investment to purchase their fleet. It is a given that the small bus operators do not stand a chance against the large operators.

Contribution to GDP

The bus industry has for many years made a significant vital contribution to the economic and social development of the country (de Klerk, 2013:1). Due to the budget constraints in the industry, mainly stemming from the use of the Division of Revenue Act (DORA), the growth and contribution of the industry towards the GDP has decreased (Rypstra, 2011:2). Table 1 provides a summary of the current situation regarding the contribution of the industry to socio-economic development.

RESEARCH METHODOLOGY

The formal public transportation sector is led by the urban bus industry (Simpson *et al.*, 2012:22). This industry moves 858 000 passengers per day (DoT, 2003). This shows how critical this industry is to society and the country at large. However, the industry is marred by a number of challenges, amongst others, limited subsidies being allocated and poor implementation of policies guiding the procurement of services (Walters, 2010). This affects the choice of the most suitable procurement method. The exploration of the current procurement practices is therefore necessary to identify the types of procurement practices being employed and the challenges affecting the effective implementation of these methods against the guiding policies.

For this paper, a mixed-method approach was selected, since the study aimed to investigate and gather an in-depth understanding of the procurement practices employed in the commuter bus industry. The study was conducted using both the quantitative and qualitative research methods, over two phases. Phase 1 involved an in-depth literature review and Phase 2 consisted of a face-to-face interview questionnaire based on semi-structured questions that was conducted with government officials and commuter bus operators, with open-ended questions where the respondents had to justify their responses (mixture of quantitative and qualitative research). This allowed for the achievement of triangulation.

A total of 18 respondents were interviewed. This population was not large enough to warrant a quantitative research approach, and to add to that the limited amount of literature on procurement

practices employed within the commuter bus industry. Fortunately, enough literature is available on procurement in general, and as the research is based on a survey. The questions in the questionnaire were guided by the literature review to address the research problem and to answer the research objectives. The questionnaire consisted of a five-point Likert response format with different end points, namely, 1 (no extent) to 5 (very great extent), 1 (strongly disagree) to 5 (strongly agree), and ranking with end-point 1 (not important at all) to 5 (extremely important), and it was divided into three sections. Section A consisted of questions on the general operational information, section B consisted of questions on the procurement practices employed within the commuter bus industry and section C consisted of open-ended questions, to assist the researcher in reaching the final conclusions of the study.

The data collection was conducted by the researcher to maintain a close relation and build trust amongst the respondents (especially the commuter bus operators), who have proven to be sceptical about government's intentions on a number of occasions, as experienced by other researchers, such as Walters and Manamela, (2016: 4). The collected data was analysed using both the descriptive and inferential statistics through the Statistical Program for Social Sciences (SPSS, version 24). Descriptive statistics were used to describe the main features of the data in quantitative terms, and inferential statistics were used to determine statistically significant differences. The open-ended responses were used to give more meaning to the respondents' views on questions, where applicable (Gray, Williamson, Karp and Dalphin, 2007:44).

FINDINGS

This section of the paper presents the findings and a discussion on procurement's contribution towards socio-economic objectives within the commuter bus industry in Gauteng. The findings of both the structured and unstructured questions are presented. The empirical analysis aimed to determine if procurement does contribute towards socio-economic objectives within the commuter bus industry in South Africa. From the descriptive analysis, it was evident that procurement contributes significantly towards job creation within the industry with a mean value of 4.00. This was followed by "the awareness of SBOs' on the tender processes" with a mean value of 3.33. This was followed by "the inclusion and protection of historically disadvantaged individuals" with a mean value of 2.83, then followed by the "SBOs' ease of access to contracting system" with a mean value of 2.67, which was followed by "promoting guarantees and training in the industry" with a mean value of 2.61 and the "breakout of procurement contracts" with a mean value of 2.44. The least evident contribution was "promoting sound financial management" with a mean value of 1.89. Therefore, the findings confirm the literature findings in Section 3.3.4, that there is still a lot of work to be done to improve and support this industry (Sibande, 2013:1).

A further analysis on procurement's contribution towards socio-economic objectives within the industry came from the interview questions and revealed that there was a general agreement amongst the respondents that procurement contributes a great deal towards job creation in Gauteng within the commuter bus industry. The findings also revealed that there is access to the contracting system, but there is limited information on the details of tendering, which limits the entrants of new operators, over and above the fact that there are no new advertised contacts.

The study also found out that there was almost a universal agreement from the respondents on SBOs' are awareness of the tender processes within the commuter bus industry. The findings also revealed that there were mixed feelings between the respondents on the inclusion and protection of the HDIs, with most indicating that the HDIs have been fairly included in this industry. Majority of the respondents also indicated that the industry is not contributing towards being

financially sound and sustainable. Operators cannot survive without the governments' subsidies. Also the study revealed that there were mixed feelings from the respondents regarding the breakout of procurement contracts was recommended by the Green Paper on procurement on Public Sector Procurement of 1997.

From the above summary of findings it can be concluded that South Africa can benefit from effective procurement to promote socio-economic objectives within the commuter bus industry.

Contribution of the industry towards socio-economic objectives

Respondents were asked to indicate on a 5-point Likert response format, their agreement to statements relating to the contribution of procurement to the commuter bus industry with end points 1 (strongly disagree) to 5 (strongly agree). The responses were measured in mean values and standard deviation as reflected in Table 1.

TABLE 1:
Perceptions of the respondents on procurement's contribution towards socio-economic objectives within the industry

Statements	Mean		Std. Deviation
	Statistic	Std. Error	Statistic
The industry's contribution to job creation.	4.00	.162	.686
SBOs' ease of access to contracting system.	2.67	.256	1.085
SBOs' awareness of the tender processes.	3.33	.243	1.029
Inclusion and protection of historically disadvantaged individuals.	2.83	.232	.985
Promoting sound financial management.	1.89	.179	.758
Breakout procurement contracts	2.44	.258	1.097
Promoting guarantees and training in the industry	2.61	.293	1.243

Source: Author's own compilation

As indicated in Table 1, the most evident procurement contribution to the industry is "the significant contribution towards job creation" with a mean value of 4.00. This was followed by "the awareness of SBOs' on the tender processes" with a mean value of 3.33. This was followed by "the inclusion and protection of historically disadvantaged individuals" with a mean value of 2.83, then followed by the "SBOs' ease of access to contracting system" with a mean value of 2.67, which was followed by "promoting guarantees and training in the industry" with a mean value of 2.61 and the "breakout of procurement contracts" with a mean value of 2.44. The least evident contribution was "promoting sound financial management" with a mean value of 1.89. Therefore, the findings confirm the literature findings in Section 3.3.4, that there is still a lot of work to be done to improve and support this industry (Sibande, 2013:1).

Procurement's contribution to the industry

In SA, procurement promotes preference and socio-economic objectives, as guided by the PPPFA and its Regulations (National Treasury, 2015:13). In fulfilling the socio-economic objectives, procurement needs to, amongst others, support the emerging black businesses and 'set aside' procurement for previously disadvantaged individuals. Following the conducted interviews, it was revealed that procurement contributes towards job creation, however, it still limits SBOs through ease of access to the contracting system, SBOs awareness of the tender

processes, inclusion and protection of HDIs, promoting sound financial individuals and breakout of procurement contracts.

Most of the respondents indicated that procurement contributes a great deal towards job creation in Gauteng.

“Yes, of course. We are contributing a great deal on the part of job creation. If you look at big bus companies, they are employing more than 6000 employees, or even more, I do not know the number of their fleet now, but it’s more.” (Respondent 6)

“Yes! These buses bring forth employees to their work of place and this contributes to different sectors in terms of bringing forth labour and job creation through the sector its self, drivers, cleaners, ticket inspectors and many others. (Respondent 2)

Some of the respondents indicated that there is access to the contracting system, but limited information on the details of tendering.

“It’s not that there is no access at all, but we need the training part of how to do things within the contracts. How to tender and all those things, because most of the operators depend on consultants when it comes to tendering... and they charge a lot of money. (Respondent 2)

Some respondents indicated that there is no access to the contracting system at all. The big companies with more contracts have to be forced to share some of their routes, as a means to include the SBOs and still they are abusive towards the SBOs.

“There are a few SBOs participating in the subsidised commuter bus services, and they operate only as subcontractors. And they are not paid from the PTOG, but from the province. (Respondents 5)

Some of the respondents indicated that SBOs’ are aware of the tender processes within the commuter bus industry.

“Yes, but we have not been issuing any new contracts. However, they are aware. We have had a number of engagements on the tender processes with them.” (Respondent 1)

There were mixed feelings between the respondents on the inclusion and protection of the HDIs, with most indicating that the HDIs have been fairly included in this industry.

“I think, the government has fairly accommodated and included the SBOs. You can’t include them before you sort your house. You first need to deal with the challenges in the industry. Remember, we will include the HDIs when we issue the new contracts. The industry needs to sort out the contracting regime first, then when new contracts are issued out, then HDIs can be brought on board. The problem right now is that the system is not sustainable. You can’t bring new people to a collapsing industry. (Respondent 1)

Most of the respondents indicated that, they do not think the industry is contributing towards being financially sound and sustainable.

“The small ones no. even the big ones on the current contracts...operating on a month-to-month basis, no its no. Some of the operators there an there have even withdrew from some of their operations, because the operations were not sustainable.” (Respondent 5)

The breakout of procurement contracts was recommended by the Green Paper on procurement on Public Sector Procurement of 1997, as part of the procurement reforms in SA. Through this paper, the government aimed at transforming the public procurement process in order to achieve its socio-economic objectives, and one of the procurement objectives included the breakout procurement. There were mixed feelings from the respondents regarding this. Some of the respondents advised that there is a bit of inclusion but not to a large extent.

“It’s a very small portion. The government just asks the operators to comply with the sharing of the contracts, i.e. give 10% of your routes as a requirement to the SBOs and this is not enough for the SBOs, out of a 100%.” (Respondent 2).

Table 2 presents the storyline on procurement’s contribution towards socio-economic contributions, based on the open-ended questions.

TABLE 2:

Procurement’s contribution to the commuter bus industry

Theme	Description
Job creation	<ul style="list-style-type: none"> ▪ Procurement contributes a great deal to job creation. ▪ Commuter buses bring forth a large number of commuters to other sectors of business in SA.
Access to contracting system	<ul style="list-style-type: none"> ▪ Operators have access to the contracting system, but lack training on the contracting processes.
Awareness to contracting system	<ul style="list-style-type: none"> ▪ SBOs are aware of the tendering system, but there have not been any new contracts.
Inclusion and protection of the HDIs	<ul style="list-style-type: none"> ▪ The stakeholders need to sort out the current contracting regime, before introducing HDIs into the industry.
Sound financial individuals	<ul style="list-style-type: none"> ▪ Operators are struggling financially, that some have even surrendered some of their routes.
Breakout of procurement contracts	<ul style="list-style-type: none"> ▪ A very small portion of the existing routes have been broken down into small contracts. ▪ Large operators are still dominating.
Promoting guarantees and training in the industry	<ul style="list-style-type: none"> ▪ Training is offered by government through. Transport Education Training Authority (TETA)

Source: Author’s own compilation

LIMITATIONS AND FUTURE RESEARCH

There was a limited number of limitations to this study, because of the support from the personnel from the DoT that put in a word for the researcher which made the operators willing to participate in the study. However, there were limitations and these were:

- The limited information on the commuter bus industry in SA, with very little literature being available on procurement practices in the industry.
- The availability of the commuter bus operators for the interviews, was a bit of a challenge due to their busy schedules.
- The limitation regarding the sample size for the quantitative part of the study.

- The limited geographic scope of the study, since the study was only conducted in Gauteng.

This served as a foundation in highlighting the roots of the challenges facing the industry. However, for future research, it would be necessary to then now study deeper the dynamics of the procurement practices employed within the industry to find the best suitable method, suitable for South Africa's unique nature. It is also recommended that a further study is conducted for the whole country to be able to acquire a national solution to the industry's procurement problems.

CONCLUSION

This paper investigated the role of procurement towards socio-economic objectives within the commuter bus sector in Gauteng. In South Africa, procurement is seen as a strategic tool for socio-economic development to address past imbalances and promote socio-economic development (Ambe, 2016:280; Motuba, 2014:12). The aim is to promote the principles of good governance, to enable easy access to tendering information and to provide simplified documentation.

In South Africa, public procurement aims to cater for diverse economic needs, such as the inclusion of women, black people and people with disabilities who were previously marginalised in economic activities (Vabaza, 2015:27). Part of this initiative involves fulfilling socio-economic objectives, including amongst others, job creation (Peters & Naicker, 2013:13). The findings of the paper revealed that procurement is and can contributing tremendously towards job creation in the commuter bus industry and the country at large. However, with regards to SBO's awareness of the tender processes and access to the contracting system, the findings indicated that the industry is lagging behind, especially on the training of the operators with regards to the tendering processes as a whole, followed by the limited promotion of job security in terms of new contracts, with a small number of contracts serviced by SBOs as sub-contractors and the limited promotion of sound financial management (with the current contracts being operated on a month-to-month basis). This means there is a gap that the government can utilise through procurement to promote socio-economic objectives within the industry. The findings also indicated that there was no progress at all regarding the inclusion of the HDIs within the commuter bus operations. These factors are definite opportunities of promoting socio-economic activities in the industry through procurement.

The findings also reveal that there is some form of contribution by the industry towards socio-economics objectives. However, this is minimal, with more room for improvement, especially in relation to the promotion of sound finances, the breaking of procurement contracts (the breaking of big contracts, to include new entrants in the operations), to provide SBOs with ease of access to the contracting system and the inclusion and protection of the HDIs. This also confirms that the inconsistencies in the implementation of the procurement practices, limits the benefits that could be acquired from this function.

Therefore, the key stakeholders in the industry need to revisit their policy formulation and implementation processes to ensure that there is proper consultation among the relevant parties. The government needs to continue working on the relationship with the operators. All operators need to be considered or consulted in all communication or planning, especially small bus operators, since they are not all the same.

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Information technology, supplier and product improvement influence on small and medium enterprises performance

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ABSTRACT

The understanding of information technology (IT) is critical since it is the factor that enables the smooth operation, review and redesign of SMEs performance (SP). SP is better understood and can be monitored through five measurement metrics, namely cost, time, quality, flexibility and innovativeness. In SMEs, those involved in monitoring SP typically focus on those metrics that result in increased competitiveness since greater competitiveness results in the decrease of costs. The main objective of the study is to investigate the influence of information technology, supplier development and product development on SMEs performance. This makes the subject of SP central to the operation of the modern-day SMEs. Descriptive statistics were analysed using the Statistical Packages for Social Sciences (SPSS version 24.0) software. A confirmatory factor analysis (CFA) was conducted to determine the psychometric properties of the measurement scales. Hypotheses were tested using structural equation modelling (SEM), which demonstrates and tests any theoretical linkages of a proposed study and significance of the relationship between the constructs. Both the CFA and SEM techniques were achieved using AMOS software. The result of the study showed a positive relationship among the research variables. However, recommendations and limitations for future research are provided.

INTRODUCTION

Supply chain management, according to the Council of Supply Chain Management Professionals (CSCMP):

encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities. It also includes the coordination and collaboration with channel partners, which can be suppliers,

intermediaries, third-party service providers, and customers. Supply chain management integrates supply and demand management within and across companies (Pienaar & Vogt 2012:8).

From this definition, the flow of quality information, supplier development and product development are essential and the responsibilities of supply chain management as it is concerned with interorganisational management of product, information and financial flow from raw material suppliers to the end users (Andrade, Ferreira, De Ferran, Ziegler, Gomes, Pisanu & Da Silva, 2016; Latusek & Vlaar, 2017; Bastas & Liyanage, 2018). In the present global competitive environment, supply chain management practices have become a strategic roadmap to ensuring sustainable competition (Zhang, Tse, Doherty, Li & Akhtar, 2018), accurate forecasting information and demand management (Ali, Babai, Boylan & Syntetos, 2017), product and service quality through improved communication and collaboration with suppliers, as well as achieving organisational performance (Quigley, Walls, Demirel, MacCarthy & Parsa, 2018). In other words, with supply chain management practices, organisations are well informed about the enhancement of product and service quality and, thereby, are able to achieve faster lead-times with flexibility in responding to consumers changing demands.

Organisations, whether small or large, produce goods and services with the aim of delivering greater customer value day-by-day. An organisation's reasons for existence is about achieving organisational goals and objectives in the most efficient and effective way. However, as competition between buyers and suppliers expands, organisations are often faced with increased pressure from external forces such as globalisation, technology, innovation and informed consumers, which may either make or break an organisation if continuous improvement to products and services is not strategically implemented (Lui, Guillet, Xiao & Law, 2014; De Villiers, Nieman & Niemann, 2017; Verhoef, Stephen, Kannan, Luo & Zhang, 2017; Jean, Kim & Bello, 2017; Zeng & Yen, 2017). Due to this, organisations' service or product offerings and suppliers need to undergo continuous improvement and development in which information quality plays a critical role (Kim & Chai, 2017). Therefore, within the supply chain management, supplier development and product development that is imbedded by quality information is a key success in achieving organisational performance. The pursuit to achieve and retain high levels of business performance implies that SMEs performance should be stated according to the customer's specific requirements (Pienaar & Vogt, 2012; Town, 2000). Since the implementation of information technology can enhance both SMEs supplier and product development, which may further aid the level of customer satisfaction and value-added advantage, this study measures SMEs performance resulting from information technology, supplier and product development. For this study, SMEs performance is defined as the extent to which information technology, and supplier and product development serve as distinctive resources, capable of enhancing organisations' core capabilities (Ehlers & Lazenby, 2010). Previous studies have revealed that supplier and product development have positive influences on the performance of an organisation (Dombrowski & Karl, 2016; Cho, Bonn, Giunipero & Jaggi, 2017; Glock, Grosse & Ries, 2017; Quigley, Walls, Demirel, MacCarthy & Parsa, 2018). However, little has been researched about the impact of information technology, and supplier and product development on SMEs business performance. Hence, this study aims to determine the influential relationship between information technology, supplier development, product development and SMEs business performance.

THEORETICAL REVIEW, HYPOTHESES AND RESEARCH FRAMEWORK

Information technology, product/supplier development and SMEs performance

Each organisation experiences unique struggles with suppliers, such as late deliveries, poor quality and inadequate responses, which create uncertainties in supply chain. The negative impact of uncertainties in supply chain that has contributed to a phenomenon called the bull-whip effect has resulted in the widespread of the use and importance of information technology. Information technology is a key strategy to sharing information on a real time basis for mitigating uncertainties in supply chain. Over the years, information technology has changed the way organisations within the supply chain operate both locally and globally to achieve competitive advantage (Byrd & Turner, 2000; Wongpinunwatana, 2009; Fiorini & Jabbour, 2017; Tiwari, Wee & Daryanto, 2018), for example, the ease to instant data access, social media, e-commerce, mobile communication and cloud computing. Due to these factors, internet infrastructures, mobile phones and communication systems have had a major impact on product quality, supplier improvement and an organisation's performance. One of the main reasons for the development or advancement of a supply chain management concept is the collaborative enhancement of strategy for product/ service quality and supplier development; information technology plays a critical role in this process (Tseng, Wu & Nguyen, 2011; Hong, Zhang & Ding, 2018). According to De Barros, Ishikiriya, Peres and Gomes (2015) and Han, Wang and Naim (2017), the implementation of information technology among organisations within the supply chain has improved performance and value creation. This is because information technology is regarded as an antecedent to organisational capabilities, supply chain responsiveness, supply chain agility and inter-firm strategies alliance. Fiorini and Jobbour (2017) and Huang and Wang (2017) conclude that without the implementation of information technology, it is impossible for organisations to achieve efficient and effective forward and reverse flow of product/ service, information and finance across any supply chain. For the sake of competitive sustainability, organisations now embrace information technology as a strategic enabler to product innovation offerings to support rapid knowledge-sharing, and flexible and responsive processes to changing customer demands (Gunasekaran, Subramanian & Papadopoulos 2017; Zhang, Zhang, Zaccour & Tang 2018; Aydin & Parker, 2018). Therefore,

***H1:** Information technology has a positive impact on supplier development*

***H2:** Information technology has a positive impact on product development.*

***H3:** Information technology has a positive impact on SMEs performance*

Supplier/product development and SMEs performance

Organisations have, over the years, outsourced logistic activities to third-party logistic providers, not only for specialisation sake, but also to improve operational efficiency and effectiveness as well as for innovation and competitive advantage (Magnani, Zucchella & Strange, 2018; Zhu, Ng, Wang & Zhao, 2017; Law, 2017; Rosar, 2017; Bals & Turkulainen, 2017). According to Koufteros, Cheng and Lai (2001), organisations' competitive advantage may result from, but is not limited to strategic supply chain partnership in terms of quality of information shared and its responsiveness capability. However, competitive advantage may also include supplier and product development capabilities to offer differentiation strategy and thereby enhance performance (Li, Humphreys, Yeung & Cheng, 2012; Saranga, George, Beine & Arnold, 2018). In South Africa, supplier development is an imbedded part of the Broad-Based Black Economic Empowerment policy to

advance economic transformation in South Africa. According to the Chartered Institute of Purchasing and supply (CIPS),

supplier development is the process of working with certain suppliers on a one-to-one basis to improve their performance for the benefit of the buying organisation and for the purpose of improving supplier performance; reducing costs; resolving serious quality issues; developing new routes to supply; improving business alignment between the supplier and the buying organisation; developing a product or service not currently available in the marketplace and generating competition for a high price product or service dominating the marketplace.

Supplier and product development is the need to manage firm resources efficiently and effectively across the supply chain to improve on product offerings. Procurement managers enhance their performance when their suppliers are doing well or can satisfy their contractual obligations in terms of delivery, cost and quality performance; hence, the importance of supplier and product development. According to Monczka, Handfield, Giunipero, Patterson and Watters (2010), supplier development includes any activity undertaken by a buyer to improve a supplier's performance or capabilities to meet the buyer's short- and long-term supply needs. Activities involved in supplier and product development include, but are not limited to sharing technology, providing incentives for better performance, encouraging competition among suppliers, providing necessary capital, involving suppliers in product design, training and joint process improvement teams. With this, it is believing that supplier development may lead to successfully new product development, which is vital for an organisation's survival and maintaining competitive advantage over rivals (Munksgaard & Freytag, 2011). "Product development is the overall process of conceptualizing a product and designing, producing and selling it" (Mital, Desai, Subramanian & Mital, 2014:22). Dombrowski and Karl (2017:616) state that product development is mostly determined through the integration of value-added suppliers for the "improvement of product and process quality, design and development, for better manufacturing of the products, better use of resources and high-quality development know-how for more innovative solutions"

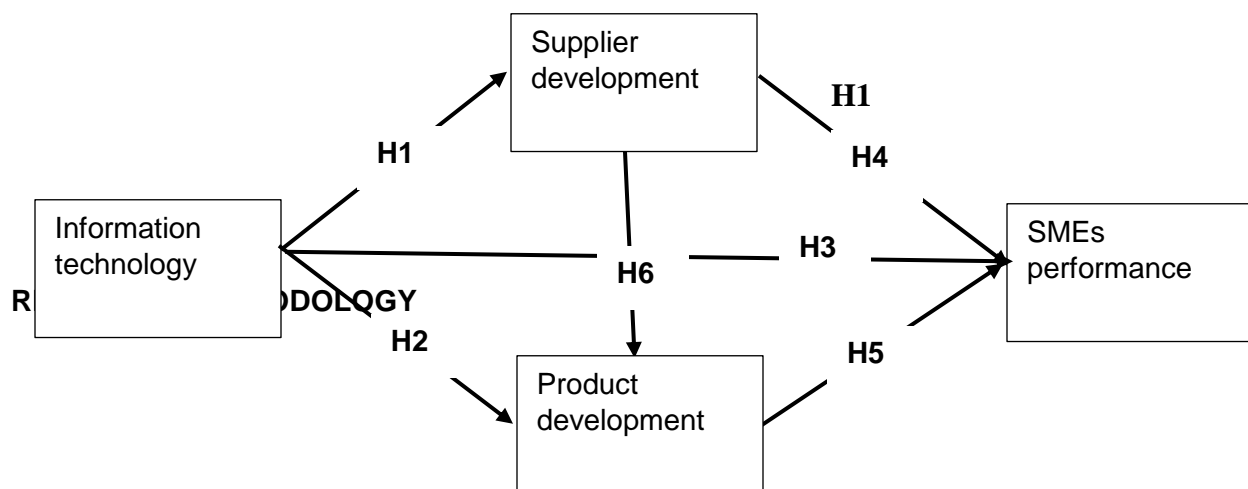
H4: Supplier development has a positive impact on SMEs performance

H5: Product development has a positive impact on SMEs performance

H6: Supplier development has a positive impact on product development

FIGURE 1:

The conceptual framework



This study was subjected to the cross-sectional survey design, which was selected for this study to show that relationships exist between the different constructs. In this study, the quantitative approach was adopted. Since this study was testing relationships between several variables and hypotheses were to be tested, a quantitative approach was selected. Convenience sampling was used because of the ease of access, geographic closeness and the disposition of the sample unit to participate to this study. Moreover, the advantages of convenience sampling such as the target population was easy to reach and it is the least expensive. In this study, the target population only consisted of SME owners and those in managerial positions in Gauteng province.

Measurement instruments

The questions for this study were developed from pre-existing scales in the literature. The existing items were adopted to suit this study. For this reason, questions were reformulated. The measurement instruments were measured using five-point Likert-type scales with the following representative values: 1=strongly disagree, 2=disagree, 3=moderately agree, 4=agree and 5=strongly agree. Information technology was measured with four questions adopted from Wongpinunwatana (2009). Supplier development was measured with four items adapted from Li, Humphreys, Yeung and Cheng (2012). Product development was measured with five measurement items adopted from Dennis, Izabela and Kare (2018) and SMEs performance was measured with a six-measure instrument adapted from Dai, Cantor and Montabon (2017). Out of the 400 questionnaires that were distributed, 305 were usable for the study.

Data analysis results

Psychometric properties of the measurement scale: Psychometric properties of the measurement scale are reported in Table 2, which presents the research constructs, Cronbach alpha test, composite reliability (CR), average variance extracted (AVE) and item loadings.

Reliability test: In this study, three tests were conducted, namely Cronbach's alpha, CR and AVE, in order to assess reliability and validity. The Cronbach alpha test measures reliability, while CR and AVE tests seek to confirm and validate the measurement instruments.

TABLE 1:

Accuracy analysis statistics

Research constructs		Descriptive statistics		Cronbach's test		C.R.	AVE	Factor loading
		Mean	Std. Dev.	Item-total	α Value			
INFORMATION TECHNOLOGY	IT1	3.12	1.003	0.631	0.811	0.811	0.703	0.749
	IT2			0.989				0.991
	IT3			0.768				0.869
	IT4			0.901				0.944
SUPPLIER DEVELOPMENT	SD1	3.54	1.055	0.599	0.709	0.709	0.638	0.705
	SD2			0.777				0.792
	SD3			0.600				0.697
	SD4			0.834				0.922
PRODUCT DEVELOPMENT	PD1	4.08	1.339	0.973	0.890	0.890	0.747	0.989
	PD2			0.855				0.882
	PD3			0.850				0.957

Research constructs	Descriptive statistics		Cronbach's test		C.R.	AVE	Factor loading	
	Mean	Std. Dev.	Item-total	α Value				
PD4			0.906				0.954	
			0.911				0.950	
SMEs PERFORMANCE	SP1	3.88	1.969	0.888	0.700	0.700	0.620	0.919
	SP2			0.568				0.634
	SP3			0.777				0.859
	SP4			0.729				0.751
	SP5			0.803				0.871
	SP6			0.610				0.676

Note: IT= Information technology; SD= Supplier development; PD=Product development; SP= SMEs performance; CR: Composite reliability; AVE: Average variance extracted

Cronbach's alpha test: From the results provided in Table 1, the Cronbach alpha for each research construct ranges from 0.700 to 0.890 and as these are above the required threshold of 0.6, which is recommended by Nunnally and Bernstein (1994). Furthermore, the item to total values range from 0.568 to 0.989. The Cronbach alpha results are indicated in Table 1 and validate the reliability of measures used for the current study.

A composite reliability (CR) index that is greater than 0.6 signifies sufficient internal consistency of the construct. In this regard, the results of CR that range from 0.700 to 0.890 in Table 1 confirms the existence of internal reliability for all constructs

A good representation of the latent construct by the item is identified when the variance extracted estimate is above 0.5 (Sarstedt, Ringle, Smith, Reams & Hair, 2014). Therefore, the results of average variance extracted (AVE) that range from 0.620 to 0.747 in Table 1 authenticate good representation of the latent construct by the items.

Discriminant validity: To check if there is discriminant validity is to assess if the correlation between the researches constructs is less than 1.0 as recommended by Chinomona (2011:110). As indicated in Table 2, the inter-correlation values for all paired latent variables are less than 1.0 hence confirming the existence of discriminant validity.

TABLE 2:

Correlations table

RESEARCH CONSTRUCTS	IT	SD	PD	SP
INFORMATION TECHNOLOGY	1			
SUPPLIER DEVELOPMENT	0.555**	1		
PRODUCT DEVELOPMENT	0.631**	0.609**	1	
SMEs PERFORMANCE	0.500**	0.489**	0.568**	1

TABLE 3:
Confirmatory factor analysis model fit results

CFA indicator	Acceptance level	Default model value	Decision
Chi-square	< 3.00	2.101	Accepted level
GFI	> 0.900	0.903	Accepted level
CFI	> 0.900	0.905	Accepted level
RFI	> 0.900	0.938	Accepted level
IFI	> 0.900	0.934	Accepted level
TLI	> 0.900	0.971	Accepted level
NFI	> 0.900	0.964	Accepted level
RMSEA	< 0.08	0.051	Accepted level

Since the acceptable CFA measurement model fit was secured, the study proceeded to the next stages of checking the SEM model fit and testing of hypotheses. Table 4 reports the structural equation model fit results. The results show the acceptable goodness-of-fit of the model. The acceptable models are indicated by the chi-square value (CMIN/DF) of 2.101 less than the recommended threshold level of <0.3, RMSEA value of 0.051, GFI, CFI, RFI, IFI, TLI and NFI with the values of 0.903, 0.905, 0.938, 0.934, 0.971 and 0.964 respectively. These results are within the recommended level of greater than 0.900 (Malhotra, 2010:19).

TABLE 4:
Structural equation model fit results

CFA indicator	Acceptance level	Default model value	Decision
Chi-square	< 3.00	2.339	Accepted level
GFI	> 0.900	0.900	Accepted level
CFI	> 0.900	0.902	Accepted level
RFI	> 0.900	0.908	Accepted level
IFI	> 0.900	0.910	Accepted level
TLI	> 0.900	0.922	Accepted level
NFI	> 0.900	0.928	Accepted level
RMSEA	< 0.08	0.075	Accepted level

The statistics for the model fit provided were above the recommended thresholds, indicating that the proposed conceptual framework converged reasonably well with the underlying empirical data structure.

DISCUSSION OF EMPIRICAL FINDINGS

Table 5 indicates the proposed hypotheses, factor loadings, p values and whether a hypothesis is rejected or supported. The literature asserts that $p < 0.05$, $p < 0.01$ and $p < 0.001$ are indicators of relationship significance and that positive factor loadings indicate strong relationships among latent variables (Chinomona, Lin, Wang & Cheng, 2010:191).

TABLE 5:
Hypotheses results

Construct Measured	Hypothesis	Path Coefficient	P-value	Rejected/Supported
Information technology → Supplier development	H1	0.397	***	Supported
Information technology → Product development	H2	0.759	***	Supported
Information technology → SMEs performance	H3	0.456	***	Supported
Supplier development → SMEs performance	H4	0.403	***	Supported
Product development → SMEs performance	H5	0.808	***	Supported
Supplier development → Product development	H6	0.455	***	Supported

* Significance level $p < 0.05$; ** significance level $p < 0.01$; *** significance level $p < 0.001$

Hypothesis testing 1: Results found following the test of Hypothesis 1, confirmed the relationship between IT and SD. A coefficient of 0.397 was realised after testing Hypothesis 1. This means that IT has a positive influence on supplier development. Furthermore, the results indicate that the relationship between IT and SD is significant at $P < 0.001$. From the results, it can be understood that when new skills are being found, suppliers can be able to provide quality services in order to fulfil customer's demands. SMEs, therefore, should improve their resource integration capabilities, learning capabilities and information technology in order to improve their SD.

Hypothesis testing 2: The results obtained after the testing of Hypothesis 2 validated the presence of a relationship between IT and PD. Following the test of Hypothesis 2, a coefficient of 0.759 was exhibited. This means that IT has a positive and relatively strong influence on PD. Furthermore, the relationship between IT and PD is significant. These results confirm the relationship as hypothesised. From the results, it can be judged that when there are new skills and new opportunities, SMEs are more likely to go into new product development.

Hypothesis testing 3: The relationship between IT and SP was confirmed by the results obtained. A coefficient of 0.456 was realised after testing Hypothesis 3. This means that IT has a positive and strong influence on SP. More so, the results revealed that the relationship between IT and SP is significant at $p < 0.001$. The results validate the relationship as hypothesised. With this, it can be accepted that IT can increase the level of SMEs SP over time. This being the case, SMEs that intend to remain relevant and competitive must constantly persevere towards delivering the best and highest quality service to customers.

Hypothesis testing 4: The results obtained following the test of Hypothesis 4 verified that there is a relationship between SD and SP. After testing Hypothesis 4, a coefficient of 0.403 was exhibited. This means that SD has a positive and strong relationship with SP. Results revealed that the relationship between SD and SP is significant at $p < 0.001$. The results substantiate the relationship as hypothesised. From the results, it can be accepted that when firms develop relationships that are long-term orientated, they are likely to improve or increase their performance

Hypothesis testing 5: The results obtained following the test of Hypothesis 5 confirmed the correlation between PD and SP. A coefficient of 0.808 was realised after testing Hypothesis 5. This means that PD has a strong and positive influence on SP. Furthermore, the results indicate that the relationship between PD and SP is significant at $p < 0.001$. From the results, it can be observed that when product development lead to SMEs performance, which makes theoretical sense. Once SMEs begin to see a drastic change of new opportunities this will automatically push suppliers to deliver their products and service on time.

Hypothesis testing 6: The results obtained following the test of Hypothesis 6 verified that there is a relationship between SD and PD. After testing Hypothesis 6, a coefficient of 0.455 was exhibited. This means that SD has a positive and strong relationship with PD. Results revealed that the relationship between SD and PD is significant at $p < 0.001$.

CONTRIBUTION AND IMPLICATION OF THE STUDY

This study contributes to organisational (SMEs) research in general and to research on IT, PD, SD and SP in several ways. Given the dearth of knowledge on the influence of IT on organisational performance, this study provides important insights into a largely blind spot of SME research. Most important, the present study informs SMEs on how IT, SD and PD could benefit SP. In addition, the conceptual model of this study will make a positive contribution to the growing body of knowledge as well as helping SME managers and owners to develop strategies that focus on improving IT, developing PD as well as measures of SD in order to improve SP. The findings indicate that the study's theoretical proposition is valid and acceptable. It is also evident that SMEs and their suppliers should devote their efforts towards IT, providing quality service and developing long-term relationships in order to improve or increase SP. SMEs and their suppliers should recognise that when the relationship between them is good, new changes will appear and service will improve its quality, which will lead to SMEs improved performance. This study also contributes to informing younger generations who are willing to start or own their business in future, as they will be aware of business implementation strategies that can help their business growth. This study will assist SMEs to gain more knowledge on how to build a successful business.

LIMITATIONS FOR FUTURE RESEARCH

In evaluating the findings of this study, it should be noted that this study is by no means without its limitations. Several limitations of this study are worth discussion. In fact, one of this study's limitations was that the study was confined to only Gauteng province SMEs. Further studies can consider the South African SME sector as a whole. The study employed a quantitative research approach. Future research may consider both a qualitative and quantitative research design using triangulation methodology where a qualitative design could be used in generating rich ideas and explanations. A non-probability sampling method was undertaken. Since it was difficult to locate an accurate sample frame for the study, convenience sampling was employed to generate an initial sample. Future studies could use other sampling techniques. Another limitation is the fact that the method of data collection relied on the accurate introspection of each respondent. Therefore, the responses may be subject to a degree of bias. Despite these limitations, the study advances knowledge regarding IT, PD, SD and SP in SMEs in the Gauteng province.

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The role of relationship power in supply chain sustainability practices

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Keywords: Sustainability, Relationships, Private Hospital, Case-Study, Gauteng

ABSTRACT

Supply chain sustainability and relationship power gained increased attention since firms hold control over limited unique resources. Relationships act as channels for spreading supply chain sustainability practices and relationship power affects the willingness of buyers and suppliers to engage in supply chain sustainability practices. Relationship power stems from firms' dependence on other firms over unique resources. The role of power in supply chain relationships between players in the supply chain network remains under-investigated especially in developing countries.

Firms have shifted their focus towards the triple bottom line (i.e. economic, environmental and social aspects) since trends in globalisation, legislation and firm policies spurred the need to adopt supply chain sustainability practices to succeed over the long-term. The implementation of these sustainability practices is enabled by supply chain relationships and specifically relationship power since members are able to influence each other. Literature distinguish between environmental and social practices. Environmental practices focus on the influence on the environment and the use of resources whereas the social practices focus on the well-being of people. Some of these practices include the reduction of waste and toxicity, total quality management and the monitoring of suppliers.

The main goal of this single case study is to explore the role of relationship power in both environmental and social supply chain sustainability practices. This study will draw upon resource dependency theory to explore the role of relationship power in supply chain sustainability practices between buyers and suppliers in the supply chain of a South African private hospital group. It is suitable to conduct research in a private hospital group since private hospitals groups have fierce competition and are subject to sustainability laws and policies.

This study is guided by the following research questions:

- Which supply chain sustainability practices are used in the supply chain of the private hospital group?
- What role does relationship power play between buyers and suppliers in supply chain sustainability practices of the private hospital group?
- Do relationship power imbalances act as a driver or barrier to supply chain sustainability for the private hospital group?
- How does power imbalance influence the management of supply chain sustainability between the private hospital group and their suppliers?

This study will use a single case study research design. A four criteria framework will address the credibility, transferability, dependability and confirmability to ensure rigour in this study. Semi-structured interviews with buyers and suppliers of a South African private hospital group will be conducted in Gauteng, South Africa. Purposive sampling will be used to identify a target population of a minimum of 12 participants consisting of buyers and suppliers in the private hospital group who are in relationships with each other who share unique resources while implementing supply chain sustainability practices. A thematic data analysis will take place after transcription to identify themes and codes to assist in answering the research questions of this study.

The contributions of this study is threefold. Firstly, it will provide readers with a holistic overview of the formation of relationship power and an understanding of how supply chain sustainability challenges in developing countries can be addressed. Secondly, this study address calls to apply the resource dependency theory in buyer-supplier relationships and sustainable supply chain management. Thirdly, the study will provide insight into the role relationship power plays in supply chain sustainability practices specifically in the competitive South African private healthcare industry.

Cognitive analytics: how governing bodies can mitigate its exposure?

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Keywords: Cognitive Analytics, IT Governance, IT Controls, COBIT 5.

ABSTRACT

Cognitive computing is considered as one of the drivers behind the next era in the evolution of computing (Hurwitz, Kaufman & Bowles, 2015), referred to as the “*information revolution*” (Rai & Lal, 2000). This era is driven by the growth in data, advances in enabling technologies and organisation’s need to increasingly realise value from data (Willis Towers Watson, 2016). Cognitive systems are more complex than traditional information technology (IT) because they solve complex real-world problems in dynamic, data-rich environments that change frequently (Feldman, 2016). Cognitive systems have the ability to think, learn and reason in a similar manner as a human (Hurwitz *et al.* 2015). This ability allows them to discover patterns and insight in data; reason and learn by generating, evaluating and scoring contradictory hypotheses.

Many organisations are unaware of the impact that this technology has on an organisation. The fourth King Report of Corporate Governance in South African holds governing bodies of organisations responsible for identifying and addressing significant business (including IT) risks (IODSA, 2016). In order to discharge their responsibility, they can assign the risk assessment of the systems of internal controls to other organs in the organisation. However, even though governing bodies can assign some of this responsibility, they remain responsible for the planning, organising and aligning strategies across the various structures within an organisation, as well as evaluating and monitoring the effectiveness of the overall governance environment. They have tools at their disposal such as governance frameworks, standards and practices that assist with this task (Juiz & Toomey, 2015), however these frameworks are generic and need to be customised to a specific organisation and technology in order to be useful.

The objective of this research is to develop an executive governance framework that identifies the core objectives of good corporate governance within an organisation that utilises cognitive analytic technology. The framework assists governing bodies to discharge their responsibility with respect to planning, organising and aligning strategies relating to cognitive systems across the various structures within an organisation, as well as evaluating and monitoring the effectiveness of the overall governance environment thereby ensuring the appropriate risks are identified and addressed.

Modifying the approach used by *inter alia* Sahd and Rudman (2017) and Enslin (2012), the research uses the processes of COBIT 5 to develop a risk exposure and best practices control checklist, as well as an executive controls summary, to assist governing bodies charged with its oversight, to evaluate an entity's cognitive systems and to discharge their IT governance responsibilities under King IV that they are directly responsible for. This was done in the following steps:

- Define cognitive computing and obtain an understanding its underlying technologies.
- Using COBIT 5's detailed processes and the understanding of the technology, identify significant risks pertaining to the implementation of a cognitive system and related mitigating internal controls.
- Identify those controls which can be attributed to governing bodies.

The study identifies the material risks relating to deploying cognitive systems in business operations and identifies the core procedures that will mitigate these risks and produces a control checklist and an executive summary which can be used by governing bodies in managing cognitive systems.

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The relationship between authentic leadership behaviours and ethnic identity in the 21st century South African workplace

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Abstract

South Africa continues to go through a transformation and with that the world of has transformed. Affirmative action has afforded previously disadvantaged groups to build careers that would have previously only an ideal. With that, there has been a slow increase of women in leadership roles, post 1994; and previously disadvantaged groups have since been able to progress in leadership ranks in South African Organisations. Yet, the question remains, are these leaders able to lead authentically? This question stems from the observation that previously, leadership roles were dominated by Whites, particularly White males. This has unequivocally influenced and shaped preferred leadership styles. Previous research indicates that this has resulted in leaders who were not able to fit this prototype could not lead authentically.

This research aims to explore to what extent this continues to be the case, by exploring the relationship between ethnic identity and the practice of authentic leadership; looking at gender and ethnic differences.

INTRODUCTION

Despite the remarkable transformation of South Africa in 1994 from a country that systematically oppressed its African, Coloured and Indian population, whites (particularly males) continue to dominate management and leadership positions in organisations. Currently, whites hold 68,5 percent of such roles (more than six times their representation in the active population) to 14.4% for Africans (Ramutloa, 2017).

While there are many explanation for the continued profile of leaders in South African organisations, an important question is the relationship between ethnicity and leader behaviour. Because leadership positions in organisations continue to be white male dominated, the image of a successful leader can coincide with this dominant representation. South Africa is such a culturally diverse country that one would expect that the prevailing white leader prototype may eventually end as African leaders learn to embrace their ethnic identity and are able to become authentic leaders. s. Instead, it seems despite the richness in diversity

of South African ethnic groups; leaders may to some extent find themselves being pressured to adopt the characteristics expected of ideal leaders based on the white leader prototype. The white leader prototype is defined as an ideological discursive formation that has historically been used to refer to professional roles that have been defined based on racialised lines; which consequently put people of white ethnicity in a position to benefit (Logan, 2011). Hence, it would be expected that leaders of non-white ethnicity would want to emulate white leader prototyped behaviours in order to be perceived favourably as leaders.

This paper explores the level of identification of leaders with their ethnicity in relation to their ability to practice and portray authentic leadership behaviours. The ability of leaders to practice authentic leadership behaviours is based on the authentic leadership theory (Gardner, 2013) (Avolio & Mhatre, 2012), which describes authentic leadership as a manner of leading while remaining true to one's values and beliefs. Luthans and Avolio (2003:803) described authentic leadership as "a process through which one leads that results in greater self-awareness and greater self-regulated behaviours". A more elaborate definition of authentic leadership is provided in the literature review.

LITERATURE REVIEW

Authentic Leadership

Authentic Leadership is defined and constructed as four attributes: Self-awareness, internalised moral perspective, relational transparency and balanced processing. It is defined as the pattern of behaviour a leader portrays whereby they promote and display self-awareness, relate transparently with their subordinates while upholding an internal moral perspective and they process information in a balance manner. This behaviour is founded in ositive psychology and a positive ethical climate (Walumbwa, Avolio, Gardner, Wernsing, Peterson; 2008).

Balanced processing refers to a leader's ability to assess all information given to them about a situation before making a decision (Neider & Schriesheim, 2011). Authentic leaders also consult with others to determine whether there are views that challenge what they believe (Walumbwa, et al., 2008) and will not merely use the power in a leadership role to make decisions without consulting and determining how others would feel about those decisions. Leaders who practice balanced processing have integrity and will ensure that their decisions about an issue are not distorted (Ilies, Morgeson, Nahrang; 2005).

Internalised moral perspective looks at how authentic leaders act and make decisions that are consistent with their values (Ilies, et al., 2005) and moral standards as opposed to going with what the group or majority says (Neider & Schriesheim, 2011), paying attention to their convictions. Relational transparency is determined by the ability for one to present their authentic sense of being to others (Neider & Schriesheim, 2011), thus being truthful and open in their relationships (Ilies, et al., 2005); and self-awareness is defined as one's cognisance of and trust in their personal characteristics, motives and feelings and cognitions. These leaders are aware of their strengths and weaknesses and as a result would be more likely to adapt in any environment (Ilies, et al., 2005).

Sharim and Eliam (2005) also describe an authentic leader as one whose centrality of their self-concept is on leadership. They are the kind of leaders who have reached a satisfactory level of self-clarity, they will only pursue goals that reflect their passions and values; and are self-expressive relying on themselves to make the right decisions. Furthermore, authentic leaders are, according to Luthans and Avolio (2003) confident, resilient and ethical. They lead from an optimistic perspective and are hopeful. These characteristics comprise both of emotional and cognitive attributes.

Leadership and ethnicity

Research suggests there is a link between leadership and ethnicity which exposes the barriers and challenges ethnic minorities face to gain access to leadership positions (Ospina & Foldy, 2009). Ethnic minority leaders have encountered stereotypes reflecting assumptions that non-whites are considered incompetent compared to their counterparts, white leaders (Elliot & Smith, 2004) (Rosette, et al., 2008).

At the same time, research has shown that gender is also relevant to perceived leadership effectiveness. Numerous studies have documented the barriers women face in advancing to leadership positions. Gender stereotyping and the male prototype of effective leaders impede their ability to be perceived as leaders (Bobbitt-Zeher, 2011; Eagly, ;Heilman, 2012).

Ethnic identity refers to an individual's sense of self in relation to an ethnic group and the attitudes and behaviours associated with the group (Phinney, 1989). It is defined based on the following components:

Self-identification which refers to how a person identifies themselves in terms of their ethnic orientation. It has been used as the ultimate demographic variable (Phinney, 1989) in some studies including this one.

Attitudes people have about their ethnicity can either be positive or negative and these attitudes influence whether they identify well with their ethnicity or not (Lax & Richards, 1981).

Sense of belonging refers to how people relate to other people in the same surroundings as they are, and participation in cultural practices and activities; including using language, religious belief, political orientation as well as the social circles of an individual.

The concepts defined above will for the purposes of this study, be looked at in relation to intersectionality theory which explains how a person's gender and ethnicity intersect in order to influence how they perceive themselves and are perceived in an organisation (Fearfull & Kamenou, 2010). This study takes an intersectionality approach to understanding how ethnicity and gender influence one's ability to be an authentic leader. Intersectionality is defined as "*the interaction between gender, race and other categories of difference in individual lives, social practices, institutional arrangements and, cultural ideologies and the outcomes of these interactions in terms of power*" (Davis, 2008:68). Therefore, it can be said that intersectionality looks at how self-identification, attitudes about ethnicity as well as a sense of belonging all work together with gender to influence the extent to which individuals practise authentic leadership.

RESEARCH PROBLEM, OBJECTIVES AND HYPOTHESES

The study was conducted in order to explore gender and ethnic differences in the relationship between ethnic identity and authentic leadership among South African leaders. The relationship between the perception of the practice of authentic leadership, ethnicity and gender was explored and evidently a comparison between gender and ethnic groups was made.

Research questions

At the time that the research study was conducted, limited research had been done in the area of authentic leadership in relation to ethnic identity. As a result, the following research questions were formulated:

- What is the relationship between a leader's identification with their ethnic group and the perceived ability to practice authentic leadership?
- Are there ethnic and gender differences in this relationship?

Research objectives

- To understand the relationship between identification with one's ethnicity and the practice of authentic leadership.
- To determine whether there are differences in the practice of authentic leadership between male and female leaders of different ethnicities; and
- To understand if there are ethnic differences in the relationship between ethnic identity and perceived practice of authentic leadership.

The following hypotheses were generated:

H1: There will be a positive relationship between ethnic identity and perceived practice of authentic leadership.

H2: There will be significant gender differences in the relationship between ethnic identity and the perceived practice of authentic leadership.

H3: There will be significant ethnic differences in the relationship between ethnic identity and the perceived practice of authentic leadership.

H4: There will be a significant intersectional ethnic and gender difference in the relationships.

RESEARCH METHODOLOGY

A quantitative approach was adopted for the purposes on this study. The population targeted for this study were South African managers employed in organisations in the Gauteng province. The final sample comprised on 177 participants from organisations in the Gauteng region, primarily from Pretoria and Johannesburg.

The primary method of data collection was an online-survey supplemented by hard-copy surveys completed through distribution. The online platform through which the online survey was administered via Qualtrix. The online survey was a combination of two different scales along with a set of biographical questions. The Authentic Leadership Scale developed by Walumbwa (2008) was used along with the Multigroup Ethnic Identity Scale developed by Phinney (1992), made up of twelve statements. The Authentic Leadership Scale was used to measure using sixteen statements, the level of authentic leadership by assessing the intensity in the presence of four attributes of authentic leadership, which are self-awareness, balanced processing, relational transparency and an internal moral perspective. This scale has been validated and used in previous research and Cronbach Alphas ranged between .76 and .92 (Walumbwa, Avolio, Gardner, Wernsing & Peterson, 2008). Permission was granted to the researcher to use the questionnaire for this study.

The Multigroup Ethnic Identity Scale assessed the identification with one's ethnic identity. The scale has been shown to be valid and used in a number of other studies (Phinney, 1989). Additional questions were included to collect biographical and demographic information. Further on, respondents were asked to identify the ethnic group to which they belonged as well as information regarding work and leadership experience. Ethnic groups were identified by means of first language of the respondents. The eleven (11) South African languages were used as a proxy indication (Zuckerman, 2009) as language is considered a dominant component of ethnic identity (Phinney, 1989).

Sampling

Sampling data were classified according to (a) biographical data (ethnic group, gender and language), (b) years of employment as well as, (c) number of years in managerial position. Due to the sample being limited, adequate groupings into ethnic groups in terms of language could not be done. Only broad categories (African male, African female, white male, white female) could be used in the analyses. Of the sample of 177 participants, 103 (58.5 percent) were of African ethnicity and 74 (42.6 percent) were White. 37.9 percent of the sample were males and 61.5 percent females.

Data Analysis

Both of the measurement scales were taken through a Factor Analysis. A Factor analysis was done of the Authentic Leadership Scale as this was the first time that the scale was being used in a South African context. It had only been used in the United states of America, China and Kenya before being used for this research (Walumbwa, Avolio, Gardner, Wernsing, and Peterson, 2008); therefore, 16 items of the Authentic Leadership Scale were taken through a Factor Analysis using version 22 of SPSS, in order to get the factor structure for a South African sample.

The suitability of the data was assessed prior to the factor analysis. Numerous coefficients of .3 and above were identified when the correclation matrix was assessed; and the Keiser-Myer-Olkin value was .91, which was found to be more than the recommended vale of .6; while Bartlett's Test of Sphericity (Pallant, 2011) was statistically significant ($p < .000$); supporting the factorability of the correlation matrix. See table 1 below.

TABLE 1:

Kaiser-Meyer-Olkin and Bartlett Test Sphericity

Test	Result
Kaiser-Meyer-Olkin Measure of Sampling Adequacy	.912
Bartlett's Test of Sphericity	2451.635 χ^2 <i>df</i> 120 Sig. <.000

Factor analysis revealed the presence of two components with Eigenvalues exceeding 1, explaining 62.4 per cent and 6.9 per cent of the variance respectively.

The two-component solution explained a total of 69.4 per cent of the variance, with Component 1 contributing 62.4 cent and Component 2 contributing 6.9 percent. To aid with the interpretation of these two components, a Promax Rotation was performed (See Table 3).

A factor analysis was also done for the Multi-group Ethnic Identity Scale to test its suitability for the South African population. This scale measures the level of identification with one's ethnic group. Prior to performing the Factor Analysis, the suitability of data for factor analysis was assessed. Inspection of the correlation matrix revealed the presence of many coefficients of .3 and above. The Kaiser-Meyer-Olkin value was .95, exceeding the recommended value of .6, while Bartlett's Test of Sphericity reached statistical significance supporting the factorability of the correlation matrix (Pallant, 2011). The results of these tests are shown in Table 2.

TABLE 2:

Kaiser-Meyer-Olkin and Bartlett Test of Sphericity Results

Test	Result
Kaiser-Meyer-Olkin Measure of Sampling Adequacy	.946
Bartlett's Test of Sphericity	2481.534 χ^2 df 66 Sig. < .000

Factor Analysis revealed the presence of one component with an Eigenvalue exceeding 1, explaining 77.5 per cent of the variance. The single-component solution explained a total of 77.5 per cent of the variance contributed by component 1. A Promax rotation was not necessary since only one factor was extracted.

FINDINGS

In order to avoid unnecessarily limiting the sample all the analyses were run using the “exclude cases pairwise” option for the correlations. This was to ensure the respondents were only excluded from certain analyses if they had not provided the data required for the specific analysis required at that point (Pallant , 2011).

The first hypothesis predicted a positive correlation between ethnic identity and authentic leadership. Therefore, the relationship between authentic leadership and ethnic identity was analysed using the Pearson product-moment correlation coefficient. Preliminary analyses were done to ensure no violation of the assumptions for normality, linearity and homoscedasticity.

The correlation coefficient of 0.785 indicated that there was a strong positive correlation between the two variables $r = .79$, $n = 177$, $p < .001$, with high levels of ethnic identity associated with higher levels of authentic leader behaviours. Thus showing that leaders who identified strongly with their ethnicity perceived they lead authentically in the workplace.

Therefore, Hypothesis 1 was accepted.

Hypothesis 2 predicted gender differences in the relationship between perceived practice of authentic leadership and ethnic identity. The analysis was performed for males and females in the sample. The correlation coefficient for the relationship between ethnic identity and authentic leadership was $r = .98$ for males which was higher than that of females ($r = .618$). This suggests there is a stronger correlation between the practice of authentic leader behaviours and ethnic identity for males compared to females. (See Table 12).

Next it was important to examine whether there is actually a significant difference in the two correlation coefficients. The z- score was calculated to determine whether there is a significant difference between the correlation coefficients of male and female leaders. The following equation was used:

$$z_{obs} = \frac{z_1 - z_2}{\sqrt{\frac{1}{N_1 - 3} + \frac{1}{N_2 - 3}}}$$

The general rule for the test is that if $-1.96 < z < 1.96$, then there is no statistically significant difference between the correlation coefficients (Urda, 2010).

The z- score was 9.53 which is greater than 1.96. This result was significant at the $p < .01$ level. Thus, there are significant gender differences in the relationship between ethnic identity and authentic leadership. Specifically, the relationship was stronger for males than for females in the sample.

Next, the third hypothesis that there would be significant ethnic group differences in the relationship between ethnic identity and authentic leadership was tested.

TABLE 3:

Correlations between Authentic Leadership and Ethnic Identity: Africans and Whites

Ethnic Group			AL	EI
African	AL	Pearson Correlation Sig. (2-tailed) N	1 102	.730** .000 101
	EI	Pearson Correlation Sig. (2-tailed) N	.730** .000 101	1 101
White	AL	Pearson Correlation Sig. (2-tailed) N	1 75	.662** .000 74
	EI	Pearson Correlation Sig. (2-tailed) N	.662** .000 74	1 74

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

The correlation coefficient of .73 for Africans was higher than that of .662 for White leaders ($r = 0.662$), thus suggesting the relationship between ethnic identity and authentic leadership behaviours is stronger for Africans than it is for Whites. The z- score was also calculated to determine whether the difference between the two correlation coefficients was statistically significant. The z-score was .873 which is less than 1.96.

Therefore, the correlation coefficients are not statistically different. Thus, the third hypothesis was rejected. There are no significant ethnic differences in the relationship between ethnic identity and authentic leadership for Africans and Whites in the sample. Finally, the fourth hypothesis testing for significant intersectional ethnic and gender difference in the relationship between ethnic identity and authentic leadership was tested (See Table 14).

TABLE 4:

Correlations between Ethnic and Gender groups to test Intersectional Difference

Ethnic Group	Gender			AL	EI
African	Male	AL	Pearson Correlation Sig. (2-tailed) N	1 29	.979** .000 29
		EI	Pearson Correlation Sig. (2-tailed) N	.979** .000 29	1 29

	Female	AL	Pearson Correlation Sig. (2-tailed) N	1 69	.547** .000 68
		EI	Pearson Correlation Sig. (2-tailed) N	.547** .000 68	1 68
White	Male	AL	Pearson Correlation Sig. (2-tailed) N	1 32	.941** .000 32
		EI	Pearson Correlation Sig. (2-tailed) N	.941** .000 32	1 32
	Female	AL	Pearson Correlation Sig. (2-tailed) N	1 36	.774** .000 35
		EI	Pearson Correlation Sig. (2-tailed) N	.774** .000 35	1 35

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

The correlation coefficient of .979 for African male leaders was higher than that of .941 for White male leaders, while that of African female leaders had the lowest correlation coefficient (.547) of the four gender and ethnic groups. The correlation coefficient of White females was third highest at .774.

The z- score was also calculated to determine whether there was a statistically significant difference between the four groups of correlation coefficients. Each of the four groups were compared to one another to get an indication of the intersectional relationships. The z- score for the comparison of the correlation of ethnic identity and authentic leadership between African and White males was 2.072 which is greater than 1.96, while the z-score for the comparison of the correlation of ethnic identity and authentic leadership between the African and White female groups was -2.18 which is less than -1.96. Also, the z-score between African females and White males was further calculated and was found to be statistically significant with a z-score of -2.71, while the z-score between African women and African men also found to be significant at -7.255. Finally the statistical significance of the intersectional difference indicated between White women and White men was proven with a z-score of -2.980; while the z-score between White women and African men was also significant at -4.824.

These results were significant at the $p < .01$ level. Thus, hypothesis four was accepted indicating significant intersectional ethnic **and** gender differences in the relationship between ethnic identity and authentic leadership for African and White leaders.

In summation, hypotheses one, two and four were supported while hypothesis three was not. The next section of this report discusses the implications of these findings.

DISCUSSION AND MANAGERIAL IMPLICATIONS

A positive relationship was found between the two constructs as predicted. From this it could be said that leaders irrespective of their gender who identified with their ethnicity, also perceived themselves to be authentic leaders in the workplace.

Secondly, the study was carried out to determine whether gender differences existed between ethnic identity and the perceived practice of authentic leadership. Significant gender differences were identified in the correlation between ethnic identity and authentic leadership; and this relationship was stronger for males than for females.

This suggests that women may still be experiencing pressures to succumb to the leader prototypes, that favour masculine and assertive leadership in the workplace (Parker, 1996; Eagly & Carli, 2012); thus finding it difficult to be unreservedly authentic. This finding suggests, women may still be battling gender role stereotypes in the workplace; and that the “think leader, think male” stereotype (Booyesen & Nkomo (2010), may still be predominant in the 21st century workplace.

The third hypothesis predicting significant ethnic differences in the practice of authentic leadership was tested and when statistical analyses were performed for African and Whites, no significant differences were found. Therefore, the third hypothesis was rejected, thus suggesting that based on this sample it can be said that, the ability to practice authentic leadership is neither hindered nor driven by the leaders in this sample’s identification with their ethnicity. Leaders practice authentic leadership based on the values about what leadership should be, and how they relate with their subordinates. From the results it can be seen that there is no conflict between a leader’s identification with their ethnicity and their ability to practice authentic leadership.

The finding could also be a reflection of how the South African workplace has evolved over time, no longer operating primarily on the basis of the white male leader prototype; but affirmative action encourages organisations having leaders of a different ethnic group other than the white male. If that be the case, it could be understood why leaders in this sample would have not felt the pressure to adapt to the white male leader prototype, because after all; being an African or a White female in a leadership position is supported and enforced by affirmative action. Therefore, leaders in these positions who are not white males are likely to have been comfortable in their positions, embracing their ethnicity.

The findings also suggest that the 21st century South African workplace may have come a long way when it comes to promoting a “Rainbow Nation” culture in the workplace, to such an extent that leaders now feel it is acceptable to lead from an authentic perspective; in this multicultural space.

The correlation coefficients for the findings above was higher for African leaders and therefore can be attributed to the profile of the sample (58.5% African leaders). Also, the sample comprised of leaders from the public sector and this may have influenced the outcome of the results, as the public sector and public enterprises promote the appointment of Africans into leadership positions; in order to correct the injustices of the past.

A significant intersectional gender and ethnic difference in the relationships was predicted by the fourth hypothesis. The results of the intersectional hypothesis indicated high correlations between ethnic identity and the practice of authentic leadership; for African males and then for White males. White females had the third highest correlation and African females the last; suggesting an intersection between gender and ethnicity, in order to influence the relationship.

The cause for concern in the lowest correlation of the four, for African women reflects and confirms their disadvantaged position as a result of their gender and ethnicity; thus revealing that double jeopardy still prevailed at the time that this study was done (Rosette & Livingston, 2012). These findings supported previous research suggesting that African women have been considered to be invisible (Holvino, 2010) almost as if in order to be recognised as worthy leaders they would have to succumb to the pressure of leading from a position that embraces the white male leader prototype as the only leadership style there is. African women have been subjected to racism and sexism which has placed them at a greater disadvantage to White women (Settles, 2006; Sesko & Biernat, 2010). They have been expected for years, to live under the curse of double-barrelled stereotypes of ethnicity and gender (Senne, 2013); making it difficult for them to be fully authentic in their leadership roles in the workplace.

African males having the highest score for the correlation between ethnic identity and authentic leadership indicates that, surprisingly African Men do not feel the need to lead in other way outside of being fully authentic. The African men in this study perceived themselves to be leading authentically and appeared to not be threatened by the prevalence of and expectation to uphold, the white male leader prototype; perceived to exist in the 21st century South African workplace.

Although this is a great development for South African organisations the fact that, women, despite being the bigger sample for this study and possibly in most organisations, continue to be underrepresented in leadership positions; and still have to battle the stereotype that they are in leadership positions because of affirmative action (Cummings, 2015) and not because they worked hard for and earned the right to be in these positions.

The findings indicate that there is a correlation between the practice of authentic leadership and identification with one's culture. The statistics for the occupation of top management positions by the African and White groups is concerning in that more the Africans are more economically active population, yet their representation at top management level is questionable. It goes without saying that there is still work to be done in terms of diversifying top management positions in South African organisations. While doing this, management need to also work on creating an environment where leaders would feel comfortable in irrespective of their ethnicity or gender. It may be a while until the white male leader prototype is done away with, looking at the white male representation that is still dominant in south African organisations today. However, this is not to say authentic leadership should be discouraged or halted until then. The advancement of more black men and women, and white women into leadership positions is definitely encouraged.

Research has demonstrated that the positive effects of leading authentically include: employee satisfaction and employee commitment it also affects the level of performance of the organisation.

RECOMMENDATIONS

If organisations want to thrive, it would be important for them to consider fostering the culture of leading authentically; thus building effective organisations.

Creating such a culture in organisations will strengthening the calibre of leaders in South Africa, thus creating hope for the emergence of ethical leaders in the 21st century workplace who are grounded in values and whose aim is the empowerment of their subordinates (George, 2005).

Organisations should, through their human resource management systems select potential leaders in their organisations, based on characteristics of an authentic leader. When leaders irrespective of their gender and ethnicity, are selected and promoted based on having such

characteristics; they will be encouraged to be authentic and organisations are likely to have more authentic men and women in leadership positions (Ilies, et al., 2005).

Research also suggests strategies organisations can have in place in order to develop authentic leaders. Table 1 below suggests selection criteria and developmental interventions to cultivate the four components used to define authentic leadership (Ilies, et al., 2005).

TABLE 5:
Strategies for increasing authentic leadership

Adapted from (Ilies, et al., 2005)

Having interventions in place to cultivate the characteristics above may be seen as the organisation's support of authentic leadership behaviours, thus encouraging leaders to be

Authentic leadership component	Selection criteria	Developmental interventions
Self-awareness	Positive self-concept	Multisource feedback
	Emotional intelligence	
Unbiased processing	Integrity	Assessment centers
	Learning goal orientation	
Internal moral perspective	Self-monitoring (low other-directedness)	Coaching/mentoring
	Self-esteem	Behavioural role modelling
Relational authenticity	Past positive relationships	Upward feedback
	Past behaviour interview	Leader-member exchange training

authentic.

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Managing female misogyny in public health

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Keywords: Bullying, Female, Misogyny and Public Health

ABSTRACT

The coupling of words female and misogyny are an unlikely association. Misogyny is understood as the hatred, dislike or mistrust of women. Enloe mentions that female misogyny refers to women who demonstrate “systematic, cultural and ideological hatred of women, which has both overt and covert manifestations” (2000, p. 1374). Many may argue that female misogyny is a heightened form of bullying. Contrary to common understanding misogyny is does not refer to bullying, there is a clear distinction between the two. This study focused on managing female misogyny amongst employees in public health. Few papers discuss managing female misogyny, the aim of the study was to determine how to manage female misogyny within public health. There are various dynamics to female relationships in public health, however, this study sought to examine and understand female misogyny among female employees, gathering their experiences and perceptions.

The study followed a feminist qualitative methodology which relied on content analysis as a qualitative research technique. Downe-Wambolt (1992) as cited by Bengtsson (2016) states that “content analysis is a research method that provides a systematic and objective means to make valid inferences from verbal, visual, or written data in order to describe and quantify specific phenomena” (p. 314). Results are “presented in words and themes, which makes it possible to draw some interpretation of the results” (Bengtsson, 2016, p. 10). In qualitative sampling, according to Fridlund and Hildingh (2000) as cited by Bengtsson, (2016, p. 10) “it is common that data are based on 1 to 30 informants”, this study which was exploratory in nature relied on purposive sampling which enabled the selection of six (6) female participants within a public health facility in Johannesburg, Gauteng. Responses captured and recorded during semi-structured interviews were analysed, Bengtsson describes this process as: “what the informants actually say, stays very close to the text, uses the words themselves, and describes the visible and obvious in the text” (2016,p.10).

Preliminary findings suggest that female misogyny is rife in public health, this form of harassment is often overlooked by managers by virtue of their ignorance in addressing this concern. This is often due to perceptions that women are unable to display misogynistic behaviour and such behaviour is often overcome as female employees begin to bond. It is clear from the participant responses, that the abuse and neglect sustained by women in healthcare is overlooked and has implications on job satisfaction, emotional wellbeing and job security. A limitation faced during the study was the lack of access to other hospitals in and around Johannesburg. It is recommended that a quantitative study be undertaken as a means of gathering empirical data in order to triangulate the findings of the study.

Conversely, managers, based on the findings of the study, should be obligated to take greater initiative in addressing these concerns within their workplaces and not in turn perpetuating misogyny due to ignorance. Managers may consider looking at policy and guidelines on dealing with this silent threat that is becoming an epidemic.

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The effect of psychological resources on job embeddedness among employees working in the banking sector of the Free State

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Keywords: Job Embeddedness, Psychological Resources, Banking Sector

ABSTRACT

The objective of the study was to explore whether individuals' levels of job embeddedness are significantly influenced by their psychological capital resources. A cross-sectional quantitative survey was conducted on a non-probability convenience sample (n = 303) selected from the banking sector. Three regression models were tested, each examining the effect of psychological resources on each dimension of job embeddedness. All of the models were significant, with psychological resource variables explaining between 8 and 34 percent of the variance in the dimensions of job embeddedness. The study also investigated the differences in levels of job embeddedness according to age, and found significant differences. Results indicated that older age displayed higher levels of job embeddedness. In light of the above-mentioned, it is recommended that organisations be encouraged to foster the development of psychological resources in the work place in an attempt to facilitate the growth of job embeddedness.

INTRODUCTION

Organisations across the world have invested huge amounts of money and effort trying to address issues related to turnover. However, despite all those efforts, businesses still struggle with keeping talent. It has thus become very crucial for managers to understand what causes individuals to stay in their jobs and to maintain such conditions (Burton, Holtom, Sablinski, Mitchell and Lee, 2010). In an effort to bolster retention rate, it is vital to understand that the higher an individual is embedded in the social web or net, the more likely the person is to bind to both the job and the organisation, whereas the lower an individual is embedded, the more likely it is that the person will show interest in leaving (Holmes, Chapman and Baghurst, 2013). Although numerous studies have been conducted on employee turnover (why people leave), according to some scholars, a limited amount of literature directly addresses employee job embeddedness (why people stay) (Zhao and Liu, 2010; Kilburn and Kilburn, 2008); yet evidence indicates that the turnover crisis may be diminished by effectively exploring the concept of job embeddedness (North, Rasmussen, Hughes, Finlayson, Ashton, Campbell and Tomkins, 2005).

Individuals with high levels of job embeddedness feel they fit well in their jobs and can apply their skills well in given assignments, and believe that they will sacrifice valued benefits if they quit, hence they stay with the organisation for a long time (Zhao and Liu, 2010). Research has revealed a number of benefits associated with the concept indicating that job embeddedness energises, directs and sustains positive behaviour, which in turn positively influences performance and retention (Cho and Son, 2012). However, despite the critical role of job embeddedness in employee retention and effective job performance, empirical research concerning job embeddedness in the banking sector is sparse, while service delivery and service quality is very crucial for the survival of the banks with intense face-to-face and voice-to-voice interactions with customers (Wheeler, Harris and Sablynski, 2012).

McHugh (2001) indicated that nurturing Positive Organisational Behaviour (POB) such as psychological capital (PsyCap) fosters job embeddedness and reduces turnover. Consistent with that, Sun, Zhao, Yang and Fan (2012) argued that employees with higher levels of psychological capital are more likely to become embedded in their respective organisations. This is because they enjoy more harmonious relations with their colleagues, which enable them to have deeper links to the organisation. The combined experiences of positive attitudes and deeper links make the decision of employees to leave the organisation more complex, requiring extensive deliberation on the possible losses that they might suffer, thereby reducing the risk of turnover. The actual act of leaving also requires immense effort, especially for individuals with strong fit who have more roles, responsibilities, and strong relationships with supervisors and colleagues. Psychological resources introduce a new and more positive view towards strength-focused aspects of people and aim to advance people's development and performance (Larson, Norman, Hughes and Avey, 2013). Similarly, Nielsen and Daniels (2012) indicated that PsyCap provides an opportunity for organisations to improve employees' work environment. It has therefore become critical for modern firms to recruit and retain employees who are psychologically connected to their work, proactive, willing and able to invest fully in their roles (Mortazavi, Yazdi and Amini, 2012).

The value of positivity has been increasingly recognised in modern organisations. PsyCap has opened up a new field, providing new directions in human resource management research and practice. Considerable evidence has been recorded in different domains on the relationship of positive psychology with satisfaction, productivity, performance, well-being and commitment (Quinn, 2005). It has become an inevitable choice in enhancing management performance and retention. However, some mechanisms and processes influenced by PsyCap have not been adequately addressed in the literature. From the perspective of POB, positive elements also exist in job embeddedness, which demonstrates why staff wants to be retained by an organisation in terms of positiveness. Whether the employees with positive psychological characteristics are more attached to the organisation or more willing to be retained is not known (Sun *et al.*, 2012). Therefore, the current study seek to investigate the effect of psychological resources on job embeddedness among employees in the banking sector.

PROBLEM INVESTIGATED

Despite the endless efforts, the billions of dollars and countless hours invested in banking sector employees, prevailing evidence suggests that banks still struggle with keeping talent (Sadlier, 2014). The banking sector presents unique cases for employee turnover due to ongoing demands, strict laws and regulations, and high client expectations (Sadlier, 2014). Retaining a strongly committed workforce has become a top priority for many contemporary firms, thus exploring the job embeddedness perspective has become crucial (Neininger, Lehmann-Willenbrock, Kauffeld and Henschel, 2010). Much of what is known regarding job embeddedness is based on the samples derived from the developed western countries (Bergiel, Nguyen, Clenney and Taylor, 2009), yet locally there is considerable evidence of the

benefits to organisations of having a strongly embedded workforce whose members feel a sense of fit and belonging to their firms (Meyer and Maltin, 2010).

Research on job embeddedness has mainly explored the influence of organisational factors (satisfaction with the organisation, well-being and salary) on individual turnover intention (Flinkman, Leino-Kilpi and Salanterä, 2010). A correlation analysis of PsyCap and job embeddedness within the banking sector environment has not been adequately reported in previous empirical studies, yet recent efforts to improve turnover have begun to emphasise POB and positive emotions. Recent research discovered that nurturing positive POB retain employees and this is the key to lowering the risk of losing important talent (Bonner, 2016). Firms are investing in psychological resources as some of the best ways to aid in returning talent. It is therefore crucial at this stage to investigate the individual effects of psychological resources on job embeddedness within the banking sector environment to generate knowledge that may assist in reducing turnover in the banks. The study therefore seeks to investigate the effect of the PsyCap resources of hope, self-efficacy, resilience and optimism on job embeddedness among employees in the banking sector.

Primary objective

To determine by means of non-experimental research design whether psychological capital (hope, self-efficacy, resilience and optimism) explains a significant proportion of the variance in job embeddedness among employees working in retail banks.

Null hypothesis (H0)

Variances in job embeddedness scores cannot be statistically explained by psychological capital (hope, self-efficacy, resilience and optimism) among employees working in retail banks.

Alternative hypothesis (H1)

Variances in job embeddedness can be statistically explained by psychological capital (hope, self-efficacy, resilience and optimism) among employees working in retail banks.

Secondary objective

To determine by means of non-experimental research design whether statistically significant differences exist in levels of job embeddedness among employees working in retail banks according to age.

Null hypothesis (H0)

There are no statistically significant differences in scores achieved on levels of job embeddedness according to age among employees working in retail banks.

Alternative hypothesis (H1)

There is a statistically significant difference in scores achieved on levels of job embeddedness according to age among employees working in retail banks

LITERATURE

The nature and definition of job embeddedness

Job embeddedness is relatively new and still somewhat hazy in its definition. The concept was introduced by Mitchell, Holtom, Lee, Sablinski and Erez (2001) as a new conceptual framework to explain why individuals stay in organisations. The construct was derived from Lewin's field theory and it represents a broad constellation of influences on an employee's intent to stay. Mitchell *et al.* (2001) first defined job embeddedness as a representation of a broad cluster of ideas that influence an individual's choice to remain in a particular job, and operate like a net or a web in which employees become enmeshed or stuck. Yao, Lee, Mitchell, Burton and Sablinski (2004) also defined job embeddedness as a broad constellation of psychological, social and financial influences on employee retention. In further investigations, Mitchell *et al.* (2001) defined job embeddedness as on-the-job and off-the-job factors associated with individual links, fit and sacrifice. This definition assumes that the more links there are, the better the fit, and the more sacrifices the more likely an employee will stay in a job. Mitchell *et al.* (2001) are of the view that if an individual is multiply attached to an organisation, when some events occur and although the individual may have the idea of leaving, he/she could be stopped by the multiple attachments. The current study focused on the definition by Mitchell *et al.* (2001), which is in line with the theory adapted for the study and which summarises the three indicators of job embeddedness (link, fit and sacrifice) used to measure the construct.

Theory of job embeddedness

Based on Lewin's (1951) field theory, Mitchell *et al.* (2001) developed the job embeddedness theory (or theory of staying) in an effort to explain why employees stay in their organisations as well as to improve the traditional employee turnover models that had failed to predict turnover. According to this theory, for an employee to stay his/her personal values, career goals and future plans must fit well with the larger corporate culture and the demands of his or her immediate job such as job knowledge, skills and abilities (Swider, Boswell and Zimmerman, 2011). The better the fit, the higher the likelihood that an individual will feel professionally and personally tied to the organisation. The aspect of sacrifice implies that leaving an organisation results in perceived cost of material or psychological benefits that are forfeited by departure, including losing contact with colleagues, non-portable benefits, valuable projects, and perks. The more one has to give up when leaving, the more difficult it is to sever employment with the organisation (Mitchell *et al.*, 2001).

This theory has been supported by a number of researchers indicating that job embeddedness provides an explanation beyond what is explained by job satisfaction and organisational commitment when predicting variance in individual turnover across diverse populations (Swider *et al.*, 2011). Exploring theories on job embeddedness opens a variety of avenues to develop strategies that may motivate employees to stay with an organisation, thus widening the scope and depth of the existing literature (Zhao and Liu, 2010; Sekiguchi, Burton and Sablinski, 2008). In this theory Mitchell *et al.* (2001) describe job embeddedness as a net or web in which an individual can become entangled, implying that employees stay in the organisation because they have a number of formal or informal connections with their co-workers and friends and want to benefit from various opportunities in the organisation or the community at large. Holtom, Mitchell, Lee and Eberly (2008) noted that a person who is highly embedded would experience more disruptions in the web if he or she were to sever ties at the central intersection in the web. This theory crystallised the concept of job embeddedness with focus on examining an individual's:

- links to other people, teams and groups;

- perceptions of the individual's fit with the job, organisation and community; and
- beliefs about what they would have to sacrifice if they leave their job.

Dimensions of job embeddedness

From the above theory it is clear that job embeddedness is made up of three components which include links, fit and sacrifice (Felps, Mitchell, Hekman, Lee, Holtom and Harman, 2009). These three components form a three-by-two matrix associated with an individual's organisation and community, which further suggests six subdimensions, including links-organisation, links-community, fit-organisation, fit-community, sacrifice-organisation and sacrifice-community (Mitchell *et al.*, 2001). However, while job embeddedness comprises of two dimensions, organisational and community embeddedness (Mitchell *et al.*, 2001), researchers discovered that the organisational dimension better predicts most organisational outcomes than does the community dimension (Allen, 2006; Lee, Mitchell, Sablinski, Burton and Holtom, 2004). In addition, when job relocation is not a factor, this organisational dimension better predicts employee retention as compared to the community dimension (Coetzee and Stoltz, 2015; Jiang, Liu, McKay, Lee and Mitchell, 2012; Allen, 2006; Lee *et al.*, 2004). The current study will therefore be limited to the organisational components of job embeddedness. Three organisational dimensions (links, fit and sacrifice) will be examined.

Links

Links make up one of the dimensions of job embeddedness and refer to the extent of an individual's ties with other people and activities at work and off the job (Holtom *et al.*, 2008). It is defined as discernible connections between people and institutions and separated into two factors, namely organisation and community links (Lee *et al.*, 2004). Organisational links consider the formal and informal connections that exist between an employee and other people or groups in the organisation (Holtom *et al.*, 2008). The links aspect of embeddedness suggests that employees have formal and informal connections with other entities on the job, and as the number of these links increases, embeddedness becomes higher (Holtom *et al.*, 2008). Thus the more links to the workplace or community, the more embedded individuals will become (Mitchell *et al.*, 2001). Conversely, failure to develop meaningful work relationships could indicate that employees are less likely to stay in their present situation (Crossley, Bennett, Jex and Burnfield, 2007).

Fit

According to the theory of staying, the second dimension of job embeddedness is fit, which refers to employees' perceived compatibility or comfort with the organisation, the job, as well as the surrounding community (Mitchell *et al.*, 2001). It is the extent to which a person perceives that the job, organisation and environment match with or complement other areas and aspects of his or her life space (Felps *et al.*, 2009). Just like links, fit is divided into two factors, namely fit-organisation and fit-community. Fit-organisation reflects an employee's perceived compatibility or comfort with an organisation, including one's values, career goals and plans for the future, which must fit with the larger corporate culture as well as the demands of the immediate job (Mitchell *et al.*, 2001). Tangible examples of organisational fit include job knowledge, skills and abilities that are well utilised by the organisation (Coetzee and Stoltz, 2015). The fit dimension seeks to delineate through the perspectives of individuals how best they fit into the job, community and organisation, reflecting the employees' compatibility with the organisation or comfort perceived by an employee within the organisation (Takawira, 2012). The closer one's personal views, values, and goals are aligned with those of the organisation, the higher the likelihood that an employee will be embedded (Mitchell *et al.*, 2001).

Sacrifice

The last job embeddedness dimension described in the theory is sacrifice, defined as the material and psychological benefits that an employee would lose if he/she chooses to leave the organisation (Holtom and Inderrieden, 2006). It is further described as the ease with which a person feels that links can be broken, or the perception of what they would give up if they were to leave their current position (Takawira, 2012). Sacrifice is separated into two factors: sacrifice-organisation and sacrifice-community (Mitchell *et al.*, 2001). Sacrifice-organisation captures the perceived cost of material or psychological benefits that may be forfeited by leaving one's job; this may include personal losses such as giving up colleagues, projects or perks (Mallol, Holtom and Lee, 2007). The greater the sacrifice, the more difficult the decision to leave will be.

Nature and definition of psychological capital

Psychological resources in this study will mainly focus on psychological capital dimensions. PsyCap is a second-order, multi-dimensional construct reflected by four psychological resource capacities, namely self-efficacy, hope, optimism and resilience (Luthans and Youssef, 2004). PsyCap emphasises the positive nature and strengths of individual employees and the role this has on fuelling their growth and work-related performance (Luthans, Avolio, Walumbwa and Li, 2005). PsyCap was first defined as "the study and application of positively oriented human resource strengths and psychological capacities that can be measured, developed, and effectively managed for performance improvement in the modern workplace" (Luthans, 2002: 6). Later Luthans *et al.* (2005) explicitly defined PsyCap as the core psychological elements of individuals' general positive nature, which is specifically represented as the state of mind to comply with the standards of positive organisation performance. In this definition, it is clearly outlined that PsyCap is beyond human and social capital, and is able to make individuals obtain competitive advantages through targeted input and development.

After two years of comprehensive research and practice in the area of PsyCap, Luthans, Avolio, Avey and Norman (2007) came up with a detailed definition of PsyCap as the individual's positive psychological state of development characterised by hope, optimism, resiliency and self-efficacy. Hope – persevering towards goals and, when necessary, redirecting paths to goals in order to succeed. Optimism – making a positive attribution about succeeding. Resiliency – when beset by problems or adversity, sustaining and bouncing back and even beyond to attain success. Self-efficacy – having confidence or the ability to attain a goal and put in the necessary effort to succeed (Mortazavi *et al.*, 2012). This study focused on the definition provided by Luthans *et al.* (2007), because it is consistent with other scholars (Mortazavi *et al.*, 2012; Wright and Cropanzano, 2007), and fully explains the four individual components of PsyCap which will be used to measure the construct.

Conceptualising PsyCap components

Hope

Hope is defined as the positive motivational state based on an interactively derived sense of successful agency and pathways (Snyder, 2002). It has two dimensions: pathways and willpower. As indicated by Simons and Buitendach (2013), willpower is an individual's agency or determination to achieve goals. "Waypower" is one's ability to devise alternative pathways and contingency plans in order to achieve a goal in the face of obstacles. Hope enables individuals to be motivated to attain success in the task by looking for the best pathway (Avey, Luthans, Smith and Palmer, 2010). Researchers discovered that hope predicted job performance beyond cognitive ability, resulting in employees experiencing job fit (Peterson, Walumbwa, Byron and Myrowitz, 2009).

Optimism

Optimism is defined as an attributional style that explains positive events in terms of personal, permanent and pervasive causes, as well as negative events in terms of external, temporary, and situation-specific causes (Peterson, Luthans, Avolio, Walumba, and Zhang, 2011; Seligman, 2006). As noted by Luthans and Youseff (2004), optimism is both realistic and flexible. It is associated with a positive outlook (Luthans and Youseff, 2004). Individuals with an optimistic outlook see setbacks as challenges and opportunities that can eventually lead to success (Luthans *et al.*, 2005). Optimism is linked with several favourable workplace outcomes like job satisfaction, job performance, organisational commitment and work happiness (Arakawa and Greenberg, 2007; Luthans and Youssef, 2004; Luthans *et al.*, 2005).

Resilience

Resilience is defined as the developable capacity to rebound or bounce back from adversity, conflict, failure, or even positive events, progress, and increased responsibility (Luthans, 2002). It is arguably the most important positive resource to navigating a turbulent and stressful workplace like the contemporary banking sector. According to Luthans *et al.* (2007), resilience refers to the ability to recover from adversity and to positively progress and increase in work. Resilient individuals have a firm acceptance of reality, a deep belief, often buttressed by strong values, that life is meaningful and an astounding ability to improvise and adapt to significant change. They use adversities as a springboard to reach higher ground (Masten, 2001). Luthans and Youssef (2004) discovered a positive link between resilience and work happiness, coping mechanisms and behaviours that facilitate growth and development (Luthans *et al.*, 2007).

Self-efficacy

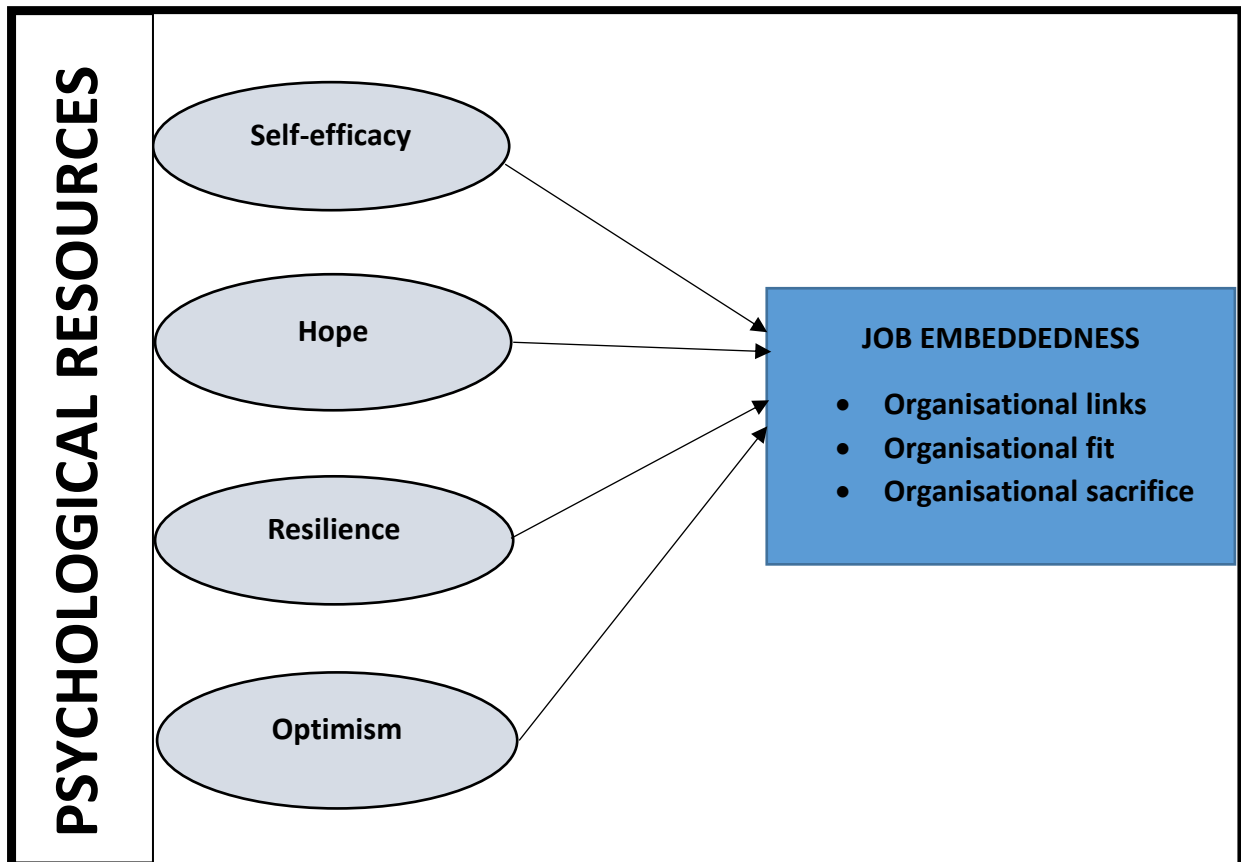
The fourth dimension of PsyCap is self-efficacy. It is based on Bandura's (1997) social cognitive theory. Self-efficacy was first defined by Bandura (1997) as beliefs in one's capabilities to organise and execute the courses of action required to produce given attainments. In several meta-analysis reports, self-efficacy has proved to be a crucial component of PsyCap, because it was found to be strongly and positively related to work-related performance (Malinowski and Lim, 2015). Efficacy has also been discovered to be related to the socialisation and retention of new employees and the organisational commitment and turnover intentions of existing staff (Erdogan and Bauer, 2014).

Psychological capital and job embeddedness

Active job embeddedness, like PsyCap, belongs to the scope of POB. Both job embeddedness and PsyCap influence each other and together contribute to better performance (Crossley *et al.*, 2007). Although very few studies have been published on the relationship between PsyCap and job embeddedness, it has been proven that employees with higher PsyCap experience a higher level of organisational commitment and exhibit less turnover intention (Avey, Luthans and Jensen, 2009; Luthans and Jensen, 2002). Individuals with a positive psychological state are more easily linked with and embedded to the organisation and their job, and are more easily adaptive to and competent for their post. In a study by Sun *et al.* (2012) results showed a statistically significant relationship between self-reported PsyCap, job embeddedness and performance. Therefore, investing in PsyCap may yield substantial returns beyond more traditional forms of capital investment (Luthans *et al.*, 2007).

FIGURE 1:

Conceptual model of psychological resources and job embeddedness tested in the current study



In addition to that, Avey *et al.* (2010) noted that improving the individual accumulated psychological state of employees will influence their levels of job embeddedness, since PsyCap is the original internal motivation for employees to be embedded. Employees with higher PsyCap resources are more adaptive to their job, have more harmonious relationships with their colleagues and have more friends and deeper links in the organisation (Sun *et al.*, 2012). These factors produce a positive evaluation and recognition of the organisation, and, in turn, such employees become more willing to stay in their current organisation. In sum, it can be argued that PsyCap increases the levels of job embeddedness.

Job embeddedness and age

A number of demographic variables, including age, gender, race and educational level, have been recognised as precursors to job embeddedness. In terms of age, which is part of this study, Tanova and Holtom (2008) suggested that matured employees display a low probability of changing jobs compared to the younger generation. Reitz, Anderson and Hill (2010) state that employees who are older have higher chances of remaining with their employer as compared to younger employees. In a recent survey by Takawira (2012), younger employees emerged to be high risk takers, especially at the initial stages of their careers, thus they would not be willing to stay with one organisation for long. In addition, their likelihood to accept positions that are slightly below their knowledge and skills levels as well as expectations at the beginning of their career is high; however, if they get new and better employment offers they do not hesitate to move (Boyd and Fischer, 2012). The banking sector is used as one of the easiest options to get into the job market; yet after securing their actual careers, individuals leave immediately (Griffeth, Hom and Gaertner, 2000).

METHOD

Research design

The study adopted a quantitative research framework involving a systematic, scientific investigation of data and their relationships (Pallant, 2010). A quantitative survey approach was used because it applies objective data collection for statistical analyses (Burns and Burns, 2008). Following Pallant (2010), the empirical aspect of the study utilised a cross-sectional survey design to collect quantitative primary data from the respondents by using a self-report questionnaire to achieve the objectives of the study.

Sampling and participants

The sample was comprised of the employees working in selected retail banks in the Free State Province. Respondents were recruited through the non-probability convenience sampling procedure, thus there was no element of randomness. However, this technique was deemed appropriate for this study as the data collected was intended for investigating relationships between variables rather than for accurately estimating population parameters (Burns and Burns, 2008; Cozby, 2007).

Procedure

Ethical clearance for conducting the study was applied for and obtained from the Ethics in Research Committee of the Faculty of Economic and Management Sciences of the University of Free State. As initially discussed, hard copy questionnaires were distributed manually with the help of a research assistant. The data collection process started in August 2016 and ended in February 2017.

Measures

Job embeddedness

To assess job embeddedness the JES developed by Mitchell *et al.* (2001) was used. The scale is a self-report instrument that includes three major subscales of JE dimensions, namely organisational links, organisational fit and organisational sacrifice. The response scale is scored on a five-point Likert scale varying between poles of intensity, from 1 ("strongly disagree") to 5 ("strongly agree"). A higher response aggregate indicates higher levels of job embeddedness and a lower response aggregate indicates otherwise.

Psychological resources

For measuring hope, self-efficacy, resilience and optimism, the PsyCap scale developed by Luthans, Norman, Avolio and Avey (2008) was used (PCQ - 24). This scale comprises 24 items and has a response format ranging from 1 = strongly disagree to 6 = strongly agree. The possible score on this scale ranges from 24 to 144. Each of the four subdimensions of psychological capital, namely hope, optimism, resilience and self-efficacy, is represented by six items. This scale has demonstrated adequate internal consistency and reliability (Luthans, Youssef-Morgan and Avolio, 2015).

RESULTS AND FINDINGS

This section contains the results from the statistical analysis of the data. All statistical analyses were conducted using the Statistical Package for the Social Sciences (SPSS), version 25. The research hypotheses proposed were explored using a range of inferential statistics. In an attempt to investigate hypothesis 1, that variances in job embeddedness can be statistically

explained by psychological resources (hope, self-efficacy, resilience and optimism) among employees in the banking sector, multiple regression analysis was used. In addition, to examine hypothesis 2, that there is a statistically significant difference in scores achieved on levels of job embeddedness according to age among employees in the banking sector, ANOVA was used.

Descriptive statistics

Mean, standard deviations, minimum, maximum and reliability coefficients for each of the variables were computed (Table 1). The mean scores for the psychological resources were relatively similar, with hope reporting the highest mean score ($M = 4.20$, $SD = .84$) and optimism reporting the lowest mean score ($M = 3.99$, $SD = .70$). The mean score for the total job embeddedness scale indicated that participants in the sample experienced an above moderate level of job embeddedness ($M = 95.2$, $SD = 15.44$), with the organisational fit subscale reporting the highest mean score ($M = 3.59$, $SD = .57$) and the organisational sacrifice subscale reporting the lowest mean score ($M = 3.25$, $SD = .65$). With regard to the reliability coefficients, all scales reported high levels of internal consistency, with the optimism scale reporting the lowest level of internal consistency of $\alpha = .77$. As a result it can be concluded that all scales possessed adequate and satisfactory levels of internal reliability.

TABLE 1:

Descriptive statistics for the hope, self-efficacy, resilience, optimism, total job embeddedness, organisational fit, organisational sacrifice and organisational links scales (n = 303)

Scale	N	Mean	Standard deviation	Minimum	Maximum	Cronbach's α
Total job embeddedness	303	95.2776	15.44520	41.00	136.00	.93
Organisational fit	303	3.5976	0.57087	1.22	5.00	.86
Organisational sacrifice	303	3.2507	0.65239	1.20	4.70	.90
Organisational links	303	3.3770	0.75469	1.33	5.00	.89
Self-efficacy	303	4.1214	0.91798	1.33	5.83	.91
Hope	303	4.2033	0.84022	1.50	6.00	.89
Resilience	303	4.0816	0.72413	2.33	5.83	.81
Optimism	303	3.9984	0.70904	1.83	5.67	.77

Multiple regression analysis

In an attempt to examine hypothesis 1 proposed by the current study, namely that variances in job embeddedness scores can be statistically explained by self-efficacy, hope, resilience and optimism amongst employees in the banking sector, stepwise multiple regression analysis was conducted. Of the four variables – self-efficacy, hope, resilience and optimism – entered into the model, the standard multiple regression (Tables 2, 3 and 4) revealed that different aspects of psychological resources had differing effects on dimensions of job embeddedness. The effects of hope, optimism, self-efficacy and resilience on dimensions of job embeddedness are explained below.

TABLE 2:

Standard regression analysis examining the effect of hope, self-efficacy, resilience and optimism on organisational fit (n = 303)

Coefficients ^a						
Model		Unstandardised coefficients		Standardised coefficients	t	Sig.
		B	Std. error	Beta		
1	(Constant)	1.623	.167		9.741	.000
	Self-efficacy	.097	.046	.156	2.089	.038
	Hope	.110	.055	.163	2.012	.045
	Resilience	.131	.056	.166	2.333	.020
	Optimism	.145	.064	.180	2.257	.025

a. Dependent variable: Organisational fit

In order to examine the contribution of each of the independent variables towards the organisational fit subdimension of job embeddedness, the standardised beta coefficients were analysed (Table 2 above). Results revealed that all psychological resources, i.e. hope, optimism, self-efficacy and resilience, contributed significantly to the variance in organisational fit. Optimism made the largest contribution to the variance in organisational fit ($\beta = .180$; $p = .025$), whilst self-efficacy made the smallest contribution ($\beta = .156$; $p = .038$). Both hope and resilience made similar significant contributions to variance in organisational fit ($\beta = .163$ and $\beta = .166$ respectively). In addition, an examination of the model summary indicated that the regression model consisting of hope, optimism, self-efficacy and resilience explained 34% of the variance in organisational fit. Results also revealed that the model was statistically significant. As a result, hypothesis 1 proposed by the current study, namely that variances in job embeddedness (organisational fit) can be statistically explained by psychological resources, can be supported.

TABLE 3:

Standard regression analysis examining the effect of hope, self-efficacy, resilience and optimism on organisational sacrifice (n = 303)

Coefficients ^a						
Model		Unstandardised coefficients		Standardised coefficients	t	Sig.
		B	Std. error	Beta		
1	(Constant)	1.658	.214		7.752	.000
	Self-efficacy	.001	.059	.002	.024	.981
	Hope	.097	.070	.124	1.370	.172
	Resilience	.059	.072	.065	.818	.414
	Optimism	.235	.082	.256	2.852	.005

a. Dependent variable: Organisational sacrifice

In examining the contribution of each of the independent variables towards the organisational sacrifice subdimension of job embeddedness, the standardised beta coefficient (Table 3) revealed that only optimism made a significant contribution to the variance in organisational sacrifice ($\beta = .256$; $p = .005$). In addition, an examination of the model summary indicated that the regression model consisting of hope, optimism, self-efficacy and resilience explained 17% of the variance in organisational sacrifice. Results also revealed that the model was statistically significant. This suggests that whilst hope, self-efficacy or resilience do not independently significantly explain any of the variance in the organisational sacrifice, the model as a whole explains 17% of the total variance in organisational sacrifice.

TABLE 4:

Standard regression analysis examining the effect of hope, self-efficacy, resilience and optimism on organisational links (n = 303)

Coefficients ^a						
Model		Unstandardised coefficients		Standardised coefficients	t	Sig.
		B	Std. error	Beta		
1	(Constant)	2.250	.260		8.639	.000
	Self-efficacy	.173	.072	.210	2.390	.017
	Hope	-.091	.086	-.102	-1.066	.287
	Resilience	.121	.088	.116	1.382	.168
	Optimism	.076	.100	.072	.761	.447

a. Dependent variable: Organisational links

The standardised beta coefficient in Table 4 above indicates that only self-efficacy makes a significant contribution to the variance in the organisational links dimension of job embeddedness ($\beta = .210$; $p = .017$). In addition, an examination of the model summary indicated that the regression model consisting of hope, optimism, self-efficacy and resilience explained 8% of the variance in organisational links. Results also revealed that the model was statistically significant. This suggests that whilst hope, optimism or resilience do not independently significantly explain any of the variance in the organisational links, the model as a whole explains 8% of the total variance in organisational links.

Analysis of variance

To assess hypothesis 2, namely that there is a statistically significant difference in scores achieved on levels of job embeddedness according to age among employees working in retail banks, one-way analysis of variance was used. Levene's test for homogeneity of variance, which tests whether the variance in scores is the same for each of the groups that make up the age factor, indicated that the assumption of homogeneity of variance was not violated in the current sample, as the significance level was greater than .05 ($p = .69$). The table showing analysis of variance (Table 5) indicates that there was a significant difference in job embeddedness according to age as $p < .05$. According to Pallant (2013) a significant p value indicates a significant difference somewhere among the mean scores in the dependent variable, i.e. job embeddedness in this case.

TABLE 5:

Analysis of variance between age and job embeddedness (n = 303)

ANOVA					
TOTAL JOB EMBEDDEDNESS					
	Sum of squares	df	Mean square	F	Sig.
Between groups	3646.667	4	911.667	3.959	0.004
Within groups	68396.723	297	230.292		
Total	72043.391	301			

TABLE 6:

Differences between age groups with regard to job embeddedness

Multiple comparisons						
Dependent variable:						
Tukey HSD						
(I) AGE		Mean difference (I-J)	Std. error	Sig.	95% confidence interval	
					Lower bound	Upper bound
19-25 years	26-30 years	-2.40869	2.51286	0.873	-9.3055	4.4881
	31-40 years	-6.75094	2.54661	0.064	-13.7404	0.2385
	41-50 years	-8.17234*	2.95602	0.047	-16.2855	-0.0592
	Above 50 years	-12.46700*	4.38075	0.038	-24.4905	-0.4435

* The mean difference is significant at the 0.05 level.

An analysis of the post-hoc tests (Table 6) revealed differences in job embeddedness amongst the 19- to 25-year-old age group and the 41- to 50-year-old age group. Differences in job embeddedness were also found between the 19- to 25-year-old age group and the above-50-year-old age group (Table 6). As a result, the alternative hypothesis, namely that there is a statistically significant difference in scores achieved on levels of job embeddedness according to age among employees in the banking sector, is supported

DISCUSSION

With regard to the main hypothesis, attempts were made to look at the unique contributions of each independent variable to subdimensions of job embeddedness. With regard to organisational fit, results suggested that all psychological resources, i.e. self-efficacy, hope, resilience and optimism, explained a significant proportion of variance. According to the broaden-and-build theory of positive emotions by Fredrickson (2003), positive psychological resources such as hope, optimism, resilience and self-efficacy broaden individuals' momentary thought action repertoires, prompting them to pursue a wider range of thoughts and actions than is typical. These thoughts and actions include but are not limited to the ability to play, explore, savour, adapt and integrate. Felps *et al.* (2009) define organisational fit as the extent to which a person perceives that the job, organisation and environment matches with or complement other areas and aspects of his or her life space (Felps *et al.*, 2009). This suggests that possessing psychological resources allows the individual to successfully adapt to his/her work environment, allowing them to successfully fit within the new organisational culture. This explains the results revealed by the multiple regression analysis, which suggests that all psychological resources significantly explained the variance in organisational fit.

With regard to the variances explained by psychological resources on organisational sacrifice, results of the multiple regression suggested that only optimism explained significant variance in organisational sacrifice. According to Holtom and Inderrieden (2006) organisational sacrifice can be defined as the material and psychological benefits that an employee would lose if he/she chose to leave the organisation. Optimism, on the other hand, is defined as making a positive attribution about succeeding now and in the future (Luthans, Avolio, Avey and Norman, 2007). This would suggest that individuals that are able to adopt a positive outlook on the future are able to successfully navigate through organisational losses, thus dealing adequately with organisational sacrifice.

As indicated by the multiple regression model presented above (Table 4), only self-efficacy explained a significant proportion of the variance in organisational links. According to Bandura

(1997), self-efficacy represents the beliefs in one's capabilities to organise and execute the courses of action required to produce given attainments. Holtom *et al.* (2008) describe organisational links as the extent of an individual's ties with other people and activities at work and off the job (Holtom *et al.*, 2008). This suggests that an individual's ability to form organisational links will be influenced by their levels of self-efficacy i.e. if one believes in their own ability to successfully forge meaningful links in any organisational setting, then that individual is likely to have more ties with a specific organisational setting, hence explaining the contribution made by self-efficacy towards organisational links.

Results of the current study indicated that optimism and self-efficacy were the strongest predictors of job embeddedness, as both these variables significantly explained the variance in at least two of the three subdimensions of job embeddedness presented. This is consistent with the results of Nafei (2015), who reported that optimism explained 19.7% of the variance in job embeddedness scores amongst employees in university hospitals. The author also reported that self-efficacy made a significant contribution to variances in job embeddedness. Nafei (2015) concluded that psychological resources such as optimism and self-efficacy were positively related to job embeddedness, i.e. organisational fit, links, and sacrifice. The author concluded that possessing psychological resources would enhance overall team success, more collective efficacy, better group communication, and more satisfaction of the group members – all aspects of job embeddedness. Rego, Sousa, Marques and Cunha (2012) reported similar findings, indicating that higher levels of psychological resources will improve the organisational links one has, leading to the improvement of the level of job embeddedness, and reduction of negative reactions in the work environment. Simons and Buitendach (2013) support this finding by stating that psychological resource capacities such as optimism have a positive impact on work-related outcomes such as engagement and job commitment.

According to Seligman (2006), there have been studies that suggest that higher levels of optimism regarding the future will motivate individuals to take charge of their own career. These individuals are likely to foster better organisational fits and links in order to further their career paths, suggesting a link between optimism and aspects of job embeddedness. According to Nafei (2015), studies have suggested that the link between self-efficacy and job embeddedness is derived from the fact that individuals that possess the confidence necessary to arrive at desired goals through the ability to take alternative paths, have positive attribution and outlook for the future (optimism). These individuals are likely to withstand adverse circumstances and remain embedded within their jobs.

In an attempt to test hypothesis 2, namely that there is a statistically significant difference in scores achieved on levels of job embeddedness according to age amongst employees working in retail banks, the mean scores of job embeddedness for each age group and the results of a one-way ANOVA were analysed. Results suggested that there were significant differences in job embeddedness scores between the 19-to-25-year-old age group ($M = 90.7$, $SD = 14.1$) and the 41- to 50-year-old age group ($M = 98.8$, $SD = 17.3$), as well as between the 19- to 25-year-old age group and the above-50-year-old age group ($M = 103.1$, $SD = 17.0$). Comparisons of the mean scores suggested that older participants score higher levels of job embeddedness compared to younger participants. This suggests that older age is related to higher levels of job embeddedness in the current sample. Findings of the current study are consistent with the findings of Takawira (2012), who reported that there have been several studies which suggest that older employees are less likely to change jobs and therefore possess higher levels of job embeddedness. This view was also supported by Reitz, Anderson and Hill (2010), who reported that older people were more embedded and are more likely to remain employed in their current organisation. Takawira (2012) reported that, in his sample, the over-56 age group reported significantly higher levels of job embeddedness compared to other age groups. The author attributes this difference to the fact that older participants possess a higher fit, which may indicate that they feel professionally and personally tied to the institution, suggesting that they are less likely to leave the institution. In contrast, younger

participants or participants who have been in the organisation for a shorter period may not be established within the organisation, making leaving the organisation less difficult. Takawira (2012) argues that employees in the mid-to-late career stage are more concerned with job security and career stability, and hence are significantly more likely to stay in their organisation than those in the early career stage.

PRACTICAL AND MANAGERIAL IMPLICATIONS

The findings of the current study suggest that organisations need to implement interventions designed to increase psychological resources such as optimism and self-efficacy. Nafei (2015) states that the invaluable role psychological resources have proven to play in enhancing job embeddedness suggests that managers should focus on ways to enhance positive psychological resources, as they provide a competitive advantage to the organisations. Managers should be careful in assigning relatively stressful tasks to those who are low on psychological resources, as these individuals are more likely to report job stress. Nafei (2015) also advises that managers should take measures to increase employees' identification with their organisation, such as striving for a higher organisational purpose. This is expected to enhance the employees' feeling that they are working for a higher good and higher moral standards, which can create feelings that the organisation is a worthy place to work. According to Schein (2010), research has indicated that embedding drivers of psychological resources in the work culture will assist the organisation in fostering happy and healthy employees, which in turn will increase the need to remain in the organisation. Attempts to enhance psychological resources such as optimism should begin with an analysis of the existing organisational culture. Schein (2010) goes on to add that culture constitutes the basic assumptions that underlie the values and observable features of a workplace or workgroup. These unspoken assumptions serve as the foundation of thought and behaviour in an organisation and can strongly foster an environment conducive to the nurturing of psychological resources.

As a result, there is an urgent need to train leaders and managers on how to develop psychological resources through training courses targeting the spread of optimism and self-efficacy, in particular among managers, and equipping them with skills to deal with different situations in order to ensure the achievement of positive feedback in the work environment (Nafei, 2015). The significant influence of optimism on job embeddedness as indicated by the results of this study suggests that organisations should implement practices which facilitate and enhance optimism. Schein (2010) maintains that organisational policies and practices can go a long way toward creating a culture with optimistic employees.

LIMITATIONS AND FUTURE RESEARCH

An apparent limitation of the current study is the use of self-report measures to determine levels of psychological resources and job embeddedness. The self-reporting could cause common method bias and may have produced inflated correlations between the study variables.

Secondly, although results of the current study revealed that the regression models consisting of self-efficacy, hope, resilience and optimism significantly explained between 8% and 34% of the variance in dimensions of job embeddedness, analysis of the unique contribution of each variable indicated that only optimism and self-efficacy significantly contributed to the variance in more than one subdimension of job embeddedness. There is a lack of literature in the field of psychological resources that adequately explains why the rest of the independent variables, i.e. hope and resilience, failed to make a significant contributions. Researchers in the field of psychological resources are urged to further explore the relationship between psychological resources and job embeddedness to further understand how these variables and their subdimensions interact with each other.

CONCLUSION

The results of the current study suggest that organisations should invest in the development of psychological resources, which could prove beneficial in enhancing the overall job embeddedness. Results of the positive effect of psychological resources in enhancing job embeddedness suggest that organisations should focus on building managements skills in identifying the absence of psychological resources. Organisations should also consider fostering psychological resources and encourage employees to utilise them as resources.

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Understanding the Working Student: a focus on positive organisational behaviour outcomes

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Keywords: Non-Traditional Students, Work School Conflict, Work School Enrichment

ABSTRACT

More students are combining their higher education with paid work necessitated by the increasing cost of living and the costs of tertiary education (Butler, 2007; Calitz & Fourie, 2016; McNall & Michel, 2017; Olson, 2014). Simultaneously, higher education in South Africa (SA) is plagued with low success rates (Department of Higher Education and Training, 2017). The increase in combining work and study could be a compounding factor toward these low success rates. The constructs Work School Conflict (WSC) and Work School Enrichment (WSE), have been used to explore the impact of working while studying (Wyland, Lester, Ehrhardt, & Standifer, 2016). The current study builds on this research in the SA context. Working students responded to self-report survey (N = 379). Regression analysis revealed WSC to have a negative relationship with both job satisfaction and academic satisfaction and WSE to have a positive relationship with job satisfaction and academic satisfaction. Social support from supervisors was found to buffer the negative relationship WSC has with academic satisfaction. However, no evidence was found for the other moderation hypotheses. The theoretical and practical implications of these findings are discussed. Selected references: Butler, A. B. (2007). Job characteristics and college performance and attitudes: a model of work school conflict and facilitation. *Journal of Applied Psychology*, 92(2), 500-510. doi:10.1037/0021-9010.92.2.500.

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Smartphone use and the work-family interface: the moderating effect of integration preference

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ABSTRACT

Managers have become increasingly sensitive to the importance of the work-family concerns of employees. Smartphone technology has made the boundary between the work and family domains permeable and managers should therefore be concerned about the effect that work-related smartphone use outside of work hours has on the work-family concerns of employees. This study examined this issue of concern and further considered the moderating effect of boundary integration preference on these employee perceptions. Survey data from South African working parents ($N = 125$) were analysed using moderated multiple regression analysis. We found that the employee's boundary integration preferences moderated the relationship between smartphone use and perceptions of both work-family conflict and work-family enrichment. We present the practical implications of these findings and suggest pathways for future research.

INTRODUCTION

Smartphones are powerful mobile devices that increase the permeability of the boundary between work and family life for many working parents. Increased boundary permeability is known to have both positive and negative outcomes (Piszczek, 2016) and hence work-related smartphone use has been described as a "double-edge sword" (Diaz, Chiaburu, Zimmerman, & Boswell, 2012). Employees using their smartphones for work activities during family time may consider their smartphones as a resource or as a medium of unwelcome interference. As a perceived resource, smartphones enable flexible work and the possibility of being able to respond to work-related issues while attending to family commitments. As a perceived medium of interference, smartphones help foment conflict between work and family roles, compelling the need to check for messages or respond to work matters during family time (Middleton & Cukier, 2006). This interference prevents any psychological respite from work responsibilities (Richardson & Thompson, 2012; Ward & Warren, 2013) and increases employer expectations regarding employee productivity, availability, and response time (Middleton & Cukier, 2006).

The positive work-family experience, in which resources from one domain (work or family) are perceived to improve quality of life in another domain (family or work) has been labeled work-

family enrichment (WFE) (Greenhaus & Powell, 2006). The negative work-family experience, in which the work and family domains are perceived to interfere with each other, is understood as a form of inter-role conflict, which has been labeled work-family conflict (WFC) (Greenhaus & Beutell, 1985).

In this paper, we seek to examine the extent to which employees' boundary integration preference helps explain their work-related smartphone use as a source of WFC or WFE. Research on the negative work-family outcomes of work-related smartphone use still dominate the literature but there have been recent calls for researchers to investigate the positive outcomes of work-related smartphone use (see Piszczek, 2016). By considering both the negative and positive in this study we believe that we make a contribution by gaining a more nuanced understanding of employees' work-related smartphone use in family time to navigate the complex boundaries between work and family life. Our findings can offer managers insight into how employees' integration preferences could affect their work-related smartphone use to manage their work-family interface to the benefit of themselves and the organization, especially among employees seeking flexible work. Understanding the dynamics of this relationship can facilitate the development of more nuanced policies and interventions regarding the management of work-related smartphone use outside of work time.

REVIEW OF THE LITERATURE

Boundary theory (Ashforth, Kreiner, & Fugate, 2000) presents a useful lens for understanding the relationship between work-related smartphone use, the work-family interface and boundary integration preferences. Individuals transition between social roles such as work and family by exiting one role and entering the other (Ashforth *et al.*, 2000; Nippert-Eng, 2006). Ashforth *et al.* (2000) refers to these transitions as a boundary-crossing activity. Smartphones facilitate boundary crossing because of two aspects: boundary flexibility and boundary permeability. Boundary flexibility refers to the extent to which spatial and temporal indicators of the boundary can be shifted (Ashforth *et al.*, 2000), for instance *where* and *when* work can be done. Smartphones increase boundary flexibility because their technology enables employees to work away from their physical office space and at any time. Boundary permeability refers to the extent to which an individual can be physically in one role's space while being psychologically preoccupied in another role (Ashforth *et al.*, 2000). Smartphones increase the possibility of boundary permeability. For example, individuals can be physically at home, outside of work hours, while being psychologically preoccupied with work-related communications on their smartphone.

The flexibility and permeability between work and family boundaries that are facilitated by smartphone use may contribute to employees' experiences of WFC and WFE because of (1) the boundary crossing activities and (2) the duration of time that they use their smartphone outside of work hours for work-related activities. For this reason, we follow the recommendation of Burton-Jones and Straub (2006) and Richardson and Thomson (2012) to include diverse conceptualisations of smartphone use. Smartphone duration is defined as the amount of time that employees use their smartphone for work-related purposes outside of work hours (Ward & Warren, 2013). According to Richardson and Thomson (2012, p. 33) duration of use is a "lean" measure of smartphone use activity, while boundary-crossing is a "rich" measure of smartphone use because it captures the context of use. Boundary crossing refers to the extent to which smartphone use facilitates work crossing the family boundary (Chatfield, 2014).

Smartphone use and the work-family interface

WFC and WFE are independent bi-directional constructs (i.e., work can influence family and family can influence work) (Carlson, Kacmar, Wayne, & Grzywacz, 2006). This study focuses on the constructs from a work-to-family direction only, because our interest is in employees'

use of smartphones for work and that smartphones can allow employees to access work in their family time and home space (Richardson & Thomson, 2012).

WFC and WFE are each rooted in different role theories and have different antecedents and outcomes (Lu, Siu, Spector, & Shi, 2009). WFC stems from role conflict theory (Kahn, Wolfe, Quinn, Snoek, & Rosenthal, 1964) and occurs when there are opposing sets of pressures from the work and family roles such that fulfilment of the one will make it unmanageable to simultaneously fulfil the other (Greenhaus & Beutell, 1985). WFE is rooted in role accumulation theory (Sieber, 1974), and occurs when involvement in multiple roles enhances one's life because resources gained in one role may be shared, combined, and transferred across roles (Greenhaus & Powell, 2006). In turn, these increased resources lead to efficiency, increased energy and other positive work, family and wellbeing outcomes.

In line with conservation of resources theory (Hobfoll, 1989) and resource drain theory (Staines, 1980), smartphone use may relate to WFC because it can increase the amount of time employees spend on work-related tasks and therefore deplete employees' psychological and physical resources, leaving fewer resources for their family role. This can result in strain (Richardson & Thompson, 2012). Smartphone use has also been found to increase WFC because it creates increased employer expectations with regards to an employee productivity, availability and response time (Middleton & Cukier, 2006); making it more difficult for employees to psychologically detach from their work because of their constant connection to work through their smartphones (see Richardson & Thompson, 2012; Ward & Warren, 2013).

To date, WFE as a positive outcome of smartphone use for work has not been investigated. Some researchers have identified the potentially positive benefits associated with smartphone use because it provides an opportunity for increased flexibility to perform work-related tasks outside the workplace. These benefits include increased productivity, ease of interaction and collaboration with colleagues and family (Lyytinen & Yoo, 2002), increased flexibility of working arrangements, efficiency and perceived job control (Derks *et al.*, 2012), and greater work satisfaction (Diaz *et al.*, 2012). The generation of resources is a critical driver of the WFE process (Greenhaus & Powell, 2006). Smartphone use for work enables job flexibility and perceived control and therefore can be viewed as a resource that helps employees manage transitioning between their work and family roles. For example, smartphone technology enables an employee to attend a family commitment and still respond to work activities by adjusting the time and location of work activity. This can improve the quality of their family role, increasing their WFE.

To better understand this notion of smartphone use for work as a "double-edge sword" (Diaz *et al.*, 2012) (that is, does it lead to increased WFC or WFE), we examine integration preference as one way in which employees may experience different work-family outcomes. According to boundary management theory (Nippert-Eng, 1996), individuals vary along a preference continuum regarding the desired permeability of the work-family boundary. Integrators prefer to keep work and family boundaries permeable and segmentors prefer to keep the boundaries distinct (Ashforth *et al.*, 2000). Segmentors have a low integration preference while integrators, who prefer to keep weak boundaries between domains, have a high integration preference (Ashforth *et al.*, 2000).

Several researchers support the possibility that an employee's integration preference moderates the relationship between smartphone use and work-family outcomes (Derks, Bakker, Peters, & van Wingerden, 2016; Duxbury *et al.* 2014; Piszczek, 2016). Integration preferences are manifested in whether or not individuals prefer to use digital technologies to stay connected with the workplace while at home (and vice versa) (Golden & Geisler, 2007). Segmentors, who prefer to keep their work and family roles distinct through inflexible and impermeable boundaries (Kossek & Lautsch, 2012) may experience greater WFC and reduced WFE when they need to use their smartphones for work-related matters outside of

work hours, especially if required to do so for an extended time. This is because segmentors will tend to perceive the boundary crossing of work into family as intrusive rather than an opportunity to exercise work flexibility and job control. Conversely, integrators may prefer a fluid transition between role activities, maintaining flexible and permeable boundaries to facilitate role spillover (Kossek & Lautsch, 2012). Integrators are therefore likely to perceive the use of their smartphones for work matters outside of work hours as an exercise of their autonomy and work flexibility, with the smartphone as the enabling digital technology. For integrators smartphone use may therefore reduce their experience of WFC and increase their experience of WFE.

We therefore propose the following hypotheses:

H¹: Integration preference will moderate the relationship between work-related smartphone use and work-family conflict (WFC) such that segmentors experience greater WFC than integrators.

H²: Integration preference will moderate the relationship between work-related smartphone use and work-family enrichment (WFE) such that integrators experience greater WFE than segmentors.

RESEARCH METHOD

Descriptive cross-sectional data were collected by means of a self-report, self-administered electronic survey. Participants were full-time employed parents in South African organizations who owned a smartphone ($N = 125$). The mean age of participants was 41.25 years old ($SD = 9.95$, range = 22 - 74), 64% were female, and 61.6 % self-classified as "white". Most participants had a tertiary qualification (68.8%) and spent on average 42.55 ($SD = 14.02$) hours per week at work. The majority of participants were married or living with a partner (78.0%) and most had two or more children (68.8%). Of the 125 participants, 17.6% used a smartphone provided by their employer, 74.4% used a smartphone that they purchased themselves and 8.0% used both a work-provided smartphone and a smartphone they purchased themselves.

We obtained approval for the study from the ethics review board at the authors' institution. Access to organizations and their employees proved to be more difficult than anticipated: Thirty-eight organizations in the two largest cities in South Africa were invited to participate but only six confirmed their participation.

Feedback obtained after pilot testing the web-based survey on ten volunteers resulted in minor amendments to the survey instructions and items. Data was then collected over a four-week period between August and September 2015. Participating organizations refused direct email access to their employees and distributed the survey link via email on our behalf. A cover letter explained the aims of the study, its voluntary and confidential nature, and the right to withdraw from participation. An incentive was offered to participants, who could choose to enter a lucky draw for a retail voucher.

Measures

Measures were selected based on their suitability and evidenced psychometric properties (e.g., Cronbach alphas $> .7$ and sound factorial structure). Unless otherwise noted participants responded to items on a 5-point Likert scale (1 = Strongly disagree to 5 = Strongly agree).

Smartphone use duration. The approach to measuring the duration of smartphone use was adapted from a study conducted by Ward and Warren (2013) that measured BlackBerry use duration. Participants were required to indicate the approximate amount of time they spent per day using their smartphone (0 minutes, 1-30 minutes, 31-90 minutes, 60-90 minutes, 91+

minutes). The overlap in the response categories was an error (two categories covered 60-90 minutes) but the categories nevertheless indicate increased usage. Participants were asked to estimate their use for three time periods (before work, after work, and during days off). The duration across the three time periods were then added together indicating use across the day. Ward and Warren (2013) reported a coefficient alpha of .73.

Smartphone boundary crossing. Five items relating to work-related smartphone use in the home domain were taken from Chatfield's (2014) adaptation of Kossek, Ruderman, Braddy, and Hannum's (2012) Boundary Management Strategy (BMS) scale. A sample item is "I use my smartphone to respond to work-related communications (for example, emails, texts, and phone calls) during my personal time away from work". Two items were added from Derks and Bakker's (2014) smartphone intensity scale: "I use my smartphone after work intensively for work" and "I feel obliged to answer evening work-related messages that come to my smartphone". Chatfield (2014) found an alpha coefficient of .70 for her adapted scale items.

Work-family conflict (WFC). Five items measuring the work-to-family direction of WFC were used from the Netemeyer, Boles, and McMurrian (1996) WFC scale. An example item is: "The demands of my work interfere with my home and family life" (Responses range from 1 = strongly disagree to 7 = strongly agree). Netemeyer *et al.* (1996) reported good scale reliability ($\alpha = .89$).

Work-family enrichment (WFE). The three work to family enrichment items from Kacmar, Crawford, Carlson, Ferguson, and Whitten's (2014) shortened Work-Family Enrichment Scale were used to measure work-to-family enrichment. A sample item is: "My involvement in my work makes me feel happy and this helps me be a better family member". Kacmar *et al.* (2014) found the shortened Work-Family Enrichment scale to have high internal consistency ($\alpha = .84$).

Integration preference. Integration preference was measured using a four-item measure for work-family segmentation preference developed by Kreiner (2006). This scale measures segmentation preference along a continuum that can be reverse scored to measure integration preference (Kreiner, 2006). An example item is "I don't like to have to think about work when I'm at home". According to Kreiner (2006), the measure demonstrated excellent internal consistency ($\alpha = .91$).

Demographics. Single item demographic questions relevant to the topic were asked. These included participants' age, sex, race, educational background, marital status, number of children, as well job characteristics, such as work hours and tenure.

RESULTS

All analyses were conducted using the Software Package for Social Sciences (SPSS) version 22 (IBM Corporation, 2013). Prior to testing the propositions, using correlation analysis and hierarchical multiple regression analyses, a series of analyses including iterative factor analysis, internal consistency reliability analysis, and data distribution analyses were conducted. Reliability analysis on the final composite scales demonstrated good internal consistency ranging from $\alpha = .748$ to $\alpha = .931$ (see diagonal in Table 1, which also presents the means and standard distributions for each scale). Further details about these analyses are available from the authors.

Correlation analysis

Table 1 presents the Pearson Product-Moment correlation coefficients of the variables, with significant values in bold. Correlation coefficients were interpreted using the recommendations

set out by Cohen (1988): $.10 < r < .30$ indicates a small effect; $.30 < r < .50$ signify a moderate effect; and $.50 < r < 1.0$ indicates a strong effect.

TABLE 1:
Correlation matrix of variables

Variable	<i>M</i>	<i>SD</i>	1	2	3	4	5
1. WFC	4.3	1.7	(.93)				
2. WFE	3.7	.83	-.31**	(.86)			
3. Integration preference	2.3	1.06	-.22*	.40**	(.92)		
4. SP duration	2.9	.79	-.117	-.11	.14	(.75)	
5. SP boundary crossing	3.2	.92	.22*	.14	.42**	.10	(.90)

Notes. *N* = 124 after listwise deletion of missing data; Values are Pearson correlation coefficients. Scale internal consistencies (Cronbach's alpha) reported on the diagonal. *M* = mean; *SD* = standard distribution; WFC = work-family conflict; WFE = work-family enrichment; SP = smartphone. * $p \leq .05$, ** $p \leq .01$.

WFC was moderately negatively related to WFE ($r = -.309, p < .01$) and Integration preference ($r = -.219, p < .05$), and moderately positively related to Smartphone boundary crossing ($r = .215, p < .05$). Integration preference was moderately positively related to WFE ($r = .397, p < .01$) and to Smartphone boundary crossing. Smartphone duration was not significantly correlated with WFC, but Smartphone boundary crossing was correlated to WFC. Smartphone duration and Smartphone boundary crossing were not significantly correlated with WFE.

Regression analysis

Hierarchical multiple regression analysis was performed following the protocols of Aiken and West (1991). Smartphone use, integration preference, and WFC. Smartphone use was examined as a direct predictor of WFC and as interacting with integration preference in predicting WFC. The regression model is presented in Table 2. In Step 1, which included the smartphone use variables and integration preference in the equation, $R^2 = .17$ ($F_{3, 120} = 8.096, p < .0001$). After introducing the two interaction terms in Step 2 the overall regression model explained 23% of the variance in WFC ($R^2 = .227, p < .001$), the change in R^2 from Step 1 to Step 2 was significant ($\Delta R^2 = .059, F_{inc}(2, 118) = 4.501, p = .013$).

In Step 1, variables Smartphone boundary crossing ($\beta = .371, p = .0001$) and Integration preference ($\beta = -.357, p = .0001$) were significant predictors of WFC, while Smartphone duration was not a significant predictor of WFC. In Step 2 of the model, Smartphone boundary crossing and Integration preference remained significant predictors of WFC (see Table 2), while Smartphone duration remained not significant. The interaction between Smartphone duration and Integration preference produced a significant increment for variance explained in WFC.

Figure 1 indicates that integration preference has a moderating effect on the relationship between smartphone duration and WFC, supporting Hypothesis 1a. That is, under conditions of high smartphone duration, integrators experience significantly less WFC than segmentors. Integration preference did not moderate the relationship between smartphone boundary crossing and WFC therefore Hypothesis 1b is not supported.

TABLE 2:

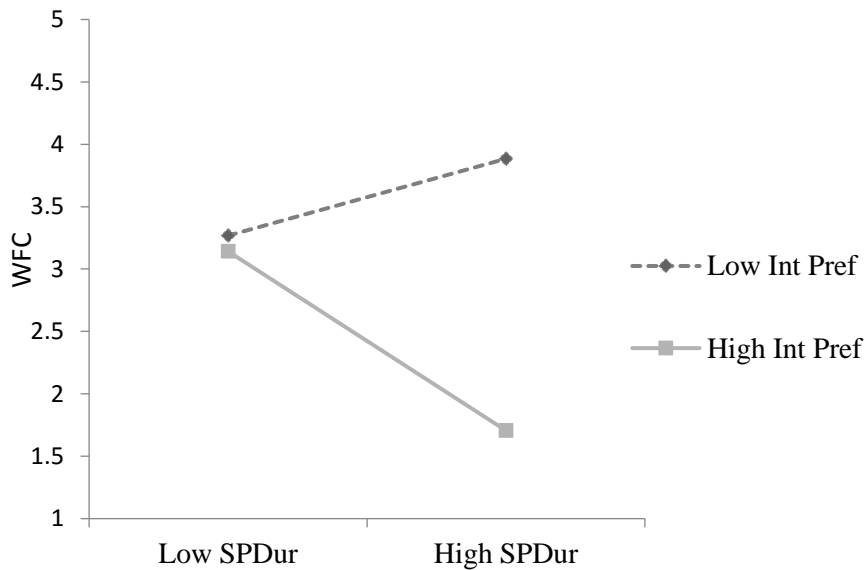
Moderated regression analysis for smartphone use and integration preference predicting WFC

		Model 2	
	Model 1 β	β	95% CI
Smartphone use			
Duration	-.096	-.098	[-.546, .135]
Boundary crossing	.371***	.402***	[.394, 1.054]
Moderator			
Integration Preference	-.357***	-.367***	[-.868, -.284]
Interactions			
Duration x Integration Preference		-.243**	[-.884, -.142]
Boundary crossing x Integration Preference		-.005	[-.299, .284]
R^2	.168***	.227***	
ΔR^2		.059*	

Notes. * $p < .05$; ** $p < .01$; *** $p < .001$. WFC = Work-to-family conflict; CI = confidence interval (unstandardized). $N = 124$.

FIGURE 1:

Interaction between smartphone duration and integration preference in predicting WFC



Smartphone use was examined as a direct predictor of WFE and as interacting with integration preference in predicting WFE. The regression model is presented in Table 3. R was significantly different from zero after both Step 1 and 2. The overall model was significant, with independent variables and interaction terms explaining 22.9% of the variance in WFE, $R^2 = .229$ ($F_{5, 118} = 6.995$, $p = .0001$).

In Step 1, *Integration preference* ($\beta = .426$, $p = .0001$) was a significant predictor of WFE. *Smartphone duration* ($\beta = -.163$, $p = .053$) and *Smartphone boundary crossing* ($\beta = .015$, $p = .872$) were not significant predictors of WFE. Step 2 showed a significant change in R^2 ($\Delta R^2 = .044$; $p = .037$). *Smartphone duration* and *Smartphone boundary crossing* were not significant predictors. *Integration preference* significantly predicted WFE (see Table 3) and the interaction between *Smartphone duration* and *Integration preference* produced a significant

increment for variance explained in *WFE*. Simple slopes were used to interpret the significant interaction effect found: *Integration preference x Smartphone duration* (see Figure 2). Figure 2 indicates that for individuals with a high integration preference (integrators), *WFE* increases slightly when smartphone duration is high, while for those individuals who prefer little integration between work and family (segmentors) *WFE* decreases when smartphone duration is high. Therefore, Hypothesis 2a is supported. Hypothesis 2b was not supported because integration preference did not significantly moderate the relationship between smartphone boundary crossing and *WFE*.

TABLE 3:

Moderated regression analysis for smartphone use and integration preference predicting *WFE*

		Model 2	
	Model 1 β	β	95% CI
Smartphone use			
Duration	-.163	-.155	[-.335, .008]
Across Boundaries	-.015	-.062	[-.222, .110]
Moderator			
Integration Preference	.426***	.460***	[.216, .510]
Interactions			
Duration x Integration Preference		.230*	[-.058, .431]
Across Boundaries x Integration Preference		-.077	[-.208, .085]
R^2	.184***	.229***	
ΔR^2		.044*	

Note. * $p < .05$; ** $p < .01$; *** $p < .001$. *WFE* = Work-family enrichment; CI = confidence interval (unstandardized). $N = 124$.

The regression models satisfied regression assumptions regarding multicollinearity, the normal distribution of residuals and the absence of multivariate outliers (Burns & Burns, 2008).

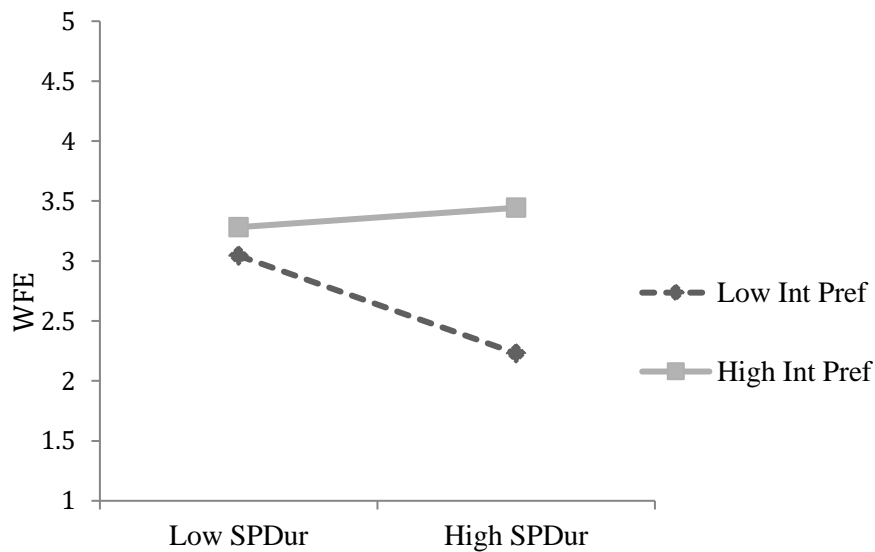
DISCUSSION

This study contributes to the limited management literature on the effects of working parents' integration preferences when using their smartphone for work outside of work hours, and its effects on their work-family experiences. Though the relationship between smartphone use, integration preference and *WFC* has been well examined recently by Derks *et al.* (2016), this study goes beyond considering only the negative outcome, *WFC*, by including the positive outcome *WFE*, to provide a more holistic conceptualisation of the work-family interface.

Two aspects of smartphone use (duration and boundary crossing) were examined as direct predictors of *WFC* and *WFE*. In addition, the working parents' integration preference was examined as a moderator on these relationships. Hierarchical multiple regression analysis showed that smartphone duration on its own had no significant effect on both *WFC* and *WFE*.

FIGURE 2:

Interaction between smartphone duration and integration preference in predicting WFE



These findings imply that the amount of time that working parents spend on their smartphones for work-related issues outside of their formal work hours had no significant effect on their positive or negative work-family experiences. Smartphone boundary crossing, however, was a direct predictor of WFC but not a significant predictor of WFE. That is, working parents who report that their smartphone facilitated work demands being attended to during family time (boundary crossing) were more likely to experience increased WFC. This finding is consistent with others (e.g., Richardson & Thompson, 2012; Ward & Warren, 2013) and may be a result of employees feeling increased distress and dissatisfaction from being constantly connected to work, a connection resembling an “electronic leash” (Boswell & Olson-Buchanan, 2007). Accordingly and in support of the scarcity hypothesis (Goode, 1960), working parents may feel that using their smartphone to deal with work demands outside of work hours reduces their time and energy. This perception negatively affects their ability to recover from work and be present in their family role (Derks & Bakker, 2014), contributing to increased WFC.

The introduction of integration preference into the regression model yielded more nuanced findings to explain the relationship between smartphone use and the work-family interface. The study results showed that integration preference had a significant moderating effect on the relationship between smartphone duration and WFC. When smartphone duration was high, working parents with a high integration preference (integrators) experienced significantly lower WFC than working parents with a low integration preference (segmentors). When smartphone duration was low, there was no significant difference in WFC experiences between integrators and segmentors. These results are consistent with recent findings (Derks *et al.*, 2016; Duxbury *et al.*, 2014) that integrators utilise mobile technology to effectively manage their work and family domains and in turn experience reduced WFC when compared to segmentors. Working parents who are integrators tend to be able to multi-task (Kossek & Lautsch, 2012) and easily transition between roles, thus they are less likely to perceive connecting to work during family time as an interference, and may even be able to do so while simultaneously cooking or doing homework with their child. When the duration of smartphone use for work outside of work hours is high, working parents who are segmentors are likely to experience work as intruding on their personal lives. This feeling may create increased strain, because of their preference for impermeable and inflexible boundaries (Ashforth *et al.*, 2000). Segmentors have a strong desire to protect their family role from unwanted work intrusions, and can experience WFC

when unable to so (Powell & Greenhaus, 2010). Integration preference was not a significant moderator on the relationship between smartphone boundary crossing and WFC.

The findings of this study showed that smartphone duration and smartphone boundary crossing were not significant predictors of WFE. Working parents in this study did not experience using their smartphone for work outside of work hours as a resource that directly affected the quality of their family life, but rather as a neutral tool (Piszczek, 2016). It was only in its interaction with integration preference that smartphone duration predicted WFE, confirming integration preference as a significant moderator on the smartphone duration-WFE relationship. When smartphone duration was high, integrators experienced significantly higher levels of WFE than segmentors did. For integrators, the extended use of their smartphone to attend to work demands outside of work hours facilitates their preferred lifestyle, with permeable work-family boundaries enabling them to meet efficiently their work and family needs (Golden & Geisler, 2007). Integrators interpret the increased flexibility as a resource that enables them to complete work without being confined to their workplace. This flexibility gives them control over their work while enriching their family life (Diaz *et al.*, 2012), and in turn increases their WFE. Integration preference did not moderate the relationship between smartphone boundary crossing and WFE, indicating that boundary management preferences did not affect the non-significant relationship between smartphone boundary crossing and working parents' experience of WFE.

Overall, the results of this study suggest that understanding the effects of smartphone use on the work-family interface is less about the amount of time that working parents spend using their smartphone for work matters outside of work hours. Rather more importantly, it is about their integration preferences that in turn determines their experience of WFC and WFE.

Limitations and suggestions for future research

The findings of this study should be considered in the context of a few research limitations and future researchers should endeavour to minimise these. This study relied on self-report, cross-sectional data collected from a relatively small sample of working parents. This increases the probability that variance explained may be attributable to error and common method variance (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). Future researchers should collect data from multiple sources and consider adopting a longitudinal research design. For example, mobile survey applications could be used to allow future researchers to objectively measure both the frequency and duration of smartphone use (Chóliz, 2012) and introduce a time lag between the measurement of the predictor and criterion variables.

We acknowledge that an overlap of two response categories for the smartphone duration scale may confound the results. However, the response categories remain an indication of an ordinal increase in duration from responses 1 to 5, and we believe that this error should not alter any substantive interpretation of the presented results, albeit that the actual numbers presented may have been affected as a result of the overlapping categories. Accordingly, the results should be viewed as exploratory and tentative.

We only examined work-related smartphone use after work hours. To gain a more comprehensive understanding of the positive and negative effects of digital boundary crossing on the work-family interface future research should investigate the effects on WFC and WFE of using smartphones to attend to family issues during work hours (Derks *et al.*, 2016). In this way, the permeability of both work and family boundaries would be acknowledged and it would be interesting to understand the factors that shape the experience of connecting to family whilst at work.

This study examined working parents' smartphone use, integration preference and work-family experiences at an individual level of analysis. Kossek and Lautsch (2012) recommend

that research on the work-family interface should ideally involve at least two or more levels of analysis (e.g., organization and family) by considering contextual linkages. Knowledge of contextual linkages may improve our understanding of how work-family behaviours are enacted in a particular context. Kossek and Lautsch (2012) further suggested that the boundary management styles “segmenting” and “integrating” may be too limited a conceptualisation and that a third option “alternating” should be explored at both the individual and organizational levels.

Management implications

This study confirms that employees’ integration preference plays an important role in determining whether employees have positive or negative work-family experiences due to their extensive work-related use of their smartphones after-hours.

WFC has detrimental organizational outcomes such as decreased work satisfaction, and work performance and increased turnover intention and absenteeism (Amstad, Meier, Fasel, Elfering, & Semmer, 2011). On the other hand, WFE’s desirable organizational outcomes include improved employee wellbeing, affective commitment, and work satisfaction (McNall, Nicklin, & Masuda 2009). Hence, it is in the interest of organizations to understand their employees’ integration preferences and develop interventions for smartphone use with different boundary management preferences in mind to reduce WFC and increase WFE. Organizations can help employees understand what their boundary management preference is and accordingly help them negotiate the expected usage of their smartphones for work after-hours. Montreuil and Lippel (2003) found that fewer negative outcomes were experienced by employees who were given a choice about their mobile phone use for work. For example, integrators can make use of flextime and flex-place policies because they prefer permeable and flexible boundaries to transition between roles. However, it is important that those who supervise integrators support this preference for flexible work. Bittman, Brown, and Wajcman (2009) argued that WFE is more likely to occur when the employee’s organizational climate supports the preferred boundary management style of employees.

Organizations are tasked to try support the customization of work-family policies to accommodate different boundary management preferences (Kossek & Lautsch, 2012), especially in environments where there is a need for high integration such as teleworking. In such contexts, segmentors may experience high levels of WFC if no customized arrangements are available (Kossek & Lautsch, 2012).

South Africa has a critical skills shortage and there is widespread recognition that a key to economic development is the retention of a diverse and skilled workforce. Organizations must recognize that employees have different preferences in how they manage their work-family boundaries and, accordingly, in how they prefer to use technology to meet work responsibilities. Forcing employees into one type of boundary management strategy may result in them experiencing increased WFC and prompt them to consider leaving the organization. For example, if integrators are prohibited from connecting to work after hours they may feel frustrated, because they value the flexibility to transition between roles (Piszczek, 2016). Similarly, segmentors will experience increased conflict if their organization expects extensive after-hours electronic communications. Employees should therefore be able to manage their smartphone use according to their work-family boundary management preferences rather than feeling pressurized to act in a particular way by their organization (Piszczek, 2016).

Managers can play a key role in supporting their employees’ efforts to manage their work and family demands. This suggests management training and development initiatives to help managers recognize these issues and adapt their people management strategies accordingly. Managers need to understand different boundary management preferences and align their

expectations for smartphone use after hours with their employees' preferences (Derks, Duin, Tims, & Bakker, 2015); this will help to reduce employee WFC and increase employee WFE.

CONCLUSION

This study surfaces an important finding, that individual boundary management preferences function as an important mechanism in explaining whether working parents experience work-related smartphone use after-hours positively or negatively in relation to the work-family interface. The findings showed that segmentors might experience greater WFC and less WFE than integrators when required to use their smartphones for long periods. These findings have important implications for South African organizations wanting to retain a diverse and committed workforce. Organizations that neglect to acknowledge that their employees have different integration preferences, and who apply a "blanket" approach to managing requirements and expectations of digitally connecting to work after hours, may exacerbate WFC for some while missing out on opportunities to foster WFE for others. The study offers a nuanced way to understand the effects of smartphone use on the work-family interface and provides suggestions for ways in which organizations can more effectively assist their employees in an increasingly digitally connected world.

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Flexitime use and affective commitment: the moderating effect of vertical collectivism

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ABSTRACT

This study investigated the relationship between employees' use of flexitime (both informal and formal) and their affective commitment to the organisation (AC). We further investigated the moderating effect of vertical collectivism (VC) (as a cultural variable) on the relationship between flexitime-use and AC. Using a descriptive design, cross-sectional quantitative data were collected by means of a self-administered online questionnaire from full-time employed parents who had access to a flexitime working arrangement ($N = 139$). The findings indicate that there is no significant relationship between flexitime and AC but that VC significantly moderates the relationship between flexitime use and AC. This study therefore highlights the importance of acknowledging cultural values in South African management research, particularly in research concerning commitment to the organisation.

INTRODUCTION

Flexitime is a flexible work arrangement, a form of structural adjustment to work redesign that helps employees manage competing work and non-work demands (Beauregard & Henry, 2009). Flexitime can strengthen the employee-organisation relationship, create greater synergy and reduce employee role conflicts (Hodson & Sullivan, 2012). Consistent with Social Exchange Theory (SET) (Blau, 1964), when employees feel that their organisation cares about them enough to provide flexitime that is conducive to their well-being, they are likely to reciprocate by becoming more affectively committed to the organisation (De Menezes & Kelliher, 2017; Muse, Harris, Giles, & Field, 2008). Affective commitment is the employee's "positive feelings of identification with, attachment, and involvement in, the work organisation" (Meyer & Allen, 1984:375). Affectively committed employees are those who choose to continue their employment because they want to stay with the organisation and "this form of organisational commitment has been considered to be the most beneficial in terms of enhancing organisational effectiveness" (Morris, 2014:10).

Retaining a diverse workforce is a key business concern for South African organisations particularly because of critical skills shortages and transformation imperatives that need to be addressed (Williamson & Holmes, 2015). Affective commitment is the strongest predictor of turnover intention (Michielsens, Bingham, & Clarke, 2013) and understanding the predictive effects of flextime on affective commitment is therefore important. Though the flextime-affective commitment relationship has been established in prior research (e.g., De Menezes & Kelliher, 2017; Muse *et al.*, 2008) this study acknowledges calls in the literature to consider cultural value orientations in commitment research (Zhou, Jin, Fang, & Vogel, 2015).

REVIEW OF THE LITERATURE

Flextime is being increasingly introduced into South African organisations to support employee work-life balance as a key retention strategy (Downes & Koekemoer, 2012). It is also the flexible work arrangement that has the greatest recognised effect of affective commitment (Mansor & Idris, 2015). In this study, flextime includes flexible working hours, job-sharing, and compressed work weeks. Flexible working scheduling is a flextime arrangement in which employees may adopt variable starting and ending work times, generally based around a core set of working hours, but retain their total number of weekly work hours (Allard, Haas, & Hwang, 2007; Chen & Fulmer, 2018). Job-sharing is a flextime arrangement that allows two or more employees to share the demands and responsibilities of one job (Grobler & de Bruyn, 2011), and compressed work weeks is a flexible work structure where employees are required to work their weekly hours in less than five days (Berg, Kossek, Misra, & Belman, 2014). Researchers have noted the importance of not only examining employees' use of flextime but also their perceived accessibility to flextime policies, and the psychological value placed on the provision of flextime arrangements, even when not used by the employee (Allen, 2001; Eaton, 2003; Muse *et al.*, 2008). This is because work-life practices are positively related to employee attitudes whether employees directly benefit from such practices or not (Eaton, 2003). Additionally, both formal and informal flextime practices are important constituents that help create a supportive work environment and should be studied concurrently (Anderson, Coffey, & Byerly, 2002; De Menezes & Kelliher, 2017). Eaton (2003) argued that the provision of formal flextime is not an adequate indicator of the flexibility available to employees because managers may permit the use of flextime on an informal or contingent basis when an employee needs to attend to non-work commitments (Berg *et al.*, 2014; Kossek, Lautsch, & Eaton, 2006). Thus, informal flexibility refers to those practices that permits you to have control over your schedule at your manager's discretion, without using formal policies. In contrast managers may also choose to stand in the way of employees' accessing flextime policies and programs that are available (Galinsky, Bond, & Friedman, 1996).

Past research on flextime-use as a predictor of affective commitment in a South African context by Bagraim and Sader (2007) did not find a significant relationship, though only 25% of the respondents within the organisation had indicated that they had used the FWAs. On the other hand, among a United States (US) sample, Muse *et al.* (2008) showed that flextime-use had a direct positive effect on affective commitment. Thus we based the hypotheses on the theoretical logic that, employees who use flextime as a valued resource may perceive organisational support; and its use elicits a reciprocal response from the employee to develop an emotional attachment to the organisation in the form of higher affective commitment.

H^{1a}: Formal flextime-use is related to affective commitment.

H^{1b}: Informal flextime-use is related to affective commitment.

Vertical collectivism as a moderator on the relationship between flextime-use and affective commitment

Our understanding of the flextime-affective commitment relationship relies heavily on the experiences of samples from the United States (US). However, distinctions in such an employee-organisation relationship (EOR) can be expected across and within diverse samples due to differing socio-cultural beliefs in specific cultural contexts. The view that cultural values provide general guidance to behaviour on a national level is seen in the cultural frameworks of Hofstede (1980), and House, Hanges, Javidan, Dorfman, and Gupta (2004). Accordingly, Wasti (2003a; 2003b) calls for more research investigating the effects of individual-level cultural values on the EOR. Given the cultural diversity among South African employees, we expect that not all employees may use and value flextime provisions equally because of different cultural values and resultantly may experience the social exchange between flextime and AC differently.

Triandis, Chan, Bhawuk, Iwao, and Sinha (1995) operationalised and measured individualism and collectivism at an individual level arguing that variations in cultural variables are often found within groups in nations. At an individual level, individualism relates to individuals who value self-reliance, competition, emotional distance from groups, and hedonism, while collectivism relates to individuals who have a sense of duty to the group and value interdependence, obedience, and harmony (Triandis *et al.*, 1995). Triandis and Gelfand (1998) further created a vertical (emphasising hierarchy) and horizontal (valuing equality) dimension for each cultural value relating to the emphasis individuals place on social relationships. In this study, we specifically consider the moderating effect of vertical collectivism (VC) on the relationship between formal and informal flextime-use and affective commitment. A few researchers have confirmed a direct relationship between vertical collectivism and affective commitment (e.g., Felfe, Yan, & Six, 2008; Wasti & Can, 2008). However, based on the theoretical reasoning that differences in the individual-level cultural values can vary employees' experiences of relationships between types of benefits and affective commitment (Mathieu & Zajac, 1990), we propose a moderating effect of vertical collectivism on the relationship between flextime and affective commitment.

Vertical collectivists emphasize and promote the wellbeing of the in-group and will forgo the pursuance of individual goals for group goals, whilst still being characterised by high power distance (Triandis & Gelfand, 1998). That is, vertical collectivists support collective goals, so long as it is condoned by those with higher authority, thereby endorsing inequality and self-sacrifice (Singelis, Triandis, Bhawuk, & Gelfand, 1995). Williamson and Holmes (2015) add that individuals with higher collectivist values will be predisposed to identifying with and adopting the goals of their employers leading to higher levels of organizational commitment. Thus consistent with social exchange theory, vertical collectivists are more likely to reciprocate with affective commitment when using flextime because of their focus on group goals and their emphasis on maintaining their membership in the organisation.

H^{2a} : Vertical collectivism moderates the relationship between formal flextime-use and affective commitment.

H^{2b} : Vertical collectivism moderate the relationship between informal flextime-use and affective commitment.

RESEARCH METHOD

For this quantitative study, we used a descriptive design with a cross sectional time dimension to collect primary self-reported survey data. This approach allowed the researcher to make valuations relating to the population parameters and to describe relationships between the variables under study (Hair, Celsi, Money, Samouel, & Page, 2011).

Research participants

We used a non-probability sampling due to time and resource constraints (Loseke, 2013). All respondents needed to be working full time (more than 20 hours a week), have at least one child, have access to flextime at their organisation, and currently use or have made use of flextime policies (formal or informal). Respondents who met all these criteria and submitted complete surveys totalled 139 participants. The mean age of the respondents was 41.5 years ($SD = 8.81$; range = 22 - 74). Almost two-thirds of the respondents were female (61.2%) and most of the respondents were married or committed to a life partner (80.60%). Responses were recorded from employees belonging to a wide range of industries, who had on average been with their current employer for 8.15 years ($SD = 8.81$, range 7 - 50). White respondents constituted 61.20% of the sample.

Measures

Affective commitment. We measured affective commitment using Bagraim's (2010) adapted version of the Meyer and Allen's (1990) affective commitment subscale. The sub-scale has been validated in previous South African studies and the scale estimates reflected good internal reliability ($\alpha = .85$) (Bagraim & Sader, 2007). The response format of this scale was a 7-point Likert scale, ranging from 1 = strongly disagree to 7 = strongly agree. This sub-scale consists of four items for which a sample statement included "I really feel as if this organisation's problems are my own".

Informal and formal flextime-use. We asked the respondents two questions about flextime. First, respondents were asked to indicate whether they use or had used formal flextime such as flexible start and end times and compressed work weeks. Second, to indicate whether they use or had used informal flextime by having been given permission from their manager to do so. For both the above questions, 'Have not used' was coded 0 and 'current use/have used' was coded 1.

Vertical collectivism. We used the vertical collectivism sub-scale of the Individualism-Collectivism (INDCOL) scale developed by Singelis et al. (1995). Responses were measured on a 9-point Likert scale coded as 1 = 'never/ definitely no', 9 = 'always/ definitely yes'. A sample item for the VC subscale ($\alpha = .73$) includes: 'Family members should stick together, no matter what sacrifices are made'.

Demographic variables. Demographic variables describing the sample were assessed in this study including: age, gender, marital status, race, the number of hours respondents (on average) work per week and their tenure with their current employer in years. Age and tenure were included as control variables based on evidence from past research that they relate to affective commitment (Mathieu and Zajac, 1990; Brand, 2009; Allen, 2001).

Ethics

The authors' university faculty ethics committee approved the research protocol for this study. Senior management at the participating organisations granted approval to sample their employees.

RESULTS

Exploratory factor analysis

The data were suitable for factor analysis. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy produced a value of at least .78 and Bartlett's test was found to be significant ($p < .01$) for all analyses performed. The authors performed the exploratory factor analysis with oblique (direct oblimin) rotation. For the vertical collectivism scale the analysis indicated that one of the four items be removed. For *the affective commitment scale*, all four items loaded significantly onto one factor (eigenvalue: 2.82; factor loadings: $.73 < r < .91$), which explained 70.41% of variance in affective commitment. *Further details about these results are available from the authors.*

Reliability analysis

The authors conducted the reliability analyses for all sub-scales. The alpha coefficients were .86 for the affective commitment scale and .76 for the VC sub-scale.

Correlation analysis

We used Pearson product moment correlation analysis (with listwise deletion of missing data) to examine the relationship between flextime and affective commitment. The correlation coefficients were interpreted as per Cohen's (1988) recommendations: a correlation coefficient of $\pm .10$ represents a small effect, a coefficient of $\pm .30$ indicates a medium effect and lastly, a coefficient of $\pm .50$ points to a large (strong correlation) effect. The correlation matrix (see Table 1) indicates the significant relationships. None of the flextime variables were related to *affective commitment* therefore Hypotheses 1a and 1b were not supported. Both VC ($r = .234, p < .01$) and *tenure* ($r = .262, p < .01$) had a small significant relationship with *affective commitment*.

TABLE 1:
Correlation matrix and reliabilities of variables under investigation

Variable	1	2	3	4	5	6
1. Affective commitment	(.86)					
2. Vertical-collectivism	.23**	(.76)				
3. Formal flextime-use	.08	.01	-			
4. Informal flextime-use	.10	.03	.48**	-		
5. Tenure	.26**	.12	.11	.11	-	
6. Age	.15	-.07	.13	.15	.65**	-

Moderated multiple regression analysis

We performed a moderated regression analysis (Aiken & West, 1991) to examine whether VC as an individual-level cultural value had a moderating effect on the relationship between *Formal* and *Informal flextime-use* and *affective commitment*. Table 2 presents the regression model and indicates the standardised regression coefficients (β), their significant p -values, and the confidence intervals retrieved from Step 2; the model also indicates the R^2 , adjusted R^2 , and change in R^2 . The results indicate that the regression model was significant after both steps, $F(5, 126) = 4.056, p = .002$, indicating overall regression model significance. In Step 1, having introduced the formal and informal flextime-use variables into the equation, $R^2 = .060, F_{inc}(1, 128) = 6.570, p = .012$. In Step 2 after the interaction terms were introduced, change in $R^2 = .079, F_{inc}(2, 126) = 5.776, p = .004$.

In Step 1, VC ($\beta = .221$; $p = .012$) explained a significant proportion of variance in *Affective Commitment*. *Formal flextime-use* and *Informal flextime-use* did not explain significant variance in *Affective Commitment*. In Step 2 VC ($\beta = .516$; $p = .009$) continued to explain significant variance in *Affective Commitment* and *Formal flextime-use* and *Informal flextime-use* remained not significant. Both the interaction terms entered into the equation significantly contributed to the amount of variance explained in *Affective Commitment*: *Formal flextime-use* x *Vertical collectivism* ($\beta = .469$; $p = .020$) and *Informal flextime-use* x *Vertical collectivism* ($\beta = -.775$; $p = .001$). By means of Figure 2 and 3 below it can be seen that the cultural value of *Vertical collectivism* has a moderating effect on the relationship between both *Formal* and *Informal flextime-use*, and *Affective Commitment*. That is, in conditions of high formal and informal flextime usage, those individuals with a high vertical collectivist cultural orientation are likely to be more affectively committed to their organisation and those with a low vertical collectivist cultural orientation are less likely to be affectively committed to their organisation. Therefore, hypotheses 2a and 2b were confirmed.

Post-hoc power ($1 - \beta$) for this hierarchical multiple regression analysis was calculated for a sample size of $N = 132$ and four predictors in the final regression model using G*Power (3.1.9.2). This test achieved adequate power (88%) in detecting the moderating effect of *Vertical collectivism* on the relationship between *flextime-use* and *AC* when using a small to medium effect size of $f^2 = .092$ and the standard significance level ($p = .05$) (Cohen, 1988).

TABLE 2:

Moderated hierarchical multiple regression analysis: flextime and vc predicting AC

	Affective Commitment		
	Model 1 β	Model 2	
		β	95% CI
Flextime			
Formal-use	.03	.10	[-.32, 1.01]
Informal-use	.06	-.03	[-.92, .67]
Cultural dimension			
Vertical Collectivism	.22**	.52**	[.18, 1.20]
Interactions			
Formal-use x Vertical Collectivism		.47*	[.12, 1.35]
Informal-use x Vertical Collectivism		-.78***	[-1.85, -.48]
R^2	.06**	.14	
Adjusted R^2	.04	.10	
ΔR^2		.08**	
<i>Note.</i> $N = 132$ after listwise deletion of missing data; β = standardised beta coefficient; <i>CI</i> = confidence interval (unstandardized); * $p < .05$; ** $p < .01$; *** $p < .001$; $f^2 = .09$; Post-hoc power of this model: 88%.			

FIGURE 1:
Interaction between formal flextime-use and VC in predicting AC

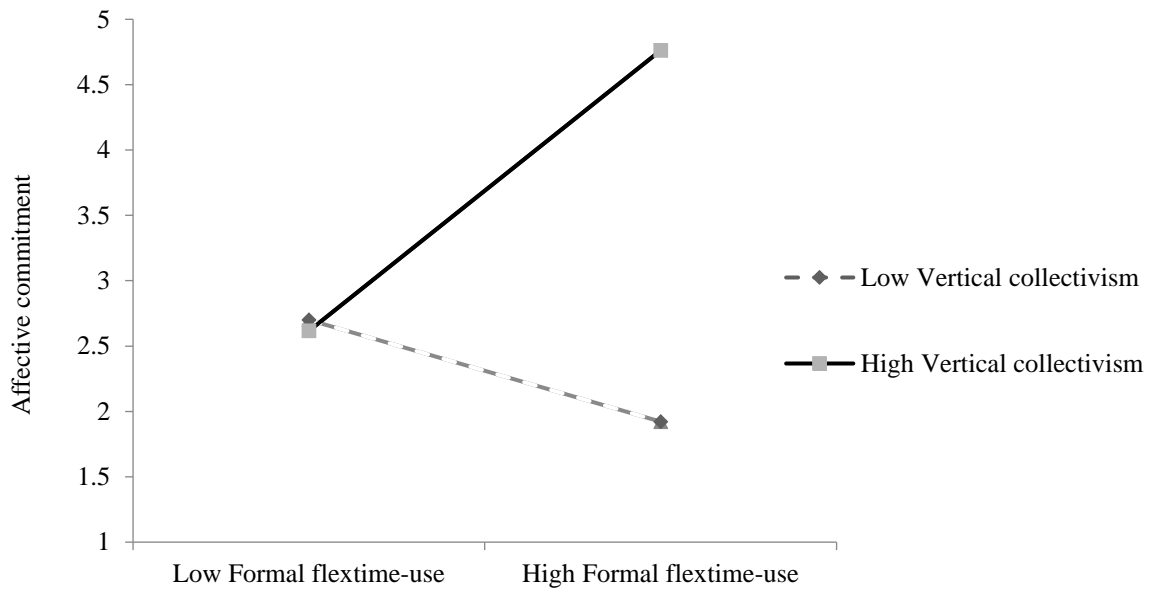
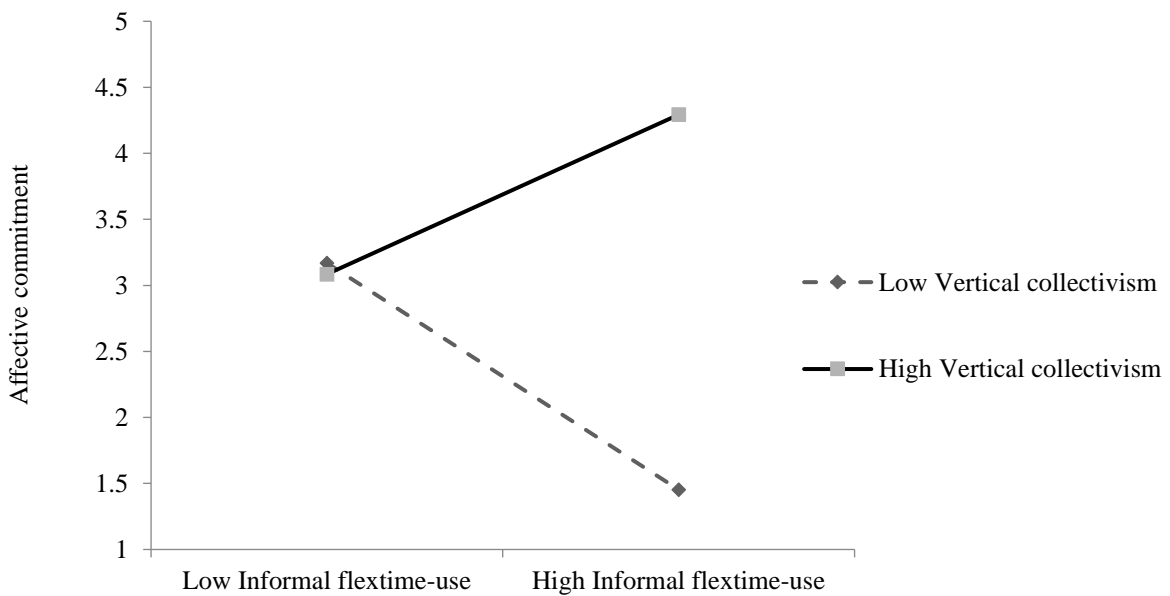


FIGURE 2:
Interaction between informal flextime-use and VC in predicting AC



After each analysis, we conducted a set of regression diagnostics (including a visual assessment of the normal probability plot of residuals and tests for multicollinearity). No concerns emerged.

DISCUSSION

We set out to examine the relationship between flextime and affective organisational commitment with specific interest in vertical collectivism as a moderator of this relationship. There was no support for hypothesis 1, that flextime (formal or informal) is significantly related to affective commitment. Given the relatively high levels of AC ($M = 5.15$, $SD = 1.41$) as well as the high usage of both formal flextime policies (84%) and informal flextime practices (87%) reported by the respondents, this finding was surprising and deserves further investigation in a larger sample. When examining AC as an outcome of formal and informal flextime-use, the hierarchical multiple regression showed that flextime-use did not explain a significant proportion of the variance in AC, over and above employee tenure. This finding is consistent with Bagraim and Sader (2007) and Haar and Spell (2004) who found that employees' use of flextime policies did not engender higher AC. In contrast to these findings, Döckel, Basson, and Coetzee (2006) and Muse *et al.* (2008) found that employees' use of a work-life benefits package, which included flextime, was a significant predictor of AC. The discrepancy in these findings may be attributed to the fact that Döckel *et al.* and Muse *et al.* aggregated FWA-use across a range of benefits whereas the present study, as well as Bagraim and Sader, and Haar and Spell focused on the relationship between specific FWA-use and AC. Although as Muse *et al.* argue, considering individual benefits as opposed to a package of benefits may dilute the relationship between FWA-use and AC since AC "is more likely to result from an aggregated sense of support" (p. 176). With FWAs being a relatively new and understudied research topic, it may be more useful to understand which particular FWAs lead to AC when used by employees. In addition, the finding that the relationship between flextime-use and AC was not significant is inconsistent with SET and the norm of reciprocity. The present study proposed that in so far as the provision of flextime policies and practices, often representative of an organisation's value system, signifies to employees that the organisation cares about their well-being, flextime-use will be psychologically experienced as a positive exchange in the EOR (Blau, 1964; Goulder, 1960; Grover & Crooker, 1995). Subsequently, it was expected that employees who indicated use of flextime provisions would be more likely to adopt organisational goals and values and develop an affectively committed mind-set (Haar & Spell, 2004; Meyer and Herscovitch, 2001).

One reason for finding no significant relationship between flextime-use and AC may be that among the sample of South African employees, flextime provisions were not psychologically experienced as indicators of organisational concern over their well-being and were therefore not related to perceived organisational support (POS) (Wayne, Shore, & Liden, 1997). This is supported by the argument that in order for employees to gain a sense of support - that the organisation cares about their wellbeing, it is necessary for employees to believe that favourable work experiences such as FWA provisions reflect voluntary and purposeful decisions on behalf of the organisation (Rhoades and Eisenberger, 2002; Valcour, Ollier-Malaterre, Matz-Cosra, Pitt-Catsouphes, & Brown, 2011).

However, it may be the case that the low observed power and small effect size of the hierarchical multiple regression analysis failed to detect a relationship between flextime-use and AC. Similarly, Grover and Crooker (1995) who regressed four different FWA benefits in an AC hierarchical multiple regression model, found that after controlling for a number of demographic and work-related variables, only flexible scheduling-availability explained significant variance in AC ($\beta .045$; $p < .05$). Although these researchers measured FWA availability and did not account for actual use, this is not to say that employees did not make use of the available work-family benefits. Grover and Crooker followed the same method as Haar and Spell (2004) by regressing individual FWAs, as opposed to a package of benefits, to analyse the relationship between FWAs and AC. Contrary to Muse *et al.* (2008), these findings point to the usefulness of studying the influence of individual FWAs so as to gain a more detailed understanding of the FWA-AC relationship.

Muse *et al.*'s (2008) results support their first hypothesis that FWA-use will have a direct positive effect on AC, but found no support for the hypothesis that POS will have a mediating effect on this relationship. In Bagraim and Sader's (2007) study, family supportive organisational perceptions significantly and positively predicted AC (but not other forms of commitment, specifically normative and continuance) and were therefore entered into the hierarchical multiple regression as control variables. Despite only 25% of the respondents indicating that they had used the flexible work schedules available to them, another possible explanation for not finding a relationship between flexible work schedule-use and AC could be that they controlled for perceptions of support. This may suggest that employees perceive these FWAs as synonymous with notions of POS. Based on this premise, the present study proposed that there would be a direct positive relationship between flextime-use and AC.

There is evidence that suggests POS may influence this relationship in an alternative way. Rhoades, Eisenberger, & Armeli (2001) found perceived organisational support to mediate the relationship between AC and (1) work experiences, (2) organisational rewards, (3) procedural justice, and (4) supervisor support. Lambert's (2000) results does not support this hypothesis, although she was looking at organisational citizenship behaviours as a dependent variables (not AC). While she found that use was positively related to POS – (as did Bagraim and Sader (2007) when they controlled for family supportive organisational perceptions in their regression) – POS was not related to two of the OCBs and was negatively related to the third organisational citizenship behaviours. Muse *et al.* (2008) however initially proposed that FWA benefits can encourage reciprocation in two ways: "direct reciprocation for the benefits used themselves and reciprocation for the resulting POS generated by the symbolic value of offering such benefits" (p. 175). Muse *et al.* found a direct relationship between FWA-use and AC but no significant results with POS as a mediator of this relationship – although they did not control for POS like Bagraim and Sader (2007).

The results of the moderated hierarchical regression analysis confirmed the significant moderating effect of vertical collectivism on the relationship between flextime-use and AC. In other words, for South African employees with a vertical collectivist cultural orientation, AC is increased when flextime-use is high. However, for South African employees with a low vertical collectivist orientation, when flextime-use is high AC levels can be expected to be drastically lower. An explanation for this finding may relate to the cultural syndromes or preferences of individuals with vertical collectivist orientations. Individuals with high vertical cultural syndromes generally prefer differential status and hierarchy because once in high-power positions, having access to resources and special privileges are greatly valued (Caligiuri, Colakoglu, Cerdin, & Kim, 2010). These same high-power preferences can be linked to FWAs that are extended to a small group of core employees and typically excludes a larger group of peripheral workers (who have little job security, benefits or fervent involvement in organisational functioning) (Coetzee, Schreuder, & Tladinyane, 2008). It is thus plausible that vertically-oriented employees derive the same sense of meaning or satisfaction from using relatively exclusive flextime arrangements which in turn, influences their emotional attachment to the organisation.

From the cultural perspective of collectivism, the findings that formal and informal flextime-use leads to higher AC among vertically collectivistic employees may also be interpreted in terms of people's self-concepts. An important aspect of the collectivistic self-construal is interdependence. In cultures that promote an interdependent self-construal individuals will change their behaviour according to the demands of a situation so long as their actions benefit in-group members (DelCampo, Rogers, & Hinrichs, 2011) because they define themselves on the basis of such membership (Triandis *et al.*, 1995). Considering the work-life interface of employees identified with a collectivist culture, it is important to note that because of the great importance that is placed on family, if work demands hinder this valued role employees could develop negative feelings toward their employer as a result of the conflict (DelCampo *et al.*, 2011). The use of flextime practices would thus enable employees to place their self-interests

aside so as to meet the demands of family members (DelCampo *et al.*, 2011). Collectivistic employees who base their sense of identity on group membership may also perceive the organisation as a group to which they may choose to ascribe membership (Meyer, Stanley, Jackson, McInnis, Maltin, & Sheppard). Following this logic, if employees perceive the organisation to be an in-group member they will value and nurture the EOR and reciprocate to flextime benefits with higher AC so as to maintain a harmonious interdependent relationship (Walumbwa, Lawler, & Avolio, 2007).

Although there are no current studies that have examined vertical collectivism as a moderator of the relationship between flextime-use and AC, in absence of comparable literature it is worthy to note that there are a number of other studies that have considered the culture-commitment link. In a meta-analytic review of organisational commitment across cultures, Meyer *et al.* (2012) highlight the substantial empirical evidence which supports the positive relationship between collectivism or related values and AC. For example, Wasti and Can (2008) found vertical collectivism to have a significant moderating effect on the negative relationship between AC and turnover intent for Turkish employees. That is, when AC was high, employees with higher vertically collectivistic values indicated significantly lower turnover intent levels compared to those low on vertical collectivism. Similarly, Felfe *et al.* (2008) found that the culture-commitment relationship is stronger in collectivistic countries and that cultural values of collectivism moderated the positive relationship between AC and OCB.

Management implications and recommendations

The study contributes to much needed culturally sensitive management research in South Africa and evidences the need for a more nuanced approach to the application of FWAs in organizations. Further research is indicated that is cognisant of the potential influence individual cultural values may have on needs pertaining to work related phenomena. The findings of this study highlight that organisations need to account for the cultural relativity of the employee-organization relationship (EOR) whereby the influence of the use of both formal and informal flextime is moderated by vertical collectivism (VC). Consequently, this study calls for future contributions to the understanding of the individual-level dynamics of the EOR and speaks to the value of understanding these constructs. The findings of this study also highlight the relevance of distinguishing between formal and informal FWAs in future research. The positive moderating effect of vertical collectivism on the relationship between using flextime and having affective commitment is shown. Managers are bid to be aware of the individual level cultural preferences of their employees.

CONCLUSION

This study finds that encouraging the use of flextime work arrangements amongst those with high levels of vertical collectivism will be most efficacious for organisations attempting to facilitate the affective commitment of their employees with a view to achieving organisationally salient outcomes.

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Understanding faultline activation and gender discrimination in traditionally segregated occupations

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Abstract

There is an increasing number of women entering the engineering trades in South Africa. These occupations were traditionally reserved for white men, especially in the mining sector which was historically and still is fraught with gender and racial prejudice (Humby, 2014). There are limited studies exploring gender at a deep level, focusing on the triggers of subtle and explicit bias towards women. By illuminating male artisans' beliefs, and the triggers of subtle and explicit bias towards women artisans, this study will extend our understanding of the triggers of gender discrimination.

Most prior research involving gender was typically conducted by women, using women as the unit of analysis. In addition, those studies typically focused on women in the professions, at board level, or women in politics (Powell & Sang, 2015; Smith, 2008). Due to the mixed findings in prior research, there has been a call for more nuanced studies that reveal the hidden and complex power dimensions in diversity's sub-groups (Ghorashi & Sabelis, 2014; Martin, 2003; Pringle & Ryan, 2015). This study tests the boundaries of faultline theory by exploring men's beliefs (underlying faultlines) and the triggers of subtle and explicit gender discrimination (faultline activation). Three questions have guided the research design including; What attitudes and beliefs (underlying faultlines) do male artisans working in underground mining hold towards their female peers? What triggers (faultline activation) gender discrimination by male artisans? How do male artisans exhibit subtle and explicit bias (behavioural disintegration) towards female peers? By understanding the triggers that result in gender discrimination, this study aims to extend prior diversity management research that used faultline theory as a theoretical lens.

The methodological design of this study included in-depth interviews with 30 male artisans currently working in underground mining. Data was gathered across three different underground mining sites. This sample was stratified along age, race, and experience (tenure). Two homogenous focus groups consisting of black and white participants was also conducted. This helped obtain additional in-depth data that could provide further insights at a group level. The key propositions generated from this study will contribute to the field by revealing the hidden effects not evident in many prior diversity studies. In addition, the extreme contextual setting of underground mining in South Africa is ideal because of its historical context, plus the rapid changes it has been through. The chosen level and unit of analysis will

test the boundaries of faultline theory at the micro level. The benefits of this study being grounded in a real world setting is key. Findings will help guide policy and practice, plus serve to also make a societal contribution.

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The joint effects of leadership, affective commitment and justice on innovative work behaviours

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ABSTRACT

Even though the effects of leadership, affective commitment and organisational justice on innovative work behaviours (IWBs) are known, little is known about the joint effects of these factors on IWBs. The purpose of this study is to examine if the effects of leadership on IWBs are moderated by affective commitment and organisational justice. The study was based on data collected from 263 respondents. Hierarchical regression analysis and Process Macro based on SPSS were used to analyse data. Of the three independent factors, the results suggest that only leadership has direct effects on IWBs. More importantly, the results suggest that leadership has the largest impact on IWB when both affective commitment and organisational justice are high. The impact of leadership is also significant when affective commitment is high, and organisational justice is low. Implications for theory and practice are also discussed.

INTRODUCTION AND PROBLEM INVESTIGATED

Creativity and innovation are important for organisational renewal, survival and growth in today's turbulent and competitive environment (Agarwal, 2017; Anderson, *Potočnik* & Zhou, 2014; Zhou & Hoever, 2014; Rank & Frese, 2008; George & Zhou, 2002; Zhou & George, 2001). As a result, several studies have aptly identified many antecedents of innovative work behaviours (IWB) at the individual, team and organisational levels of analyses; and increasingly, the interactions of such antecedents (Anderson *et al.*, 2014; Zhou & Hoever, 2014; Shalley & Gilson, 2004; Shalley, Zhou & Oldham, 2004; Mumford, Scott, Gaddis & Strange, 2002). IWB is defined as 'the intentional creation, introduction and application of new ideas within a work role, group or organisation, in order to benefit the role performance, the group or the organisation' (Janssen, 2000:288), and comprises both creativity and innovation (Anderson *et al.*, 2014).

Despite the progress made in identifying antecedents of IWB, there have been, in some cases, equivocal results that elude plausible conceptual predictions; especially where relatively simple models that leave out mediating and moderating factors are used. Several studies have concluded that the direct effects of transformational leadership; organisational commitment; or organisational justice on IWB remain elusive (Anderson *et al.*, 2014; Khazanchi & Masterson, 2011; Jaros, 2010; Janssen, 2004; Mumford & Licuanan, 2004). Leadership is

defined as a process by which a person influences others to achieve a common goal (Yukl, 2012); organisational commitment is defined as 'one's emotional attachment to, identification with, and involvement in a particular organization' (Meyer & Allen, 1991: 67); and organisational justice is defined as one's perception of fair distribution of outcomes, procedures leading to outcome distribution, and the extent to which employees are treated with respect when implementing the procedures (Simmons, 2011). Lack of clarity on the unique effects of these factors on IWB is inimical to knowledge advancement.

OBJECTIVES AND SIGNIFICANCE OF THE STUDY

To bridge existing gaps in the literature, the aim of this study is to examine if the effects of leadership on IWB are moderated by both affective commitment and justice. Drawing on Social Exchange, Job Demands-Resources, and Substitutes for Leadership theories (Demerouti, Bakker, Nachreiner & Schaufeli, 2001; Kerr & Jermier, 1978; Blau, 1964), the study proposes that leadership may have the greatest positive impact on IWB when affective commitment and justice are high rather than low. Put differently, it is posited that affectively committed employees engage in IWB when supported by leadership and fairness (George & Zhou, 2007).

This study seeks to make three interrelated contributions to literature. First, by examining the interactive effects of leadership, affective commitment and organisational justice on IWB, the study presents a new and novel perspective on how these factors may influence IWB. The study argues that the synergy among these three factors may increase and sustain the motivational intensity required for engagement in IWBs (Kaufman, 2015). Second, the study proposes active constructive leadership (consisting of transformational leadership and contingent reward leadership, Avolio, Bass & Jung, 1999) and organisational justice as necessary (albeit not sufficient) conditions under which affective commitment (or lack thereof) may lead to creative and innovative behaviours. Stated differently, the study seeks to propose both leadership and justice as conditions in which affectively committed employees can become creative and innovative. The examination of the interaction of personal resources (affective commitment) and job resources (leadership and fairness) on IWB remain unexplored (cf. Montani, Coucry & Vandenberghe, 2017 and George & Zhou, 2007). Thus in a grand scheme of things, this study responds to calls to examine the interaction between personal variables (affective commitment in this case) and situational variables (leadership and justice in this case) needed to influence IWBs (Anderson *et al.*, 2014; Hoever & Zhou, 2014). Third, the study considers the relationship between the affect-related variable (affective commitment) and both creativity and innovation (IWBs). Compared to creativity, little research has examined the relationship between affect and IWBs (Rank & Frese, 2008).

LITERATURE REVIEW

Leadership and IWB

For decades, researchers have attributed IWBs to heroic efforts of individuals (Mumford *et al.*, 2002). As a result, only more recently have researchers started to put any premium on the role played by leadership (Anderson *et al.*, 2014; Zhou & Hoever, 2014). This is surprising because some forms of leadership, for instance, transformational leadership (particularly its intellectual stimulation dimension), have always been germane for creative work (Jung *et al.*, 2003). Also, Social Exchange Theory (Blau, 1964), and especially its norm of reciprocity facet (Gouldner, 1960), predicts that employees may reciprocate good leadership by engaging in IWBs. Similarly, leadership is described as a job resource which can lead to employee job engagement, and ultimately, IWBs (Schaufeli & Taris, 2014; Agarwal, 2013). Thus an employee who receives good leadership not only gets the job

resource that facilitates IWBs, but may also feel obligated to reciprocate such leadership with IWBs.

Consistent with existing theories, several studies have found positive relationships between leadership and IWBs (Rank, Nelson, Allen & Xu, 2009; Reuvers, van Engen, Vinkenbunrg & Wilson-Evered, 2008; Jung, Chow & Wu, 2003). It is therefore plausible to make the following directional hypothesis:

H1: Leadership is positively related to IWB.

The three-way interactive effects of leadership, affective commitment and justice on IWB

While an upsurge in studies examining the relationship between leadership and IWBs has provided useful insights, some prior studies have uncovered inconsistent results (Simmons, 2011; Pieterse, van Knippenberg, Schippers & Stam, 2010; Mumford & Lucuanan, 2004). This has led researchers to make calls for the examination of *when* (or *for whom*) leadership may impact on IWB (Anderson et al., 2014; Hoever & Zhou, 2014; Mumford & Licuanan, 2004).

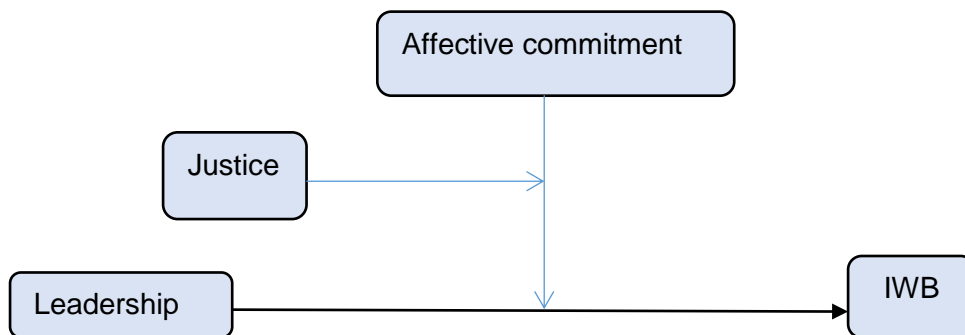
A review of the literature suggests some theoretical and empirical evidence that leadership can combine with both affective commitment and organisational justice to jointly influence IWB. First, despite theoretical predictions of Social Exchange Theory (Cropanzano & Mitchell, 2005), the above predictors have had inconsistent direct effects on IWB (Anderson et al., 2014; Khazanchi & Masterson, 2011; Pieterse et al., 2010; Shalley et al., 2004); thus suggesting the need to examine the mediating and moderating factors. Second, both organisational justice and affective commitment can function as substitutes for leadership (factors that can substitute for, neutralise or enhance the effects of leader's behaviour, Kerr & Jermier, 1978; Podsakoff, MacKenzie & Bommer, 1996). Even though the 'Substitutes for Leadership' Theory has not consistently produced the expected results (Podsakoff et al., 1996), it has nonetheless provided that 'substitutes for leadership' interact with leadership to produce behavioural outcomes. In this regard, it makes theoretical sense that organisational commitment and justice can enhance the effects of leadership on IWBs. Third, according to Rank and Frese (2008), affective commitment (emotional attachment to the organisation, Meyer & Allen, 1991) is typically related to positive affect. As an affect-related variable, it is conceivable that affective commitment can interact with leadership and justice to predict IWBs; not only because both leadership and organisational justice can increase the motivational intensity needed for affectively committed employees to engage in IWBs (Kaufman, 2015), but also because affectively committed employees may benefit from these support factors.

Taken together, an increasing number of studies not only address *if* or *whether* leadership, affective commitment, or justice affect IWBs; but also more importantly; *how* and *when* they are likely to do so (Hayes, 2013). This study builds on this notion, and specifically hypothesises the following:

H2: The positive effects of leadership on IWB are moderated by affective commitment and organisational justice such that the effects are strongest when both affective commitment and organisational justice are high rather than low.

The conceptual model is shown in figure 1. This figure proposes that the impact of leadership on employee IWB is greatest on employees who are affectively committed, and who are treated fairly by their organisations.

FIGURE 1:
Conceptual model



Supplementary exploratory analysis

One of the most fascinating results in innovation management pertains to the relationship between job satisfaction (pleasurable or positive emotional state resulting from the appraisal of one’s job or experience, Locke, 1976: 1304) and creative and innovative performance (George & Zhou, 2002; Zhou & George, 2001). While some studies indicate that some elements of positive affect (e.g. job satisfaction or affective commitment) positively relate to creative and innovative performance (Amabile, Barsade, Mueller & Staw, 2005); others posit that negative affect (e.g. job dissatisfaction) positively relates to the same criterion variables (George & Zhou, 2002). Even more intriguing, several other studies suggest that a combination of positive and negative affect (emotional ambivalence) has positive relationships with creativity and innovation (Kaufman, 2015; Rank & Frese, 2008; George & Zhou, 2007; Fong, 2006).

While affective commitment is an affect-related variable; whether perceived justice is a support factor; or rather captures the elements of affect (emotions and moods) is not conclusive. Even though organisational justice is often understood as a situational social factor (Anderson *et al.*, 2014; Shalley *et al.*, 2004; Mumford *et al.*, 2002), since ‘injustice triggers defensive cognitions, negative affect and coping behaviour’ (Cropanzano, Byrne, Bobocel & Rupp, 2001), organisational justice can be conceptualised as an affect-related variable as well.

Where both affective commitment and organisational justice are perceived as affect-related variables, according to affect-as-information model (Baron, 2008), they may exert two possible effects on IWB. The first view derives from the Broaden-and-Build Theory of positive emotions (Frederickson, 2001; 2004). According to this theory, when employees experience positive affect (emotions and moods), their thought-action repertoires are expanded; and as a result they may engage in divergent thinking and creativity (George & Zhou, 2007). It is therefore possible that affective commitment, which entails positive emotions (Montani *et al.*, 2017), may broaden employee thought-action repertoires, and hence lead to IWBs. The second view draws directly from the affect-as-information phenomenon. This view holds that affect provides information about the world around us, and while experiencing positive feelings (e.g. affective commitment) may signal that things are going well, experiencing negative emotions (e.g. low affective commitment or injustice) may signal that things are not going well (Baron, 2008). As a result, people who experience positive emotions may not see a need for improvements, while those who experience negative emotions may focus on finding new ways of doing things. Thus people with positive affect may be more likely to perceive that they have achieved goals (and hence satisfice at lower levels of creativity), whereas those with negative affect may question pre-existing assumptions and schemas, and hence immerse themselves in creative solutions and improvements (George & Zhou,

2007; George & Zhou, 2002). In sum, the nature of the relationship between affect-related variables and IWB is a subject of continuing academic debates (Rank & Frese, 2009).

Notwithstanding the above affect-related theorising, the proposition that the effects of affect (affect-related variables) on IWBs may depend on *situational* conditions has not been challenged. Thus regardless of whether both affective commitment and justice can simulate the concept of affect, this study's proposition that leadership can function as a necessary (albeit not sufficient) condition for both to lead to IWB holds. Put differently, leadership can serve as a buffer in cases where affective commitment (or justice) negatively affects IWBs. Interestingly, little research has explored situational factors that may constrain, neutralise or enhance the effects of affective commitment and justice on IWBs (Frank & Frese, 2008; Shalley *et al.*, 2004). While this study does not put forth hypotheses in this regard, it traverses some of these unexplored possibilities.

METHOD

Sample and Procedures

Data were collected from 300 employees selected randomly from a population of 652 employees from the medium-sized public university in Lesotho; 37 participants (all workers) enrolled in the Postgraduate Diploma in HRM in the same institution; and 122 employees from two state-owned enterprises and two private sector organisations located in Maseru, Lesotho. Questionnaires were hand-delivered, and participants returned them directly to the researcher. The response rates were 56 per cent (168), 68 per cent (26), and 57 per cent (69) respectively. Since the ANOVA test did not indicate significant differences across variables among the studied organisations, the three samples were analysed together ($n = 263$). Of the respondent sample, 52.3 per cent were males, and in terms of age group, the majority (30.5%) were from 31 to 40. In terms of highest level of education attained, the majority (41.7%) had post-graduate degrees (honours, Masters and PhD). Non-academic staff accounted for 64.6 per cent, and the majority (53.7%) did not have any supervisory responsibilities. The respondents had been in their current organisation for an average of 8.89 years ($SD = 8.02$).

Since the missing value analysis (MVA) test indicated that the missing values were few (less than 10%) and random; rather than drop cases with missing values; the study adopted an imputation approach (series mean) to fill in the missing values to preserve all 263 cases and retain the statistical power (Chen, Takeuchi & Shum, 2013).

Measures

Leadership: The Multifactor Leadership Questionnaire (MLQ) (Bass & Avolio, 1995) was used to assess leadership. Eight items were used to assess transformational leadership, and two items were used to assess the contingent-reward form of leadership. Participants were asked to assess the extent to which the listed statements described the behaviour of their supervisors on a scale ranging from 0 (not at all) to 4 (frequently if not always). Sample items were 'my supervisor encourages me to look at problems from different angles', and 'my supervisor indicates clearly what one can expect when performance goals are achieved'.

Avolio, Bass and Jung (1999) reported Cronbach's alphas ranging from 0.74 to 0.92 for dimensions of leadership used in this study. In the present study, Cronbach's alphas of transformational leadership and contingent-reward leadership scales were 0.93 and 0.77 respectively, and that of an *active constructive leadership* (comprising of transformational leadership and contingent-reward leadership) was 0.93. The confirmatory factor analysis (CFA) suggested that the first-order one-factor model of leadership demonstrated a good fit to data ($X^2(33) = 84.118$, $p \leq 0.001$, NFI = 0.95, TLI = 0.95, CFA = 0.97, RSMEA = 0.08).

Affective commitment: Five items drawn from the scale of Cook and Wall (1980) were used to measure this construct. On a scale ranging from 1 (strongly disagree) to 5 (strongly agree) the participants were asked to assess the extent to which they agreed with the listed statements. Sample item was: 'I am quite proud to be part of this organisation'.

Cook and Wall (1980) reported Cronbach's alphas of 0.80 and above for this scale. The Cronbach's alpha of this scale in the present study was 0.90. The CFA suggested that the first-order one-factor model of affective commitment demonstrated a very good fit to data ($\chi^2(5) = 6.005, p = 0.306, NFI = 0.99, TLI = 1.00, CFI = 1.00, RSMEA = 0.03$).

Organisational justice: The scale developed by Niehoff and Moorman (1993) was used to assess organisational justice. In all, six items were used to assess organizational justice. On a scale ranging from 1 (strongly disagree) to 5 (strongly agree), participants were asked to assess the extent to which they agreed with the listed statements. Sample items were 'overall, the rewards I receive here are quite fair', and 'when decisions are made, my supervisor treats me with respect and dignity'.

Niehoff and Moorman (1993) reported Cronbach's alphas of 0.74 for distributive justice; 0.85 for procedural justice; and 0.92 for interactional justice. In the present study, the Cronbach's alphas were 0.83, 0.79, and 0.86 for overall organisational justice scale, distributive justice and procedural/interactional justice respectively. The CFA of justice items demonstrated that the second-order two-factor model demonstrated a better fit to data ($\chi^2(8) = 30.612, p \leq 0.001, NFI = 0.94, TLI = 0.92, CFA = 0.96, RSMEA = 0.11$) than the first-order one-factor model ($\chi^2(9) = 134.314, p \leq 0.001, NFI = 0.76, TLI = 0.61, CFI = 0.77, RSMEA = 0.252$).

Innovative work behaviour: Nine (9) items from the scale of Janssen (2000), and one item from the scale developed by De Jong and Den Hartog (2010) was used to measure individual innovative work behaviour at work. De Jong and Den Hartog's (2010) item was included to tap into the idea exploration part in the innovation process. Participants were asked to rate how often they perform the list of duties in their organization on the scale ranging from 0 (never) to 4 (always). Sample items were 'generating original solutions for problems' and 'acquiring approval for innovative ideas'.

Janssen (2000) reported Cronbach's alphas of 0.95 and 0.96 respectively for the self-rated and leader-rated scales of this construct. The Cronbach's alpha for an overall IWB scale was 0.82 in the present study, but after omitting the item: 'searching out new working methods, techniques or instruments', the internal reliability of the scale improved to 0.90. The CFA showed that the first-order one-factor model of leadership demonstrated a fairly good fit to data ($\chi^2(27) = 91.626, p \leq 0.001, NFI = 0.91, TLI = 0.92, CFI = 0.94, RSMEA = 0.104$).

Analysis

The IBM Statistical Package for Social Sciences (v. 24) was mainly used to analyse data.

RESULTS

Exploratory factory analysis (principal components, varimax rotation) was first conducted to determine the dimensionality of variables. The Kaizer-Meyer-Olkin (KMO) measure of sampling adequacy test figure of 0.90, and the significant Bartlett's test of sphericity ($\chi^2(435) = 5152.87, p \leq 0.001$) suggested that factor analysis was suitable to responses given to variables (Siebert & Kunz, 2016). Five factors representing leadership, IWB, affective commitment, procedural justice and distributive justice emerged from the analyses. None of the factors explained more than 50 percent of variance; suggesting that the common method bias was not a serious problem in this study (Podsakoff, MacKenzie, Lee & Podsakoff, 2003).

The zero-order inter-correlation of variables is shown in Table 1

TABLE 1:
Means and inter-correlation of variables

Variable	Mean	1	2	3	4	5	6	7
1. Gender	0.52							
2. Age	3.32	0.06						
3. Education	5.09	0.12	0.30**					
4. MGT level	0.75	-0.01	0.11	0.11				
5. Leadership	2.23	0.09	0.02	-0.14*	0.05			
6. Commitment	3.30	0.13*	-0.02	-0.05	0.10	0.49**		
7. Justice	2.86	0.13*	-0.06	-0.12	0.05	0.65**	0.64**	
8. IWB	2.68	0.12*	-0.02	0.02	0.23**	0.26**	0.15*	0.16*

*Significant at 0.05; **Significant at 0.01

Overall, while IWB correlated positively with leadership ($r = 0.26$, $p \leq 0.01$), it only slightly correlated positively with affective commitment ($r = 0.15$, $p \leq 0.05$) and organisational justice ($r = 0.16$, $p \leq 0.05$).

Testing of hypotheses

The moderated hierarchical regression analysis was conducted to test the hypotheses (Aiken and West, 1991). This regression not only showed the main effects of each variable, but also showed the additional variance that explained IWB (dependent variable) after each step of the model. Demographic factors were entered in step 1; predictor variables were entered in step 2 (main effects); two-way interactions were entered in step 3; and the three-way interactions were entered in step 4. The results are shown in Table 2.

TABLE 2:
Results of hierarchical regression analysis

Variable	Step 1 (β)	Step 2 (β)	Step 3 (β)	Step 4 (β)
Gender	0.12	0.10	0.04	0.01
Age	-0.04	-0.05	-0.07	-0.05
Education	-0.03	0.01	0.03	0.02
Management level	0.24**	0.21**	0.22**	0.21**
Leadership		0.25**	0.28**	0.24**
Commitment		-0.00	-0.05	-0.11
Justice		-0.10	-0.06	-0.14
Leadership X commitment			0.24**	0.27**
Leadership X justice			0.08	0.11
Justice X commitment			-0.22*	-0.23*
Leadership X commitment X justice				0.12*
ΔR^2	0.09**	0.08**	0.07*	0.20*
R^2	0.09	0.17	0.24	0.26

*Significant at 0.05; **Significant at 0.01

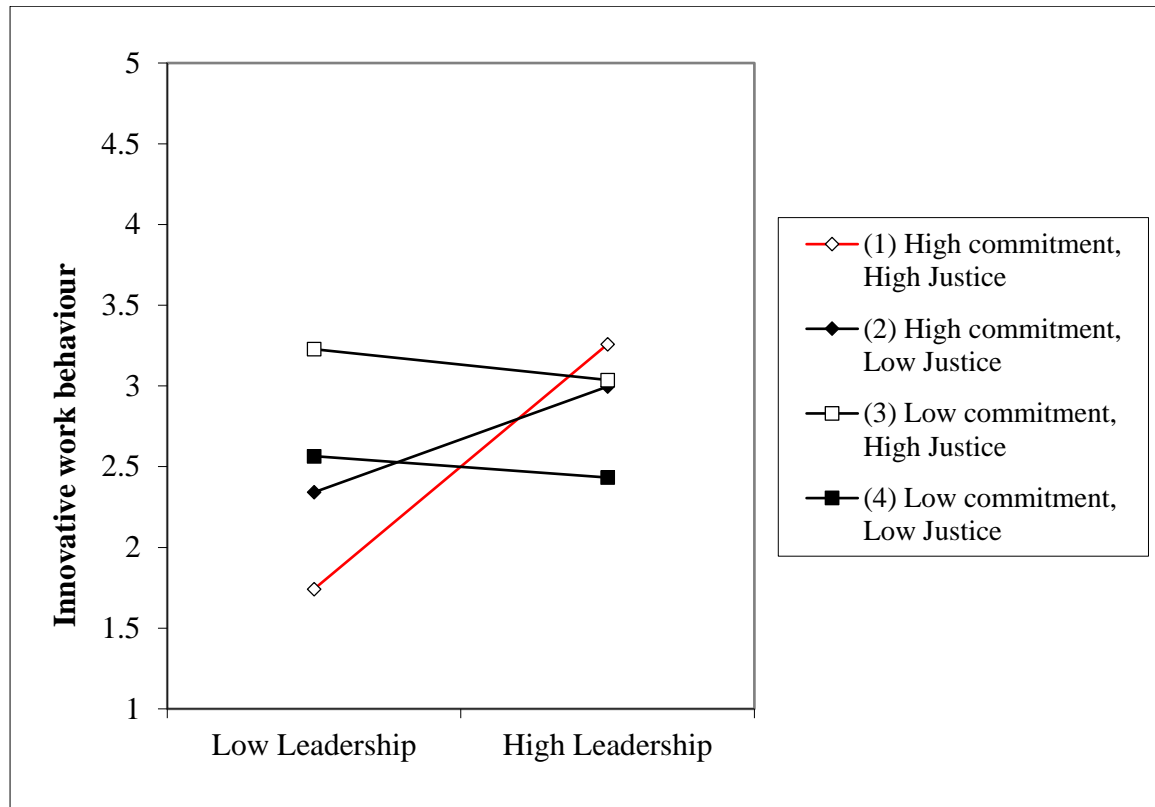
Hypothesis 1 predicted that there would be positive relationships between leadership and IWB. As shown in Table 2, after controlling for other factors, leadership had significant relationships with IWBs ($\beta = 0.24$, $p \leq 0.01$). This lends support to hypothesis 1.

Hypothesis 2 predicted that a three-way interaction between leadership, affective commitment and justice would produce significant effects on IWB. As hypothesised, the three-way interaction between predictor variables added the unique variance over demographic variables, predictor variables (main effects), and the two-way interactions between predictor

variables ($\Delta R^2 = 0.20, p \leq 0.05$); and the effects were also significant ($\beta = 0.12, p \leq 0.05$). Overall, the results lend support to hypothesis 2.

To illustrate these interaction patterns, the procedures suggested by Aiken and West (1991) were followed. Specifically simple slopes for this purpose were produced. The bootstrapping analysis based on PROCESS macro in SPSS (Hayes, 2013) was also performed to help us interpret data. The three-way interaction patterns are shown in figure 2.

FIGURE 2:
The impact of leadership on iw b when moderated by affective commitment and justice



As illustrated in figure 2, the positive relationship between leadership and IWB was strongest when both affective commitment and justice were high ($\beta = 0.71, p \leq 0.01$); and IWB was highest when all three predictor variables were high. Leadership also had significant relationships with IWB when affective commitment was high and justice was low ($\beta = 0.69, p \leq 0.01$). Conversely, when a) both affective commitment and justice were low; and b) affective commitment was low and justice was high; leadership did not have significant relationships with IWB ($\beta = 0.00, p \geq 0.05$, and $\beta = -0.08, p \geq 0.05$ respectively).

While exploratory, the interaction patterns in which affective commitment and organisational justice were related to IWB, moderated jointly by leadership and justice, and leadership and affective commitment respectively were also examined. The statistical procedure followed above was repeated, and in each case the interaction effect was only slightly significant ($p \leq 0.05$), and further produced additional (unique) variance over the main effects ($\Delta R^2 = 0.20, p \leq 0.05$). The interaction patterns are plotted in figures 3 and 4.

FIGURE 3:

The impact of affective commitment on iwb when moderated by leadership and justice

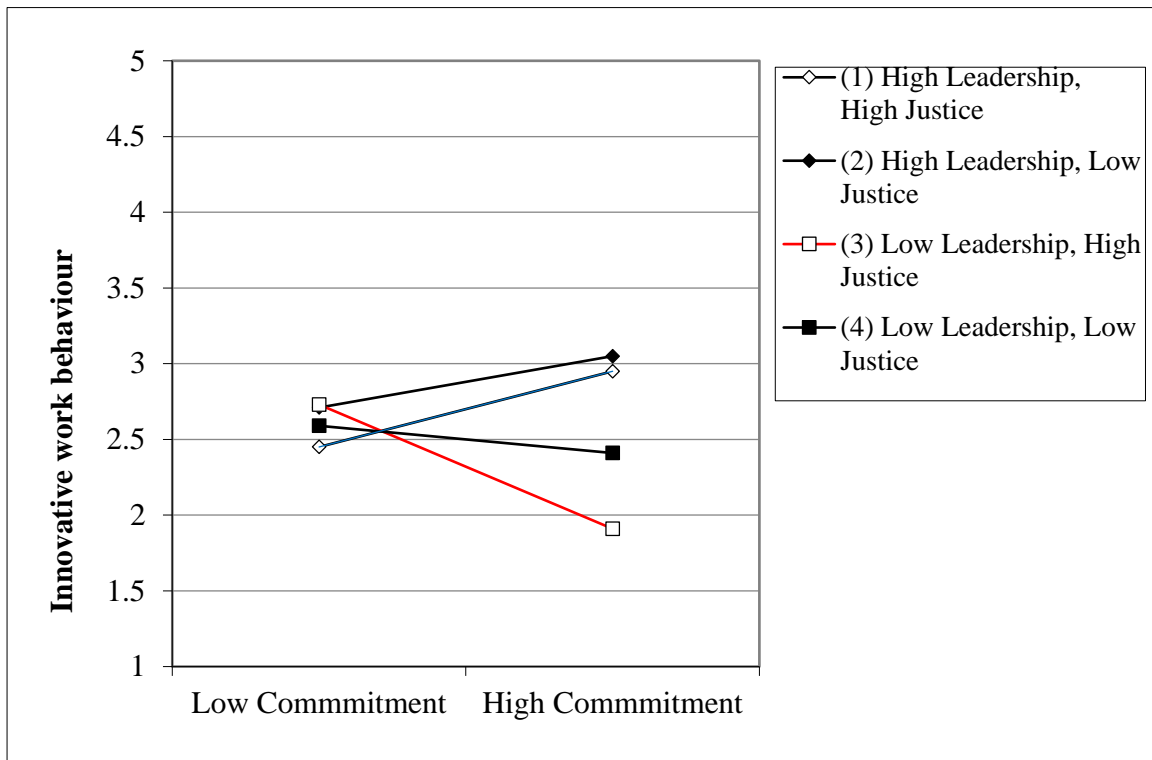
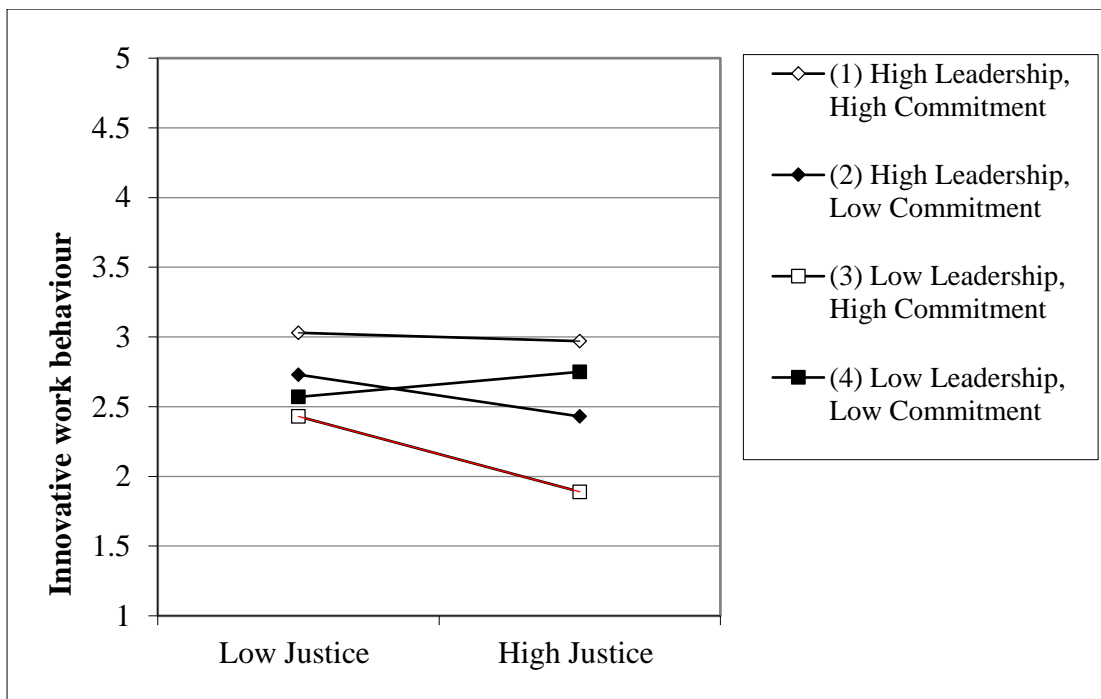


FIGURE 4:

The impact of organisational justice on iwb when moderated by leadership and affective commitment



The interaction patterns in figure 3 suggest that affective commitment had the strongest negative relationship with IWB when leadership was low and justice was high ($\beta = -0.42, p \leq 0.01$); with IWB dipping to the lowest point when leadership was low, and both justice and

affective commitment were high. Interestingly, when leadership and justice were high, affective commitment had some positive significant effects on IWB ($\beta = 0.27, p \leq 0.05$). This suggests that leadership probably buffered the negative effects of affective commitment on IWB. In support of this, there was a significant difference between the slope representing low leadership and high justice, and the slope representing high leadership and high justice ($t = 2.075, p \leq 0.05$). When low leadership interacted with low justice; and when high leadership interacted with low justice; affective commitment did not have significant effects on IWB ($\beta = -0.13, p \geq 0.05$, and $\beta = 0.19, p \geq 0.05$ respectively).

As demonstrated in figure 4, even though organisational justice had the strongest negative relationship with IWB when leadership was low and affective commitment was high, the relationship was not significant ($\beta = 0.26, p \geq 0.05$). Similarly, organisational justice did not have an influence on IWB at any level of interaction between leadership and affective commitment ($p \geq 0.05$).

DISCUSSION AND CONCLUSIONS

The primary purpose of the present study was to examine the effects on IWB, of the three-way interaction between leadership, affective commitment and organisational justice. Of the three variables; only leadership had some significant direct effects on IWB, signifying the importance of leadership in influencing employees to engage in IWBs (Mumford *et al.*, 2002). This finding is in accord with some earlier studies in this area (Rank *et al.*, 2009; Reuvers *et al.*, 2008; Jung *et al.*, 2003). Unlike past studies that examined the impact of either transformational leadership or transactional leadership on IWB separately, this study combined transformational leadership and contingent reward leadership into active constructive leadership (Avolio *et al.*, 1999), not least because the two constructs tapped into one common construct.

The results also suggested that the relationship between leadership and IWB was maximised when both affective commitment and organisational justice were high. It is possible that both affective commitment and justice can function as 'substitutes of leadership' (Kerr & Jermier, 1978), and as such, can enhance the effects of leadership on behaviours (Podsakoff *et al.*, 1996). In other words, leadership may have high impact on IWBs of employees who are affectively committed, and who also perceive fair treatment from the organisation or its agents (managers). While relatively less pronounced, leadership also had some significant relationships with IWB when affective commitment was high and justice was low. It is possible that perceived injustice was more than compensated by leadership on committed employees. It is also possible that the 'dual tuning process' in which an employee experiences mixed forms of emotions (injustice and commitment in this case) was in place. As suggested by George and Zhou (2007), if leaders give support, employees who experience emotional ambivalence engage in creativity.

The results of exploratory analyses revealed further interesting results. Figure 2 suggests that affective commitment had the greatest negative impact on IWB when leadership was low. In line with affect-as-information model, it is possible that affectively committed employees perceived that things were going well, and as a result, they did not see any urgency of being creative to solve problems (George & Zhou, 2002). Alternatively put, it is possible that low commitment impacted positively on IWB when supported by leadership, somewhat supporting the findings of Zhou and George (2001) that dissatisfaction impact positively on creativity under supportive environments. However, reassuringly, the results from figure 2 also suggest that leadership support reversed the negative effects of high commitment on IWB.

Limitations and future directions

When interpreting the results of this study, some limitations have to be considered. First, data were collected from one source, and this lends itself to common method variance (Podsakoff *et al.*, 2003). However, since it has been observed that the common method variance makes it difficult to detect interaction effects (Wang, Demerouti & Blanc, 2017); it is unlikely that this bias explained most of the variance in IWB in this study. Second, the cross-sectional nature of the study makes it difficult to claim the causality of variables. Of the three elements of causality (covariation, temporal ordering and elimination of competing explanations), the results only confirmed covariation (Hayes, 2013). Future studies can benefit by using different sources of data, and using experiments or longitudinal designs to mitigate the common method bias, and confirming causality respectively. Qualitative research design may further unravel why affective commitment may have negative impact on IWB when the perception of leadership is low. At the more generic level, it would be interesting to investigate how emotions interact with leadership to influence IWBs.

Practical implications and recommendations

Despite some limitations, this study has useful implications for practitioners. First, organisations can focus on acquiring and improving leadership skills to boost IWBs. For example, organisations can recruit managers with certain traits (e.g. extraversion or openness to experience) known to predict effective leadership (Rank *et al.*, 2009). Similarly, organisations can train managers on appropriate leadership skills, for example, transformational leadership to boost IWBs. Second, as suggested by the results, leadership can be reinforced by affective commitment and justice to have the larger impact on IWBs. Thus managers can further be trained on how to be fair or just to employees, and on how to engender affective commitment in employees. While exploratory, the results also suggest that where employees may be laid-back (due to positive emotions) and see no need for engaging in IWBs, effective leadership can buffer against the negative effects of such laxity on IWBs. This implies that affectively committed employees, even if treated justly, may still need managerial support and incentives to engage in IWBs. Overall, the results not only revealed when affective commitment and perceptions of justice (which may be invoked by change) were predictors of IWB, but also more importantly, suggested leadership as a condition that may facilitate or hinder their impact on IWBs. This is important because change characterises the landscape in which modern organisations operate.

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The effects of psychological contracts on organizational citizenship behavior: the explanatory role of affective commitment

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ABSTRACT

Psychological contracts and how they influence desired outcomes have become topical areas of inquiry in management studies. Based on data collected from a convenience sample of 201 participants from public and private sector organisations, and analysed through hierarchical regression analysis, and Process Macro based on Statistical Package for Social Sciences (SPSS), the aim of the present article is to examine if affective commitment mediates the relationship between psychological contracts (fulfilment and breach) and organisational citizenship behaviour (OCB). The results suggest that the effects of psychological contract fulfilment on OCB were fully mediated by affective commitment. Contrary to expectations, the effects of psychological contract breach on both affective commitment and OCB were nonsignificant once psychological contract fulfilment was controlled for. While public sector employees reported higher affective commitment than private sector employees, the former also reported higher contract breach than the latter. Theoretical and practical implications are discussed.

INTRODUCTION AND PROBLEM STATEMENT

One of the foremost exchange-based constructs that several management scholars draw on to explain employee-employer relations is psychological contract (Dulac, Coyle-Shapiro, Henderson & Wayne, 2008). According to Rousseau (1989; 1995), psychological contract is a set of beliefs concerning reciprocal obligations between employees and their employers. These beliefs, which often transcend written and implicit agreements, are sometimes perceptual, and may not be understood by both parties to the contract (Restubog, Hornsey, Bordia & Esposito, 2008). Overall, the concept of psychological contract is predicated on the perceptions that promises and obligations have been exchanged and accepted by both parties in the employment relationship (Coyle-Shapiro & Kessler, 2002; Dulac *et al.*, 2008; Hui, Lee & Rousseau, 2004).

Psychological contracts, and particularly the extent to which they are fulfilled or breached, are believed to impact employee attitudes and behaviours; including affective commitment (Zhao, Wayne, Glibkowski & Bravo, 2007; Coyle-Shapiro & Kessler, 2002; Coyle-Shapiro & Kessler, 2000), and organisational citizenship behaviour (OCB, Zhao *et al.*, 2007; Coyle-Shapiro & Kessler, 2000; Robinson & Morrison, 1995). However, much of the prior research has focused on the examination of the independent direct effects of psychological contract on attitudes or behaviours, and only recently have researchers started to focus on examining the explanatory mechanisms between the focal constructs. Zhao *et al.* (2007: 653) suggest that past studies have failed to differentiate among outcomes, or to specify 'the mechanism through which breach affects behavioural and attitudinal outcomes'. Furthermore, even though 'contract breach and fulfilment do not reside along a single continuum and have unique effects on organisationally relevant outcomes' (Dulac *et al.*, 2008:1080), many researchers continue to focus exclusively on the negative impact of contract breach on desired outcomes (Zhao *et al.*, 2007). The fact that psychological contract breach and fulfilment are not the opposite sides of the same continuum is explained by Lambert, Edwards and Cable (2003: 896), who aptly intimate that 'breach can occur not only for deficient inducements, but also for excess inducements' in which 'the employee has received more inducements than promised'. Thus the studies that focus on either psychological contract breach or fulfilment at the expense of the other, or combine the two constructs into one summative construct may unintentionally leave out or conceal some important relationships (or lack thereof), and hence be underspecified. Lastly, as intimated by Hui *et al.* (2004), it is important to examine the applicability of approaches derived in developed countries to study employee-employer relations in developing countries. The present study is designed to bridge these research gaps.

Research objectives and significance

The primary objective of the study is therefore to examine if affective commitment mediates the relationships between psychological contract (breach and fulfilment) and OCB.

The study makes two distinct contributions to psychological contract literature. First, it proposes affective commitment as a mediating variable between psychological contracts and OCB. While past studies have found significant relationships between psychological contracts and outcomes, as indicated by Zhao *et al.* (2007), it is highly unlikely that psychological contracts have only direct effects on attitudinal and behavioural outcomes. As an attitudinal outcome of psychological contracts (Zhao *et al.*, 2007), and a proximal antecedent of OCB (Lavelle *et al.*, 2009), it stands to reason that affective commitment can be a mediator between psychological contracts and OCB. Thus the current study responds to calls indicating that management research has to go beyond examining 'if' or 'whether' psychological contracts affect outcomes, and focus more fruitfully on 'how', 'why' and 'when' they are likely to do so (Hayes, 2013; Zhao *et al.*, 2007). Second, the study examines the unique effects of psychological contract breach and psychological contract fulfilment on both affective commitment and OCB. The received wisdom of using psychological contract breach and fulfilment interchangeably (e.g. by reverse-coding contract fulfilment items or reversing the direction of its reported effect sizes) is problematic because the two concepts are distinct and have unique effects on outcomes (Lambert *et al.*, 2003). The fine-grained approach followed herein has a potential of better informing the management theory and practice.

The paper is outlined as follows. After this introduction the literature is reviewed, and on the basis of that review, testable hypotheses are formulated. This is followed by the research methodology; presentation of results; and discussion respectively. The final section focuses on conclusions to the paper.

LITERATURE REVIEW AND DEVELOPMENT OF HYPOTHESES

Theoretical framework

The theoretical framework that has traditionally been used to explain the effects of psychological contracts on outcomes is Social Exchange Theory (SET, Blau, 1964), and in this regard, the norm of reciprocity has often been the underlying explanatory mechanism (Coyle-Shapiro & Kessler, 2002, 2000; Gouldner, 1960). According to SET, people engage in a series of interdependent and contingent actions that generate reciprocal exchange obligations between parties (Cropanzano & Mitchell, 2005). The norm of reciprocity posits that employees reciprocate good treatment through positive attitudes or behaviours (Gouldner, 1960). Put differently, SET surmises that employees respond positively to favourable treatment, and negatively to unfavourable treatment from the organisation or its agents (Cropanzano & Mitchell, 2005).

Psychological contracts and affective commitment

It is axiomatic that the formation and maintenance of relationships in organisations is based on reciprocation of valued resources (Dulac *et al.*, 2008; Blau, 1964; Gouldner, 1960). One such valued resource is affective commitment, defined in broad terms as an emotional attachment to the organisation (Meyer & Allen, 1991). It is therefore plausible to expect that psychological contract fulfilment may lead to high affective commitment, and psychological contract breach may lead to low affective commitment. More specifically, it can be expected that when the organisation or (its agents) treats employees well (perceived contract fulfilment), the latter should reciprocate through high affective commitment; and conversely, when it mistreats them (contract breach), they should not feel obligated to reciprocate (Coyle-Shapiro & Kessler, 2000; 2002). The same prediction can be based on the Group Value Model of justice (Lind & Tyler, 1988). According to this model, when an organisation (group) treats employees fairly (contract fulfilment), it signals to them that they are valued members of an organisation, and this prompts them to identify with the organisation, and vice versa. Many prior studies support significant relationships between perceived psychological contracts and desired outcomes, including affective commitment (2000Zhao *et al.*, 2007; Coyle-Shapiro & Kessler, 2002; Coyle-Shapiro & Kessler,).

Notwithstanding the conceptual and empirical findings on the relationships between psychological contracts and affective commitment, prior studies have been problematic in confounding the effects of contract fulfilment (the extent to which employees perceive that the organisation has fulfilled its promises or obligations) and contract breach (the cognitive appraisal of the extent to which the organisation has failed to fulfil its promises or obligations) (Dulac *et al.*, 2008; Lambert *et al.*, 2003; Turnley, Bolino, Lester & Bloodgood, 2003). From the conceptual standpoint, 'contract breach' may involve both insufficient inducements and providing inducements in excess of promises (Lambert *et al.*, 2003). Similarly, as indicated by Turnley *et al.* (2003:188), 'most prior research has ignored the fact that psychological contracts can be over-fulfilled as well as under-fulfilled'. Put differently, earlier research has been problematic in assuming that contract breach and contract fulfilment lie on the opposite sides of the same continuum (e.g. Restubog *et al.*, 2008; Zhao *et al.*, 2007). While this study does not examine the effects of contract over-fulfilment, it separates the effects of the perception of psychological contract breach from those of contract fulfilment. Specifically, the study hypothesises the following:

H1: There is a) a negative relationship between psychological contract breach and affective commitment, and b) a positive relationship between psychological contract fulfilment and affective commitment,

Psychological contracts and OCB

As one of the exchange-based constructs, psychological contract is an important lens through which to view OCB (Turnley *et al.*, 2003) *because the latter is a common 'reciprocative' behaviour of social exchange-based frameworks* (Colquitt *et al.*, 2013). However, somewhat surprisingly, the review of the literature suggests inadequate research on the relationships between psychological contracts and OCBs (Turnley *et al.*, 2003).

Psychological contract breach occurs when an employee perceives the discrepancy between what was promised and received (Robinson & Morrison, 2000). The negative discrepancy creates an imbalance in the employment relationship, and in response to this imbalance, an employee may be prompted to reduce OCB to rebalance the relationship (Turnley *et al.*, 2003).

As in the case of Equity Theory (Adams, 1965), the positive imbalance (fulfilment of the contract) should plausibly prompt employees to increase contributions, basically to reciprocate good treatment by the organisation. Even though earlier research has suggested that employees are likely to perceive, and react in cases of under-fulfilment than in cases of fulfilment, there is evidence that organisations can benefit by fulfilling the promises they make (Turnley *et al.*, 2003).

While many prior studies are supportive of the relationships between psychological contracts and OCBs (Hui *et al.*, 2004; Coyle-Shapiro & Kessler, 2002, 2000; Turnley & Feldman, 1999), other studies have found indirect relationships between these focal constructs (Dulac *et al.*, 2008; Restubog *et al.*, 2008; Zhao *et al.*, 2007). According to the meta-analytic study by Zhao *et al.* (2007: 653), the limitations of popular social-exchange-based frameworks include 1) their inability 'to differentiate among outcomes or specify the mechanisms through which breach affects behavioural outcomes'; and 2) their assumption 'that all reactions to breach are cognitive and objective judgements, and as a result ignore the role of emotions'. Based on these views, Zhao *et al.* (2007) conclude that it is unlikely that breach has only direct effects on outcomes. Following these compelling arguments, this study proposes affective commitment as a mechanism through which psychological contracts affect OCBs. This is because affective commitment, as an emotional attachment to the organisation (Meyer & Allen, 1991), has features of an emotion or affect. However, since psychological contracts may explain some direct variance in OCBs (Turnley *et al.*, 2003), the following hypothesis is advanced:

H2: There is a) a negative relationship between psychological contract breach and OCB, and b) a positive relationship between psychological contract fulfilment and OCB.

The mediating role of affective commitment between psychological contracts and OCBs

The assumption that attitudes are proximal determinants of behaviours derives from the Value-Attitude-Behaviour Framework (Ajzen, 1991). It can therefore be argued that psychological contracts influence affective commitment (attitude), which in turn affects OCB (behaviour). For example, when an employee perceives contract breach, s/he cognitively appraises the reasons for the breach; and if s/he concludes that the organisation knowingly reneged on its promises, the breach is followed by negative emotions (e.g. frustration or anger), which in turn negatively affect outcomes (Zhao *et al.*, 2007; Morrison & Robinson, 1997). To differentiate breach from its immediate outcomes (emotions), the latter are referred to as violation (Robinson & Morrison, 2000). Since trust and organisational commitment are affect-laden constructs (Zhao *et al.*, 2007), it is also plausible that immediate contract breach may result in mistrust or low affective commitment, and vice versa. For instance, Restubog *et al.* (2008) found that the effects of psychological contract breach on OCB were serially mediated by trust and organisational identification. Dulac *et al.* (2008) found that psychological contract violation

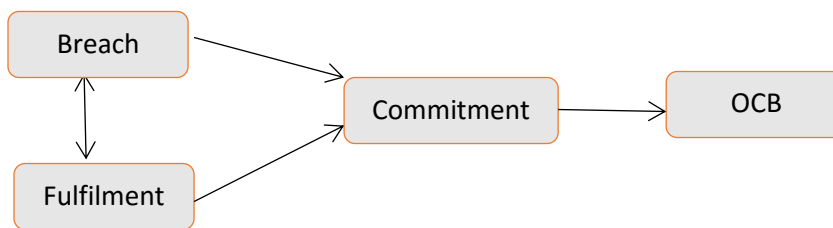
fully mediated the relationships between contract breach and both affective commitment and trust; and partially mediated the relationship between contract breach and turnover intentions. While Zhao *et al.* (2007) found that psychological contract breach did not affect actual turnover, they found that violation and mistrust partially mediated the effects of contract breach on several outcomes, including job satisfaction, commitment, OCB, in-role performance, and turnover intentions. In line with the conclusions of Zhao *et al.* (2007) that psychological contracts may not only have direct effects on outcomes, this study proposes affective commitment as an explanatory variable between psychological contracts and OCB. This is because affective commitment, as an emotional attachment to the organisation (Meyer & Allen, 1991), has features of the concept of emotions which has been found in prior research as a mediator between psychological contracts and outcomes (Zhao *et al.*, 2007). Thus it is hypothesised:

H3: The relationships between both a) psychological contract breach and b) psychological contract fulfilment and OCB are mediated by affective commitment.

The hypothesised model is shown in figure 1.

FIGURE 1:

The hypothesised conceptual model



METHODOLOGY

The cross-sectional, quantitative research design was adopted for the purposes of this study. This design was deemed appropriate to address the deductive logic of the study, and specifically to relate variables of the study to each other.

Sample and procedures

A convenience sample of 201 employees from three public sector organisations and two private sector organisations were recruited to participate in the study. The sample consisted mainly of non-supervisory employees in service-based organisations. Questionnaires were distributed directly by the second author to employees at their work stations, and were returned directly to the researcher. Participants were also informed that their participation in the study was voluntary, and confidentiality and anonymity were guaranteed.

Of the 201 questionnaires distributed, 113 completed questionnaires were returned, comprising of 56 percent response rate. Of the respondent sample, 59 employees (52%) worked in private sector organisations, and 54 employees (48%) worked in public sector organisations. Even though the two samples differed significantly with regard to affective commitment and psychological contract breach, because of the small sample size, the samples from the two industries were analysed together to increase the statistical power in the analysis. According to Green (1991), the sample size should be at least 50 plus eight times the number of predictors to give an accepted statistical power of 0.80 in regression analysis. In this case the sample size of 113 was adequate because the required sample size would be

98 observations (50+8*6). In terms of gender, 43 percent were females, and 57 percent were males. In terms of age group, 58 percent were in the age group of 25 – 35 years; 35 percent were above 35 years old; five (5) percent were in the age group 18-24 years; and two (2) percent did not fill in their age group.

Measurement of variables

Unless otherwise stated, variables were measured on a scale ranging from 1 (strongly disagree) to 5 (strongly agree).

OCB: Ten (10) items from the scale developed by Podsakoff, MacKenzie, Moorman and Fetter (1990) were used to measure OCB. Sample items were ‘I am always ready to lend a helping hand to those around me’, and ‘I do not abuse the rights of others’. The scale was unidimensional, and had an internal reliability or Cronbach’s alpha (α) of 0.81.

Affective commitment: Three (3) items from the scale developed by Cook and Wall (1980) were used to measure this construct. The items tapped into identification, involvement, and loyalty. The items were ‘I am proud to tell other people I work for my organisation’; ‘It would please me to know that my work made a beneficial contribution to my organisation’; and ‘I sometimes feel like leaving this organisation for good’ (reverse-coded). The last item did not correlate well with other items, and was hence removed from the scale. The Cronbach’s alpha of the two remaining items was 0.69. This figure is lower than the figure obtained for this construct in the literature, probably due to few items used to measure this construct in the present study.

Psychological contract: Four (4) items from the scale of Robinson and Morrison (2000) were used to assess psychological contract. Two items, namely, ‘almost all of the promises made by my employer during recruitment have been kept so far’, and ‘so far my employer has done an excellent job fulfilling his/her promises to me’ were used to measure *psychological contract fulfilment* ($\alpha = 0.91$). Two other items, namely, ‘I have not received everything promised to me in exchange for my contributions’, and ‘my employer had broken many of his/her promises to me even though I have upheld my side of the deal’ were used to measure *psychological contract breach* ($\alpha = 0.80$). As shown in Table 1, the exploratory factor analysis (principal components, varimax rotation) of psychological contract items resulted in two distinct factors: psychological contract fulfilment (factor 1) and psychological contract breach (factor 2). With the Kaizer-Meyer-Olkin (KMO) measure of sampling adequacy test figure of 0.60, and the significant Bartlett’s test of sphericity ($\chi^2 = (6) = 232.851, p \leq 0.001$), factor analysis was considered suitable to responses given to variables (Siebert & Kunz, 2016).

TABLE 1:
Factor analysis of psychological contract items

	Factor	
	1	2
Almost all of the promises made by my employer during recruitment have been kept so far.	.953	-.149
So far my employer has done an excellent job fulfilling his/her promises to me.	.914	-.265
My employer has broken many of his/her promises to me even though I have upheld my side of the deal.	-.100	.929
I have not received everything promised to me in exchange for my contributions.	-.328	.841
Percentage of variance explained	63	25
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 3 iterations.		

Analysis

The statistical package for social sciences (SPSS, v. 20) was used to analyse data. Specifically, correlations, t-tests, hierarchical regression analysis coefficients, and Sobel tests (z) statistics (based on bootstrapping technique in Process macro) were calculated. Gender (male = 1, female = 2), age (18-24 = 1, 25-35 = 2, above 35 = 3), and type of organisation (public sector = 1, private sector = 2) were included as control variables to reduce spurious relationships that may be caused by these factors.

RESULTS

The means, standard deviations and inter-correlations of the main variables are shown in Table 2.

TABLE 2:
Means, standard deviations and inter-correlations of variables

Variable	Mean	SD	1	2	3	4	5	6	7
1. Gender	1.43	0.50	-						
2. Age	2.30	0.57	0.01	-					
3. Organisation	1.52	0.50	-0.02	-0.25**	-				
4. Commitment	4.54	0.66	0.08	0.25**	-0.31**	(0.69)			
5. Contract fulfilment	3.00	0.86	0.07	-0.10	0.17	0.34**	(0.91)		
6. Contract breach	3.00	0.80	-0.02	0.14	-0.31**	-0.11	-0.44**	(0.80)	
7. OCB	4.07	0.50	0.15	0.10	0.06	0.29**	0.28**	-0.22*	(0.81)

Notes: * Significant at 0.05; ** Significant at 0.01. Where applicable, Cronbach's alphas are shown in parentheses. N.B. Means and standard deviations for nominal variables has been filled only to ensure the completeness of figures

Of the three control variables, only age and type of organisation had some significant effects on the main variables. Specifically, older employees were more likely to report higher commitment than younger employees ($r = 0.25$, $p \leq 0.01$), and public sector employees reported higher commitment (mean = 4.75) than private sector employees (mean = 4.35), ($t = 3.36$, $p \leq 0.01$). Interestingly, public sector employees were more likely to perceive higher contract breach (mean = 3.26) than private sector employees (mean = 2.76), ($t = 3.47$, $p \leq 0.01$). Psychological contract fulfilment correlated positively and significantly with affective commitment ($r = 0.34$, $p \leq 0.01$) and OCB ($r = 0.28$, $p \leq 0.01$), suggesting that the higher the employee perception of psychological contract fulfilment, the higher the employee commitment and OCB, and vice versa. Psychological contract breach correlated negatively and significantly with OCB ($r = -0.22$, $p \leq 0.01$), and while in the expected direction, psychological contract breach did not significantly correlate with affective commitment ($r = -0.11$, $p \geq 0.05$). This implies that employees who perceived psychological contract breach were less likely to exhibit OCB than those who perceived less contract breach. As expected, affective commitment correlated positively with OCB ($r = 0.29$, $p \leq 0.01$), implying that affectively committed employees were more likely to exhibit OCB than their less affectively

committed counterparts. As could be expected, contract breach and contract fulfilment were negatively related ($r = -0.44$, $p \leq 0.01$). The moderate correlation coefficient between the two forms of psychological contract and acceptable collinearity diagnostics (tolerance = 0.81, VIF = 1.23) rule out the problem of multicollinearity.

The hierarchical regression analysis was conducted to test the hypotheses. In model 1, affective commitment was entered as a dependent variable, and psychological contracts (breach and fulfilment) and control variables (controls) were entered as independent variables. In model 2, OCB was entered as a dependent variable while controls and psychological contracts (breach and fulfilment) were entered again as independent variables. In model 3 OCB was again entered as a dependent variable while controls, affective commitment and psychological contracts (breach and fulfilment) were entered as independent variables. The results are shown in Table 3.

TABLE 3:
The results of hierarchical regression analyses

	Commitment	OCB	OCB
	Model 1	Model 2	Model 3
Organisation	-0.31**	0.03	0.10
Age	0.21*	0.14	0.10
Gender	0.03	0.12	0.12
Contract fulfilment	0.35**	0.22*	0.14
Contract breach	-0.09	-0.13	-0.11
Commitment			0.22*
ΔR^2	0.27**	0.12*	0.04*
R^2	0.27	0.12	0.16

Notes: * Significant at 0.05; ** Significant at 0.01

Hypothesis 1 predicted that psychological contract breach (*H1a*) and psychological contract fulfilment (*H1b*) would be negatively and positively related to affective commitment respectively. As shown in Table 3, while psychological contract fulfilment was significantly related to affective commitment ($\beta = 0.35$, $p \leq 0.01$), psychological contract breach was not ($\beta = -0.09$, $p \geq 0.05$). Thus hypothesis 1 was partially supported. More or less similar trends were observed with regard to hypothesis 2 which predicted that psychological contract breach (*H2a*) and psychological contract fulfilment (*H2b*) would be negatively and positively related to OCB respectively. The results suggest that while psychological contract fulfilment was slightly but significantly related to OCB ($\beta = 0.22$, $p \leq 0.05$), psychological contract breach was not significantly related to OCB ($\beta = -0.13$, $p \geq 0.05$). Hypothesis 2 was also partially supported.

Hypothesis 3 predicted that affective commitment would mediate the relationship between both psychological contract breach (*H3a*) and psychological contract fulfilment (*H3b*); and OCB. The procedures recommended by Baron and Kenny (1986) to examine mediation were used. First, the mediator (affective commitment) was regressed on independent variables (psychological contract breach and fulfilment). Second, the dependent variable (OCB) was regressed on independent variables (psychological contract breach and fulfilment). Third, the dependent variable (OCB) was simultaneously regressed on independent variables (psychological contract breach and fulfilment) and the mediator (affective commitment). According to Baron and Kenny (1986), mediation is present if a) the independent variable affects the mediator in the first equation; b) the independent variable affects the dependent variable in the second equation; and c) the mediator affects the dependent variable in the third equation; and d) the effect of the independent variable is less in the third equation than in the second equation. Full mediation is present if the independent variable has no effect when entered with the mediator in the regression equation, and partial mediation occurs if the effect of the independent variable is smaller but still significant when the mediator is included in the equation.

As shown in Table 3, all three conditions were met only with regard to psychological contract fulfilment. After controlling for demographic variables, a) psychological contract fulfilment predicted affective commitment ($\beta=0.35$, $p\leq 0.01$); (b) psychological contract fulfilment predicted OCB ($\beta=0.22$, $p\leq 0.05$); and (c) when psychological contract fulfilment and affective commitment were entered simultaneously in the regression model, affective commitment slightly but significantly predicted OCB ($\beta = 0.22$, $p \leq 0.05$), while the effect of psychological contract fulfilment was reduced. Even though the sample size was admittedly small, Table 3 indicates that affective commitment mediated the relationship between psychological contract fulfilment and OCB because the effects of psychological contract fulfilment became insignificant ($\beta = 0.14$, $p \geq 0.05$) when entered simultaneously with affective commitment in the model. Thus hypothesis 3 was partially supported (psychological contract breach did not affect either commitment or OCB as hypothesised).

Because of small sample size, the bootstrapping technique based on Process macro in SPSS was also performed to calculate the Sobel test for mediation (Hayes, 2013). The bootstrapping technique is often used in small sample sizes, and is even applicable for variables that are not normally distributed (Preacher & Hayes, 2004). The sample was bootstrapped 5000 times. The results suggested that the indirect effects of psychological contract fulfilment on OCB via commitment were only slightly significant ($\beta = 0.05$, $z = 1.90$, $p = 0.056$).

DISCUSSION

The purpose of this paper was to examine if the relationships between psychological contracts and OCB is mediated by organisational commitment. As expected, the relationships between psychological contract fulfilment and commitment, and psychological contract fulfilment and OCB were positive; supporting the findings of among others, Turnley *et al.* (2003) that psychological contract fulfilment has significant effects on organisational outcomes, including affective commitment and OCB. More importantly, the results of the present study indicated that the effects of psychological contract fulfilment on OCB were fully mediated or explained by affective commitment. This finding supports earlier mediated studies between psychological contracts and OCB (Dulac *et al.*, 2008; Restubog *et al.*, 2008; Robinson & Morrison, 2000), and particularly the conclusions of Zhao *et al.* (2007) that it is unlikely that the effects of psychological contracts on outcomes are only direct.

Contrary to expectations, the relationships between psychological contract breach and both affective commitment and OCB were nonsignificant in the regression model. While reasons for these nonsignificant relationships are not ostensibly clear, they may be due to small sample size and model under-specification. From methodological standpoint, it is generally difficult for statistical programmes to detect significant results in small samples (Green, 1991). Even though the sample was adequate given the number of variables, future studies can examine these relationships in relatively larger samples. The work of Robinson and Morrison (2000), as confirmed in several studies (Dulac *et al.*, 2008; Restubog *et al.*, 2008; Zhao *et al.*, 2007), locates psychological contract violation (emotions) as a key explanatory variable between contract breach and outcomes. It may be that leaving out the feelings of violation compromised some important relationships. This notwithstanding, future studies can examine why psychological contract breach had significant bivariate correlations with OCB, but once entered simultaneously with psychological contract fulfilment, its influence became nonsignificant. One possible reason suggested by the results of this study is that psychological contract fulfilment had more influence on OCB when tested against psychological contract breach.

While not hypothesised, it was interesting that public sector employees in this sample were more likely to express higher commitment, while perceiving higher psychological contract breach than employees in the private sector. This is however not surprising because, as suggested by Coyle-Shapiro and Kessler (2000; 2002), the public sector provides better job

security than the private sector, and that may lead to higher organisational commitment in the public sector relative to private sector. It may also be true that once made, private sector managers are better able to keep promises than public sector managers. Apparently these assumptions need to be re-examined in future studies.

Limitations

Like all studies of this nature, the present study has limitations that need to be considered. First, the small sample and how it was selected reduce the generalisability of the results. Second, the cross-sectional nature of the study precludes causal inferences. For instance, even though it was hypothesised that psychological contract fulfilment might influence employees to be committed, this does not preclude the possibility that committed employees may perceive contract fulfilment, resulting in reverse causality. Third, self-reported data were used, and these are susceptible to common method variance. Longitudinal and/or experimental studies based on diversified, randomly selected samples using different sources of data could benefit future studies in this area.

Practical implications and recommendations

Despite some limitations, this study has several practical implications for managers. First, the results suggest that psychological contract fulfilment is important for employee commitment and discretionary behaviours (OCBs). The obvious implication drawing on this is that managers should fulfil all promises they make to employees. It is however known that psychological contracts are perceptual, and may not be understood by all parties to the contract (Rousseau, 1995). It is therefore recommended that organisations or their agents (managers) communicate clearly what they can deliver to employees, especially during the recruitment and induction processes. Second, if for unforeseen reasons an organisation cannot deliver as promised; it should communicate its decisions to employees in an honest and respectful manner. According to Group Value Model of fairness (Lind & Tyler, 1988), employees are likely to feel important members of their organisations when they are treated with respect (interactional fairness). In this regard, it is recommended that managers involve employees in all changes that may be perceived as breach of psychological contracts. Third, the results suggest that the effects of psychological contract fulfilment on OCB are mediated by affective commitment. In other words, unless employees feel committed, contract fulfilment may not necessarily influence employee discretionary behaviours (OCBs). It is therefore recommended that, as they fulfil their promises and obligations, organisations should at the same time communicate their work to win the affective commitment of employees. Evidence suggests that contract fulfilment can prompt employees to be committed, which in turn can affect OCBs.

CONCLUSIONS

The purpose of this paper was to examine if affective commitment mediates (explains) the relationship between psychological contracts (fulfilment and breach) and OCB. While the effects of psychological contract fulfilment on OCB were fully mediated by affective commitment, the effects of psychological contract breach on both affective commitment and OCB were nonsignificant once psychological contract fulfilment was controlled for. Overall, public sector employees not only reported higher affective commitment, but also reported higher contract breach than private sector employees. Awareness and training on how to manage psychological contracts, and how to engender affective commitment were recommended as important tools in eliciting employee OCBs.

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Revisiting the applicability of classical and contemporary theories on employee satisfaction in today's work environment: a theoretical perspective

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ABSTRACT

In today's dynamic work environment, enhancing employee satisfaction is a challenge due to the ever-changing individual, cultural and organisational experiences. This theoretical paper seeks to determine the applicability of the classical and contemporary theories of employee satisfaction in addressing challenges that hamper employee satisfaction in today's workplace. The paper commences with an overview of the classical and contemporary theories suggesting that each theory on its own is incomplete and its degree of applicability varies. The paper then compares various theories and from a theoretical viewpoint indicates the importance of the different theories in dealing with employee satisfaction. Finally, the paper makes suggestions towards the most appropriate theories that can collectively provide a conceptual framework for employee satisfaction in today's work environment.

INTRODUCTION

Employee satisfaction has enjoyed a significant attention from researchers over many decades (Ahmad, Mustafa, Ahmad, & Ahmad, 2012; Okanya, 2008; Rafiq & Chishti, 2011). Therefore, various definitions of employee satisfaction have emerged in research. According to Labuschagne, Bosman, and Buitendach (2005: 27), employee satisfaction refers to the individual's perception and evaluation of the job and the organisation, which are affected by his or her unique circumstances such as needs, values, and expectations. Mafini and Pooe (2013: 2) support the idea that employee satisfaction entails a positive or negative attitude, while Zhu (2012: 294-295) contends that only employees' positive and pleasant feelings in work define employee satisfaction. Otherwise, the negative and unpleasant feelings in work are defined as employee dissatisfaction. In this paper, employee satisfaction is viewed as the perceptions of employees on all aspects of the job and the organisation in relation to addressing individuals' circumstances.

The study of employee satisfaction has been given two rationales, namely the humanitarian and instrumentalist arguments. First, the humanitarian argument emphasises attempts to increase the quality of work life. Second, the instrumentalist argument regards employee

satisfaction as an industrial malaise that produces diverse problems crystallised in the company's balance sheet. No rationale seems to be superior to the other. Rather, they are complementary in nature. Therefore, studies on employee satisfaction seem to be relevant for scholars, managers, and employees alike, due to its effect on organisational activity, outcomes, and employees (Kumar, 2013: 1; Martins & Proença, 2012: 1; Mudor & Tooksoon, 2011: 41). The next section examines the problem investigated and the literature regarding theories and models used to explain the motivational and cognitive processes pertaining to employee satisfaction.

PROBLEM INVESTIGATED AND LITERATURE REVIEW

Today's work environment has dramatically changed if compared to the 19th century, during which most employee satisfaction theories were developed. But low employee satisfaction in the workplace is still a challenge today (Kamara, 2008: 2; Overseas Development Institute, 2009: 13) and various studies emphasise a need to satisfy employees at the workplace (Aksoy, Şengün, & Yilmaz, 2018; Mafini & Pooe, 2013; Sykes, 2015). Recent studies maintain that employee satisfaction is still important to an organisation's success (Aksoy, Şengün, & Yilmaz, 2018; Gebremichael & Rao, 2013; Hrnjic, Pilav – Velic, Djidelija, & Jahic, 2018; Kour & Sudan, 2018; Qureshi et al., 2013) and needs further research. This is due to the positive outcomes of organisations that have been linked to employee satisfaction and the consequences that organisations face due to little attention or inadequate practices on dealing with this concept (Ijigu, 2015; Newton & Teo, 2014; Sykes, 2015).

Therefore, this theoretical paper seeks to determine the applicability of the classical and contemporary theories of employee satisfaction in addressing challenges that hamper employee satisfaction in today's workplace. Most theories about employee satisfaction are also regarded as motivation theories because work motivation is linked directly to employee satisfaction; therefore, these theories are applied to the work context to explain and improve satisfaction of employees (Evans & Olumide-Aluko, 2010: 75; Mosikidi, 2012: 20). Theories that provide knowledge on employee satisfaction were developed between the 1940s and 1970s. These theories have been classified as classical and contemporary theories. The classical theories of employee satisfaction are generally content theories while contemporary theories are described as process theories (Ehiobuche, 2013: 25).

Classical/Content theories

Classical theories are predominantly concerned with the individuals' identification and priorities regarding specific needs, motives, or goals most conducive to satisfaction with their job and organisation. According to Makrygiannis (2013: 15) and Saif, Nawaz, Jan, and Khan (2012: 1385), the basis of these theories is that individual need deficiencies activate tensions in a person, and individuals reduce their intensity by formulating behaviour that will attempt to satisfy those deficiencies. The implication drawn is that, when individuals are not receiving what they see as their need, they will adjust their behaviour to a state of stability that can satisfy their need. Therefore, these theories emphasise need satisfaction. Some of the well-known classical theories are presented below.

Maslow's need hierarchy (1943)

Maslow's hierarchy of needs theory has been used effectively for several decades to explain and address employee motivation in organisational management studies all around the world (Pulasinghage, 2010: 201). This theory has also been utilised in studies on employee satisfaction (Mafini & Pooe, 2013: 2; Pulasinghage, 2010: 202; Sadri & Bowen, 2011: 45) and has been regarded as the foundational theory for other theories of employee satisfaction. The theory identifies five levels of motivation in a person or an employee. Each level is characterised by needs that employees would like to be fulfilled. Maslow (1970) suggests that

these levels follow a hierarchy of human needs, commencing with physiological needs and progressing through to needs of safety or security, belongingness and love, self-esteem and self-actualisation.

Maslow suggests that these needs must be satisfied in the order listed in order to be operative. Therefore, outcomes satisfying a particular need will be attractive only once the lower-order needs have been satisfied first. Mosikidi (2012: 24) states that these needs are predominant until they are gratified. Higher-order needs are not completely satisfied and require longer periods to be satisfied (Sahoo, Sahoo, & Dias, 2011: 25). The application of this concept at the workplace implies that each employee of an organisation would be at a given level of the hierarchy of needs and always would prefer to achieve the next level (Pulasinghage, 2010). For instance, below a certain level of occupational hierarchy, a job provides for subsistence needs, while above this level, higher intrinsic needs will be satisfied. However, not all individuals conform to this hierarchy. These needs only provide a framework on the common needs of human beings; therefore, this list cannot be conclusive and comprehensive with regard to all needs experienced by people in all specific contexts. Again, some individuals may not add value to all the above-mentioned needs due to their living conditions and personal circumstances.

In today's workplace, human needs do not always follow the hierarchical order as indicated by the theory (Pulasinghage, 2010: 202). Therefore, attempts to address the above-stated needs of employees must be flexible enough to cater for distortions in the expected hierarchy. For instance, higher-order needs such as recognition and job security and a lower-order need may be addressed simultaneously through praise and long-term contracts respectively. This implies that inversions or reordering of needs for particular individuals at particular turning points is possible. In addition, the idea of equating lower-order needs with inferiority and higher-order needs with superiority cannot be valid in all situations (Sahoo *et al.*, 2011: 26). Sometimes, the importance and priority of needs may depend on the individual and cultural contexts. To reiterate, Western societies regard individuality and individual needs as more important than collectivism and collective needs. This importance is also reflected in Maslow's theory (Sahoo *et al.*, 2011: 26). This shortcoming indicates the inadequacy of the theory in terms of dealing with employee satisfaction across cultures, especially those found in developing continents, such as Africa and Asia. Therefore, in today's workplace, Maslow's theory must be considered as a framework for understanding and action rather than a rigid prescription governing all human activity. Meaning, the theory can be used to understand employees' needs at the workplace and may be utilised with flexibility in the formation of intervention strategies on improving employee satisfaction. In line with this idea, the theory of Maslow's hierarchy of needs can be used as a framework to identify the various benefits organisations can offer to satisfy their employees' needs and, in turn, increase revenues and reduce expenses (Sadri & Bowen, 2011: 45-48).

Herzberg's two-factor theory (1959)

The two-factor theory, also called the motivator-hygiene theory, which was developed by Herzberg, is seen as one of the most quoted and optimistic theories on employee satisfaction (Herzberg, 1968: 120; Townsend, Sundelowitz, & Stanz, 2007: 29; Zhu, 2012: 297). According to this theory, motivators, also known as intrinsic factors or job content factors, cause employee satisfaction at work. On the other hand, hygiene factors, also regarded as extrinsic or job context factors, cause job dissatisfaction (Purohit & Bandyopadhyay, 2014: n.p). The motivating factors address issues such as the work itself, achievement, recognition, responsibility, personal growth, and advancement. If met in a job, these factors produce employee satisfaction. Maintaining good levels of these motivators over time would result in sustained high employee satisfaction. On the contrary, hygiene factors include company policies, supervision, salary, interpersonal relationships, working conditions, job security, personal life, and status (Evans & Olumide-Aluko, 2010: 75). Mosikidi (2012: 31) and Purohit

and Bandyopadhyay (2014: n.p) maintain that hygiene factors describe the job factors that are considered to be just the maintenance factors that are important to avoid dissatisfaction with work, but do not necessarily provide satisfaction or positive motivation. This idea excludes a minority of individuals who are hygiene seekers and may be motivated by hygiene factors (Evans & Olumide-Aluko, 2010: 75). Despite this idea, not all individuals react to these factors hygienically, as the environmental factors and individual circumstances can also affect employees' perceptions of needs. For instance, the issue of categorising pay as a hygiene factor may not be applicable to the context of developing countries that are characterised by harsh economic conditions and poor living standards (Evans & Olumide-Aluko, 2010: 75).

Although the two-factor theory is used widely to conceptualise employee satisfaction, Herzberg's methodology was criticised for its failure to account for individual differences, its ignorance of situational variables, its inability to utilise an overall measure of satisfaction – a problem posed by two continua – and its inability to explicitly account for cultural diversity (Mosikidi, 2012: 35; Townsend *et al.*, 2007: 29). In reality, people have a cultural tendency to attribute their satisfaction and achievement to themselves and their failure or dissatisfaction to the extrinsic environment. In this case, the paper argues that in today's reality, employees may attribute their satisfaction to factors in the work environment, such as company policies and supervision, which the theory says are associated only with dissatisfaction and no dissatisfaction.

To explain the concept of satisfaction versus dissatisfaction, Herzberg's theory inherently assumes that there are two separate continua on which values of employee satisfaction and dissatisfaction should be placed, because the factors that enhance employee satisfaction are very distinct from those that lead to job dissatisfaction. Despite its general acceptance, the issue of two continua can be complicated by the fact that some hygiene factors may be regarded as the motivators in some cases, as previously argued in this paper. Hence, the components or the number of influential factors within these continua may vary from one context to another, depending on their surrounding circumstances. For instance, Bowditch *et al.* (2008) explain that some studies have shown that needs for salary, recognition, and responsibility actually function as both motivators and maintenance factors. However, this theory has the significant contribution and positive implications towards improving employee satisfaction.

Herzberg's theory, just like Maslow's theory, has drawn attention to the importance of job design in order to bring about job enrichment. Herzberg's theory emphasises the importance of the quality of work life and advocates the restructuring of jobs to give greater emphasis to the motivating factors at work, to make jobs interesting, and to satisfy higher-level needs (Sahoo *et al.*, 2011: 26). For instance, managers should increase autonomy at the job by ensuring more employee participation in decision-making processes relating to how the work should be done. Additionally, managers should expand human resource management by ensuring that it mainly focuses on increasing motivational factors present in the job, instead of concentrating only on hygiene factors (Mosikidi, 2012: 58). However, owing to the complexity of identifying hygiene and motivators that is caused by individual differences, the significance of these factors on employee satisfaction can first be determined, measured, and then summed up to determine the overall satisfaction.

Notwithstanding the centrality and importance of Herzberg's two-factor theory to the concept of employee satisfaction (Townsend *et al.*, 2007: 29) and its applicability in today's work environment, the above-mentioned limitations mean it cannot on its own address all issues pertinent to employee satisfaction.

McClelland's theory of needs-achievement (1961)

McClelland's theory postulates that some people strive to succeed based on their need for personal achievement rather than their need for rewards of their success (Saif et al., 2012: 1387). According to this theory, an individual's needs are the result of learning, which is influenced by an achievement motive (Makrygiannis, 2013: 19). Hence, the theory emphasises an achievement motive by individuals and regards this motive as being founded by three motivators, namely achievement, power and affiliation (Raeisi, Hadadi, Faraji, & Salehian, 2012: 1232). Satisfaction of these motivators at the workplace is associated with increased employee satisfaction. These motivators are not inherent; people develop them over time through cultural, work, and life experiences. According to the theory, people will have different characteristics depending on their dominant motivators (Saif et al., 2012: 1387). Hence, an achievement motive or need may be fulfilled by the individual's ability to meet challenging goals, ability to influence others, and/or high affiliation with colleagues. These motivators are similar to those identified by Herzberg's two-factor theory and are associated with employee satisfaction at the workplace.

McClelland's theory also has similarities with Maslow's hierarchy of needs. People who are satisfied by the fulfilment of their achievement needs according to McClelland's theory are the same people who focus on self-actualisation and growth according to Maslow's theory. In today's work environment, McClelland's theory suggests fulfilment of higher-order needs or motivators at the workplace, which has the potential to address the achievement motives of individual employees and improve their satisfaction at the workplace. The achievement of employees can be addressed by creating opportunities for training, responsibility, compensation, feedback, and goal setting (Makrygiannis, 2013: 19). On the other hand the theory can address only few of the factors of employee satisfaction. To understand and manage employee satisfaction fully, all possible factors of the concept must be identified; hence, there is a need to review other relevant theories.

Theory of work adjustment (1964)

The theory of work adjustment (TWA), developed by Dawis, England, and Lofquist (1964), has proven to be fundamental to the study of employee satisfaction. In agreement, Mosikidi (2012: 2) maintains that employee satisfaction is a function of the fit between the employee's vocational needs or values and reinforcers provided by the work environment. In fact, this theory proposes that satisfaction with work promotes a harmonious relationship between an employee and the environment. Eggerth (2008: 64) adds that TWA work is an interactive and reciprocal process, implying that there is mutual benefit between the employee and the environment and that the needs of the work environment must be met by the employee and vice versa. Ultimately, employees and their work environments impose requirements on each other. For instance, employees are required to have the necessary skills and knowledge to perform the work, and the work environment should fulfil employees' expectations about compensation. On this note, the subjective assessment of the extent to which employees' needs or requirements are met by the work environment is pertinent to employee satisfaction.

This idea necessitates good career choices to be made by matching individuals and jobs based on attributes such as abilities, interests, and values (Eggerth & Flynn, 2012: 77). For this reason, the Minnesota Satisfaction Questionnaire was developed to measure 20 work-related reinforcers (Weiss, Dawis, England, & Lofquist, 1967). Notably, these reinforcers are categorised into intrinsic and extrinsic components of satisfaction, similar to what Herzberg's two-factor theory refers to as motivators and hygiene factors. However, the main difference between TWA reinforcers and Herzberg's factors is found in the perceived effect on employee satisfaction. The former are all linked directly to satisfaction, while the latter are linked to satisfaction and dissatisfaction on different continuums (Eggerth & Flynn, 2012: 81; Purohit & Bandyopadhyay, 2014: n.p).

The theory of work adjustment has advantages in that it acknowledges individual differences with regard to preferred work reinforcers (Eggerth & Flynn, 2012: 79) and also makes it possible to identify certain variables that, among a large group of people performing similar jobs, may contribute to employee satisfaction across the organisation. TWA is comprehensive enough to be applied to career choice, selection, training, and organisational interventions, although it may not necessarily be adequate to cover all -this by placing equal emphasis on satisfying the worker and the workplace and by using symmetrical processes to describe both. However, a worker who is well satisfied with a job may still perform at an unsatisfactory level from the perspective of the employer and be at risk of termination. Conversely, an employer may be well satisfied with a worker's performance, but the worker might be dissatisfied with the job and choose to seek other employment.

In today's work environment, the theory of work adjustment (TWA) has the potential to influence policies and decision making on a national level due to its practicality in addressing employee versus work environment issues (Eggerth, 2008: 63). More so, the theory offers specific, valuable recommendations for helping clients who struggle with job dissatisfaction and quitting decisions. It also offers active and reactive strategies that clients might adopt to improve their work circumstances, and it has proven useful for helping a diversity of client types ranging from teenagers entering the workforce to older adults moving on to retirement (Dahling & Librizzi, 2015: 218). The TWA can also be utilised across different cultures and organisational contexts to determine and address individual employees' perceptions about their satisfaction at the workplace (Lyons, Velez, Mehta, & Neill, 2014: 474), though some noticeable deviations can be seen in the results obtained when the theory is applied in diverse settings. Meanwhile, other classical theories on employee satisfaction can be reviewed to determine their applicability to the management of employee satisfaction in today's work environment.

Other classical theories

According to Lawter, Kopelman and Prottas (2015: 85), McGregor's X and Y theory that is based on two distinct assumptions about human beings has substantial implications for employee satisfaction. In these assumptions, one is fundamentally negative and labelled Theory X and the other is fundamentally positive and labelled Theory Y. McGregor's X and Y theory remains a valid basic principle from which to develop positive management style and techniques. This theory relates managers' assumptions about human nature to their behaviour towards employees. In this context, Theory X assumes that most individuals are dominated by lower-order needs. Consequently, managers believe employees have to be motivated by pay and punishment to improve their productivity. Alternatively, Theory Y assumes that employees' satisfaction is enhanced when employees' higher-order needs are fulfilled.

The theory posits that employee satisfaction can be enhanced if employees are involved in decision-making processes, if they experience their work as meaningful, challenging, and making room for creativity (Mosikidi, 2012: 37). Both theories can be applied in today's work environment, which is very dynamic in nature. The implication derived from this theory is that managers should be aware of their pre-assumptions about their employees and avoid using unsystematic assessments of what motivates their employees. Thus, paying attention to this view would mean that the right means of addressing employees' needs would result in improved employee satisfaction.

Lastly, Alderfer's ERG theory of motivation has some links to the study of employee satisfaction. The ERG theory is viewed as a variation of Maslow's hierarchy of needs theory (Mosikidi, 2012: 30). Compared with the theory of Maslow, the ERG theory includes the same needs concentrated in three categories (Sahoo et al., 2011: 26). On this note, Alderfer (1972) insists that human beings have existence needs, relatedness needs, and growth needs. According to the propositions of this theory, relatedness needs emerge only after existence

needs have been satisfied, and growth needs follow the fulfilment of relatedness needs (Li, 2011: 84). All the above needs are arranged on a continuum rather than a hierarchy (Makrygiannis, 2013: 19); thus, the shortcomings of the hierarchy proposed by Maslow do not exist in this theory. The idea of a continuum avoids the implication that the higher up an individual is in the hierarchy, the better it is (Sahoo *et al.*, 2011: 26). This means that the ERG theory caters for individual differences and multiple complexities in dealing with human needs. Thus, different types of needs can operate simultaneously, and their satisfaction may come at different times, depending on individuals and their circumstances. Despite the relevance of this theory to the study of employee satisfaction in today's work environment, it is not comprehensive, as it does not cover the possible variety of factors that can hamper or promote satisfaction of employees at the workplace. However, it provides some insights with regard to flexibility and complexities, which must be addressed when dealing with employee satisfaction in today's workplace.

Notably, the knowledge of employee satisfaction that is derived from discussing and analysing classical theories can be enhanced further by reviewing coexisting contemporary/process theories on the phenomenon.

Contemporary/Process theories

Contemporary theories go further than identifying basic needs that motivate people. They focus on the individual's dynamic thought processes and how they produce certain types of behaviour, attitudes, or satisfaction (Makrygiannis, 2013: 15). In view of these theories, dealing with employee satisfaction necessitates an establishment of goals to direct behaviour and programmes that are perceived as equitable and deliver desirable outcomes the employee expects to achieve. There are various contemporary theories of employee satisfaction in the literature but this paper focuses on the well-known contemporary theories, which are most used in management studies.

Equity theory (1963)

Adam's theory of individual equity has enjoyed significant attention by researchers in the field of organisational behaviour and human resource management. Mainly, the usefulness of the equity theory emanates from its relatively greater scope in comparison with many of the other available theories, with its applicability to a wide range of employee outcomes including stress, turnover, absenteeism, performance, and employee satisfaction (Disley, Hatton, & Dagnan, 2009). The focus of this theory is on describing perceptions of employees with regard to organisational justice and social justice (Disley *et al.*, 2009: 56; Siegel, Schraeder, & Morrison, 2008: 64).

Adam's equity theory assumes that individuals value and seek social justice in how they are rewarded for their productivity and work quality (Adams, 1963). This theory states that employees compare their input to outcome/outcome received or their input-outcome ratio with the input-outcome ratio of comparable others. When these ratios are perceived as equal to those of others, a state of equity exists and the employee is satisfied (Mosikidi, 2012: 47). Thus, the equity theory proposes that satisfaction is a function of how fairly an individual is treated at work. In this case, employee's perception of the fairness of compensation is more important than the actual amount received. Inequity can be either positive or negative. Whether positive or negative, inequity creates tension or distress in the individual that can manifest as anger when the person feels under-benefited, or guilt when he or she feels over-benefited (Perry, 1993: 565). Individuals experiencing this tension or distress usually aim to reduce or eliminate the inequity (Disley *et al.*, 2009: 57). While previous research has provided some evidence that inequity that is more positive lowers employee satisfaction than negative inequity does, Perry (1993: 568) argues that the equity group experiences higher satisfaction than the negative-inequity group does, and lower employer satisfaction than the positive

inequity group does. This idea means that the relationship between equity and employee satisfaction yields an ordinary linear regression.

Since Adams' (1963) equity theory focuses on employee perceptions, it seems relevant in determining the kind of inputs for which employees believe they deserve rewards and the type of rewards they deserve. These perceptions can then help researchers to establish important factors of the employee, the organisational environment, and the work that can be linked to the satisfaction of employees (Siegel *et al.*, 2008: 64). Identifying and understanding these factors may assist decision makers to develop and implement policies or strategies that can improve and manage employee satisfaction in their organisations. For instance, Mosikidi (2012: 60) asserts that Adam's equity theory is important because it enlightens managers about the fact that employees prefer salary systems and promotion policies that they regard as being just, unambiguous, and in agreement with their expectations. In this case, it also assists managers to realise that each employee's perception of the equity of those factors really matters. Therefore, Adam's equity theory provides fundamental understanding to employees' perceptions of what can satisfy them, although it has a shortcoming in that employees' perceptions of their inputs and outputs or those of others may be incorrect. This means that the theory is very essential in managing employee satisfaction in today's work environment, but its practical application in identifying real factors of employee satisfaction may be complex.

Expectancy theory (1964)

Employees' satisfaction depends on how they perceive the relationship between what they put into the job and what they get out of it. The expectancy theory developed by Vroom (1964) attempts to explain the output performance of employees by considering their expectations about obtaining desired outcomes after performing at higher levels of effort and productivity. This theory claims that the strength of certain perceptions about abilities, actions, and outcomes determines whether people will act or exert effort (Johnson, 2009: 275). In support of this notion, Liao, Liu, and Pi (2011: 252) suggest that expenditure of an individual's effort will be determined by expected outcomes and the value placed on such outcomes in a person's mind. For instance, employees will be more productive when they realise that their efforts are recognised, they are given opportunities to excel, they are expected to do so, and there is an adequate reward for good performance (Johnson, 2009: 274). To explain the relationship of inputs and expectations, the expectancy theory proposes that motivation to act rests on three causal linkages that exist in a perceptual chain between making an effort and achieving satisfaction. For someone to be motivated to act, all three linkages must be perceived to have a high degree of potential (see Figure 1).

FIGURE 1:

Perceptual linkages of Vroom's expectancy theory



Source: Adapted from Hamington (2010).

The arrows in Figure 1 represent the perceptual linkages. The first linkage pertains to expectancy and characterises the perceived relationship between effort and performance. In this case, the individual must believe that his or her effort will lead to a desired performance. Instrumentality is the second linkage, which reflects the relationship between performance and outcomes. With regard to this linkage, the individual must believe that if he or she achieves a certain performance, it will trigger certain outcomes. Finally, valence is identified as a link

between outcomes and satisfaction. This perceptual linkage implies that people will not be motivated to act if they fail to view the outcome as valuable. This means that satisfaction emanates from valuable outcomes. Vroom's theory emphasises that actions depend upon the individual perceiving all three causal relationships as positive (Hamington, 2010: 681). Put together, the three causal relationships imply that the decision about the amount of effort people exert is based on a systematic analysis of the value of the rewards expected from outcomes, the likelihood that rewards will result from these outcomes, and the likelihood of attaining these outcomes through actions and efforts (Liao *et al.*, 2011: 253).

Practically, Slocum and Hellriegel (2011: 176) assert that individuals have their own varying needs and ideas about what they value or desire from their work. Therefore, people are affected by these needs and ideas when taking decisions about which organisation to join and how much effort to exert in their work. Again, if employees expect their job to be challenging or well paying and it is not, they will be dissatisfied, but if employees expect their job to be dull or less paying and it turns out that way, their frustration may be minimal (Kumar, 2013: 1). In today's workplace context, the expectancy theory holds that employees are rational beings who will be motivated to put more effort into their work when they believe that their efforts will lead to a good performance appraisal, that a good appraisal will enable them to reap organisational rewards like bonuses, promotions, or salary increases, and that these rewards will actually gratify their personal goals (Mosikidi, 2012: 59). This implies the necessity for managers to aim at improving the perceived link between performance and outcomes. The idea can be implemented by tying outcomes more directly to performance by employing incentive plans, commissions, merit raises, or merit-based promotions. These attempts will address the factors of employee satisfaction that seem to be emphasised by this theory, namely ability utilisation, activity, compensation, and recognition. To address employee satisfaction holistically in this century, the expectancy theory may serve as an add-on to other theories.

Job characteristic model (1976)

Hackman and Oldham's (1976) job characteristics model (JCM) is among the most widely researched models in organisational behaviour and human resource management and best links employee satisfaction to the objective nature of the work environment (Crede *et al.*, 2007: 517). Indeed, Hackman and Oldham (1976) are pioneers in the study of employee satisfaction as a psychological work construct in determining employee fulfilment in their work (Kumar, 2013: 3). This model creates a dominant framework for defining task characteristics and determining their relationship to employee motivation, performance, and satisfaction. In addition, this model advocates for job redesign activities such as job rotation, job enlargement, job enrichment, and self-directed work teams to ensure employee satisfaction and attainment of organisational goals. The premise of this model is that goals are set jointly with management and employees, with employees being accountable for attaining these goals (Maniram, 2007: 18).

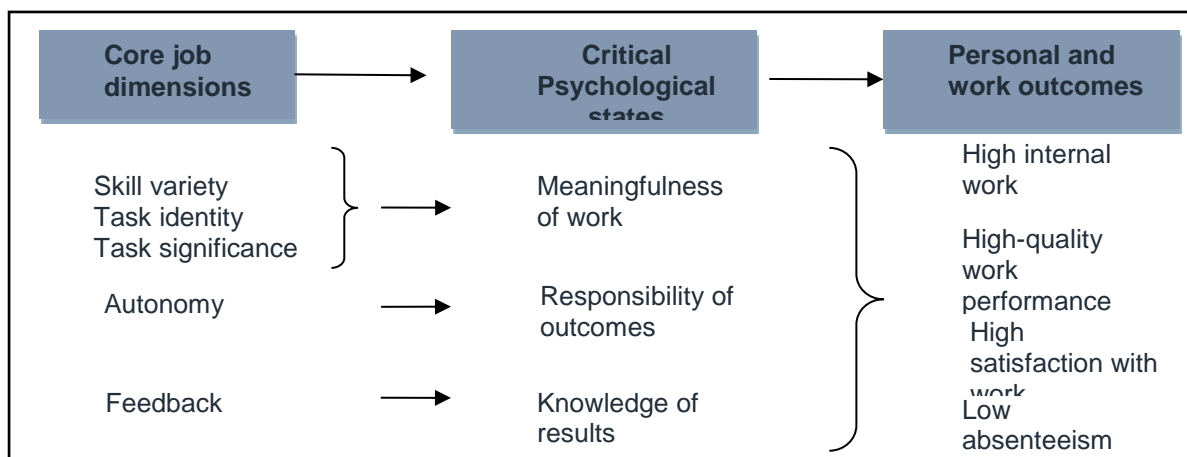
Hackman and Oldham (1976) suggest that motivating jobs are characterised by five core characteristics that affect employee satisfaction directly. These are task identity (how closely the employee can relate to his or her part of the task being completed), task significance (the importance of the employee's contribution in the task being completed), skill variety (whether the employee has a variety of responsibilities or not), autonomy (the amount of control that the employee has over the job), and feedback (how confident the employee is that his or her job is done well) (Coelho & Augusto, 2010: 428; Kumar, 2013: 3; Maniram, 2007: 19). These characteristics coincide with Maslow's higher-order needs and Herzberg's motivators, which are regarded as most influential in improving employee satisfaction.

In view of the above-mentioned notion, Maniram (2007: 19) states that individuals who perceive their jobs to rank highly on the five core characteristics would enjoy higher levels of

employee satisfaction, and vice versa. Maniram (2007: 19) further argues that the first three dimensions, namely skill variety, task identity, and task significance, are unified to ensure that the job is more meaningful. If these characteristics are evident in a job, the employee will interpret the job as more valuable and worthwhile; in turn, this improves employee satisfaction. Additionally, the jobs that include autonomy will equip employees with a sense of personal responsibility and self-fulfilment. Likewise, a job that provides for feedback will create sensitivity about performance and effectiveness among employees. To reiterate, enriching the five core characteristics should in turn allow employees to experience three motivating psychological states, namely experienced meaningfulness, responsibility, and knowledge of the work outcomes. Ultimately, high levels of motivation, creativity, and quality of work performance, organisational commitment, and employee satisfaction will be produced (Coelho & Augusto, 2010: 426). These relationships are illustrated in Figure 2.

FIGURE 2:

The Hackman and Oldham model of job redesign and motivation



Source: Adapted from Casey and Casey (2014)

Further, the JCM emphasises stable and enduring characteristics of the job environment that are constant across employees in the same job (Crede *et al.*, 2007: 517). In today's work environment, this theory provides some knowledge on how managers can design and redesign jobs over time to ensure that employees are engaged in motivating tasks that induce employee satisfaction. Despite general agreement about the JCM, it has been criticised for ignoring other individual characteristics and demographic variables that may act as moderators or influencers of employee satisfaction (Crede *et al.*, 2007: 518). More contemporary theories on employee satisfaction are discussed below.

Other contemporary theories

Other common theories associated with employee satisfaction include Locke's (1968) goal-setting theory and Porter-Lawler's (1968) expectancy model. The main idea of the goal-setting theory is that the primary source of motivation and satisfaction at the workplace originates from the desire of an employee to achieve a particular goal that has adequate intensity and content (Makrygiannis, 2013: 23). Thus, the significance of the goal, the degree of commitment it demands and its level of complexity are likely to influence the level of satisfaction of an employee with regard to that particular goal at work.

Saif *et al.* (2012: 1390) state the importance of Locke's goal-setting theory in that difficult goals demand focus on problems, increase sense of goal importance and encourage persistence to achieve goals. Paying attention to this notion, when planning all work-related goals and activities, would likely result in improved overall satisfaction in today's work environment.

However, it must be noted that employee satisfaction may decrease when goals are so difficult to the extent that employees perceive them as impossible. Again, if there is a lack of feedback from supervisors and managers, employee satisfaction may be hampered. Indeed, the goal-setting theory emphasises that feedback in the process of pursuing a goal improves creativity and satisfaction (Makrygiannis, 2013: 24), while feedback after attainment of goals may enhance self-efficacy, employee satisfaction, and a will to succeed in future organisational endeavours.

On the other hand, Porter-Lawler's (1968) expectancy model emphasises that effort (force or strength of motivation) does not lead directly to performance, but it is rather moderated by the abilities, traits, and role perceptions of an employee. Again, satisfaction is not dependent on performance but relies on the employees' perceived probability of receiving fair rewards (Saif *et al.*, 2012: 1389). Additionally, an employee should have the ability to understand the requirements of his or her job clearly and be capable of acting upon them and giving adequate effort (Makrygiannis, 2013: 24). Notably, this model enriches Vroom's (1964) expectancy theory on recognising the role of personality characteristics of an individual (e.g., abilities and skills) in enhancing employee satisfaction. Otherwise, this model relates effort, performance, rewards, and satisfaction as the key variables, similar to Vroom's theory. Applying this theory at the workplace in today's dynamic work environment would mean that the personalities of employees must first be understood and measured before developing any strategies of enhancing employee satisfaction.

PRACTICAL IMPLICATIONS AND RECOMMENDATIONS

All the theories discussed above provide background knowledge on the factors of employee satisfaction (see Table 1) and possible approaches that can be utilised in managing employee satisfaction. With regard to the factors of employee satisfaction, Table 1 depicts that not all theories address the same factors and that some theories have a wider coverage of factors that are linked with employee satisfaction than others have.

TABLE 1:
Summary of Employee Satisfaction Theories

	Classical Theories (Need satisfaction)				Contemporary Theories (Thought and perception)		
	Maslow (1943)	Herzberg (1959)	McClelland (1961)	Dawis et al. (1964)	Adams (1963)	Vroom (1964)	Hackman & Oldham (1976)
Factors of employee satisfaction							
Ability utilisation	x	x		x	x	x	x
Achievement	x	x	x	x		x	x
Activity	x	x		x	x	x	x
Advancement	x	x	x	x	x	x	
Authority		x	x	x			
Company policies and practices		x		x			
Compensation	x	x	x	x	x	x	

	Classical Theories (Need satisfaction)				Contemporary Theories (Thought and perception)		
Co-employees	x	x	x	x			
Creativity		x		x	x		x
Independence	x	x		x			x
Moral values	x	x		x			
Recognition	x	x		x	x		
Responsibility	x	x	x	x			x
Security	x	x		x	x		
Social service		x		x			
Social status		x	x	x	x		
Supervision – human relations		x		x	x		
Supervision – technical		x		x	x		
Variety		x		x			x
Working conditions	x	x		x	x		

Source: Researcher's own conceptualisation

Logically, theories with a wider range of factors are likely to provide a holistic understanding of the satisfaction phenomenon than otherwise. Despite this difference, all these theories suggest that managers are expected to play the most critical role of supporting and developing employees at the workplace.

In dealing with employee satisfaction, classical theories focus on the content of what motivates and satisfies employees at one point in time and do not predict behaviour (Casey & Casey, 2014: 2; Saif *et al.*, 2012: 1394). This suggests that managers should be able to identify employees' needs that are met and those that are not. From these findings, managers may develop, modify, and implement policies or programmes to enhance employee satisfaction. In contrast, contemporary theories consider what employees are thinking about when they decide whether or not to put effort into a certain activity, and how employees choose behavioural actions to meet their expectations (Casey & Casey, 2014: 2; Saif *et al.*, 2012: 1394). This implies that managers should determine employees' perceptions of organisational issues such as policies, the work itself, or working conditions and establish how these perceptions influence their behaviour, in order to come up with decisions that will lead to improved employee satisfaction.

Despite their differences, most classical and contemporary theories try to represent global views of workplace reality, although they do not consider culture, religion, or other factor differences. Surprisingly, most of these theories were developed in the United States of America and therefore match closely with the American culture. Therefore, applying these theories in different contexts requires an understanding that the same employee needs may have different meanings and prioritisation, and employee perceptions are likely to vary. This implies that prioritisation and importance of employees' needs in today's workplace, especially in developing countries, may not be the same as postulated in these theories. Again, employees' needs, thoughts, and perceptions may differ from one point in time to another,

thus requiring assessments and interventions at reasonable intervals throughout the life span of an organisation.

Notably, the classical theories have had the greatest effect on management practice and policy, while in the academic circles, they are not accepted widely due to criticisms such as their little empirical support and stability over time. On the other hand, contemporary theories have received the most supporting data and are regarded as strongest in defining and dealing with employee satisfaction (Makrygiannis, 2013: 24). The contemporary theories of employee satisfaction are more relevant today than the classical theories since they have greater flexibility but cannot be utilised without classical theories. Therefore, all classical and contemporary theories are generally important in dealing with employee satisfaction in today's work environment, as they provide a foundation and lens through which the concept can be studied.

In view of individual theories, the two-factor theory, the theory of work adjustment, and the job characteristic model are regarded as the most appropriate theories that can collectively provide a conceptual framework for employee satisfaction in today's work environment. The two-factor theory and theory of work adjustment are more applicable since they succinctly yield a broad range of factors that are attributed to employees and logically integrate all relevant relationships between these factors and employee satisfaction. However, owing to the complexity of identifying hygiene and motivators that are caused by individual differences, the significance of these factors for employee satisfaction can be determined, measured, and then summed up first to determine overall satisfaction. Similarly, the job characteristic model is more applicable in today's workplace because it clearly elaborates job redesign activities that are likely to ensure improved employee satisfaction and also emphasises the attainment of organisational goals in a dynamic work environment.

In today's work environment that is dynamic, technology oriented and highly competitive; innovation has become a very vital factor for the success of organisations to overcome the extremely high degree of competition in different sectors of the economy. Even for those organisations that are not for profit making, innovation has become a necessary tool for utilisation of the limited resources. In all these situations, employees are key agents for optimal handling and implementation of innovations (Hrnjic, Pilav – Velic, Djidelija, & Jahic, 2018: 19). Therefore, the two-factor theory, the theory of work adjustment, and the job characteristic model are more applicable since they emphasise the need to address employee satisfaction through creation of challenging work, employee-job fit, working conditions and corporate culture that promote creativity and achievement, and compensation system, which all contribute to the promotion of an innovative work environment (Hrnjic, Pilav – Velic, Djidelija, & Jahic, 2018).

On this note, the paper suggests that the above-mentioned theories could be applied to create challenging work environment for the employees so that employees may maximise their potential and feel fulfilled. This approach requires redesign of jobs and creation of challenging tasks that have realistic, reachable goals and the performance of employees in completing these tasks must be accompanied by adequate feedback. Managers must pay attention to the importance of the quality of work life and advocate the restructuring of jobs to give greater emphasis to the motivating factors at work, to make jobs interesting, and to satisfy higher-level needs (Sahoo *et al.*, 2011: 26). In addition, the theories could be utilised to work towards employee-job fit by matching individuals and jobs based on attributes such as abilities, interests, and values. For instance, employees must be required to have the necessary skills and knowledge to perform the work, and the work environment should fulfil employees' expectations about compensation.

With regard to compensation, there is necessity for managers to aim at improving the perceived link between performance and outcomes. In today's context, the idea can be

implemented by tying outcomes more directly to performance by employing incentive plans, commissions, merit raises, or merit-based promotions that promote creativity and output. Similarly, the theories advocate for the fulfilment of higher-order needs or motivators at the workplace, which has the potential to address the achievement motives of individual employees and improve their satisfaction at the workplace. For instance, managers could increase autonomy at the job by ensuring more employee participation in decision-making processes relating to how the work should be done. Additionally, managers could expand human resource management by ensuring that it mainly focuses on increasing motivational factors present in the job, instead of concentrating only on hygiene factors (Mosikidi, 2012: 58). Therefore, managers need to be aware of the cultural complexities in their workforce and pay attention to the needs of individual employees and utilise holistic approaches for managing employee satisfaction.

The application of the stated employee satisfaction theories also requires improvement of working conditions and reinforcement of positive corporate culture by paying attention to workplace actions that promote relationships, autonomy and collective work. In these modern times of doing business, organisations need the knowledge, energy, creativity and ideas of every employee, where employees at all levels take the initiative and act in the collective interest of the organisation (Aime, Van Dyne, & Petrenko, 2011; Fontannaz & Oosthuizen, 2007). Such actions can promote positive attitude and professional competence that may significantly increase employees' innovative behaviour. Promoting this behaviour would lead to original solutions for on-going issues and organisational success (Hrnjic, Pilav – Velic, Djideliija, & Jahic, 2018: 19). Possibly, this milestone would lead to high levels of satisfaction among the employees in today's work place.

LIMITATIONS AND FUTURE RESEARCH

This paper is theoretical and the literature discussed in this paper was inadequate to do comparisons of the theories of employee satisfaction across different economic, cultural and technological contexts. For instance, empirical studies could be undertaken to compare the applicability of these theories in the developing and developed economies. Such studies could enhance understanding on the applicability of the theories of employee satisfaction in today's work environment. It is also suggested that future empirical investigation is imperative to validate the arguments posed in this paper.

CONCLUSIONS

In today's dynamic work environment, satisfying every individual employee people is a challenge for the simple reason that everyone is different and our workplace needs and expectations change from one moment to another. This environment makes it impossible for any single theory to fully describe human behaviour and workplace antecedents that could enhance employee satisfaction. The classical theories of motivation sought to explain human needs in general terms, while contemporary theories view an employee as an active participant in deciding how they will be motivated. Generally, contemporary theories are regarded as more applicable in today's work environment than classical theories. But each theory on its own is incomplete, which may also contribute to degree to which the theories are applied. Therefore, the two-factor theory, the theory of work adjustment, and the job characteristic model are collectively regarded as the most applicable theories for addressing employee satisfaction in today's work environment.

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Understanding key retention factors in municipalities

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ABSTRACT

Municipalities have a key role to play in service delivery. The retention of staff is critical to successful service delivery. The aim of this research was to identify key retention factors and to develop in-depth insight into the essence of what these factors really mean to staff within a municipal context. Within the phenomenological paradigm, this research interviewed 16 staff members within two municipalities. Affiliation and career were identified as the two key retention factors. Management style (relationship and interaction between employees and manager), organisational commitment and work environment are the main themes giving meaning to the affiliation factor. Training, personal growth and advancement emerged as themes related to the career factor. In-depth meaning of these are presented and discussed. Recommendations are made as to what municipalities should do to retain staff. A limitation is the fact that research is limited to only two municipalities.

INTRODUCTION

Municipalities are subordinates of government, acting as the closer link between government and the people (Government Gazette, 2009: 2). Their purpose is to ensure development in their communities so that people in those areas have access to basic services such as water, electricity, sanitation and sewage system, refuse and waste removal, health and education facilities, better housing and the improvement of the general quality of life (Kanyane, 2010: 78; Government Gazette, 2009: 22). South Africa has made significant strides since democracy in improving access to basic services. According to a recent non-financial census of municipalities by Statistics South Africa (2016), there has been an increase in the number of consumer units receiving basic services from municipalities and service providers such as water, electricity, sewerage and sanitation, and solid waste management. Despite the improved access to basic services, the local government system is faced with challenges.

Municipalities in South Africa have been illustrating a shortage of financial, administrative and institutional capacity, which have been hampering performance at the local government

sphere (Government Gazette, 2009: 18). According to Koelble and LiPuma (2010: 565), two-thirds of municipalities are struggling to attract and retain skills affecting officials ranging from customer service and relations, to financial controls, to technical competencies in the core areas of electrification, basic water and sanitation, and refuse collection. Municipalities have insufficient numbers of engineers and the large number of officials are in acting capacities such as municipal managers, chief financial officers and other senior positions (Kanyane, 2016: 93). Neil Macleod, a former president of the South African Institution of Civil Engineering (SAICE), says that the lack of skilled persons in the municipal arena is resulting in inefficient preparation for projects and a shortage of fundamental expertise in infrastructure maintenance and development (Kanyane, 2016: 93). Municipalities like Madibeng and Makana have linked the poor service delivery to municipal incompetence, a lack of engineering skills, poor financial administration and planning and a general failure of management among other things (Kings, Wild, Moatshe and De Wet, 2015; Managa, 2012). It is evident that, “the success or failure of a municipality depends on the quality of its political leadership, sound governance of its finances, the strength of its institutions and ultimately, the calibre of staff working for the municipality” (Government Gazette, 2011: 105).

Human capital forms the backbone of the public sector and, ultimately, the delivery of services. It allows municipalities to deliver its constitutional mandate to the public (Financial and Fiscal Commission: Policy Brief, 2012: 1). It therefore becomes crucial for local government to create an environment that engages and retains employees, particularly those that play a key role in ensuring that municipalities provide quality services required by society (Public Service Commission, 2011: 170; Munsamy and Bosch-Venter, 2009: 1). According to Stoltz (2015: 51), because of their diverse nature and background, employees are influenced by various retention factors.

This research is a phenomenological study within the context of municipalities. The aim is to gain an in-depth understanding of the essence or meaning, as experienced by staff in municipalities, of the six retention factors identified in the Retention Factors Framework for Existing Employees which focuses on retaining scarce and highly marketable specialist skills of knowledge workers (Britton, Chadwick and Walker, 1999; Munsamy and Bosch-Venter, 2009: 1-4). The framework proposes six factors, namely, affiliation; direct financial; indirect financial; career; work content and work-life balance (Britton, Chadwick and Walker, 1999; Munsamy and Bosch-Venter, 2009). For purposes of this paper, the goals are to firstly gain an indication of the two factors most influential in retaining staff, to generate meaning of these two factors as they are experienced within the context of municipalities and based on this meaning to make recommendations on retaining staff.

RETENTION FACTORS

Retention is defined as, “a systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that address their diverse needs” (Nazia and Begum, 2013: 361). It is a mutually beneficial relationship where employees seek to gain and experience a form of utility by remaining in the organisation and the employers retain satisfied and committed employees whose abilities suit the needs of the company (Coetzee and Pauw, 2013: 178; Munsamy and Bosch-Venter; 2009: 9). “Retention is a complex and multi-faceted construct that is driven by a host of factors” (Kossivi, Xu and Kalgora, 2016: 262; George, 2015: 104; Nazia and Begum, 2013: 361; Samuel and Chipunza, 2013: p.99). These factors influence employee’s decision to stay, depending on the perceived direction of an individual’s priorities (Stoltz, 2015: 51). Retention factors play a significant role in shaping employees’ attitudes and perceptions of work and in the end, their decision to remain within the organisation.

Numerous articles and studies have identified an array of factors that focus on the retention of skilled and experienced employees (Mohanty and Mohanty, 2016; Kossivi, Xu and Kalgora,

2016; George, 2015; Nazia and Begum, 2013; Coetzee and Pauw, 2013; Munsamy and Bosch-Venter, 2009). It is clear, “that the retention of key employees goes beyond the traditional salary and benefits package, compensation and embracing employee motivation, as one of the key factors to cater to the diversity and long stay of the workforce in the organisations” (Sinha, 2012: 147). Employees attach far more importance to a combination of staff retention factors that speak to their holistic needs and desires (Knox, 2013). It appears that in order for organisations to effectively retain employees, their focus should speak to the different needs and values of individuals, which can range from work environment, growth and development, relationships and general support from the organisation (Nel, Werner, Botha, Du Plessis, Mey, Ngalo, Poisat, and Van Hoek, 2014: 123). Researchers have used a combination of retention factors as the basis of their theoretical frameworks (Knox, 2013; Britton, Chadwick and Walker, 1999; Munsamy and Bosch-Venter, 2009). One of the frameworks, the Retention Factors Framework for Existing Employees focuses on retaining scarce and highly marketable specialist skills of knowledge workers (Munsamy and Bosch-Venter, 2009: 1-4). The framework proposes six factors, namely, affiliation; direct financial; indirect financial; career; work content and work-life balance (Britton, Chadwick and Walker, 1999; Munsamy and Bosch-Venter, 2009). For purposes of this paper, the affiliation and career factors will be discussed below.

Affiliation

McClelland (1961: 160), defines affiliation as the desire to be liked or accepted within a social group. It is the tendency to seek the company of other people. Generally speaking, employees who are affiliated to an organisation feel a connection to the place, have a sense of involvement and loyalty towards the organisation (Clark, 2013). Affiliation is largely based on a supportive organisation, with good working environment and/or working conditions and a progressive management style that is there for its employees (Munsamy and Bosch-Venter, 2009:7). It is employees feeling a sense of belonging, admiration for the organisation and even identifying with the values and objectives (Ogamba and Nwuche, 2016: 255). Affiliation can consist of organisational commitment, organisation support, work environment, organisation citizenship, leading-edge technology, management style and recognition of employees (Munsamy and Bosch-Venter, 2009). Organisational commitment is a multidimensional concept that comprises of affective (the employees’ emotional attachment, identification with and involvement in the organisation), normative (the degree to which an employee stays in an organisation out of a sense of obligation and continuance commitment (an instrumental attachment to the organisation, where the individual's association with the organisation is based on an assessment of economic benefits gained) (Ogamba and Nwuche, 2016; Dockel, Basson, and Coetzee, 2006).

Career

Career is the long term opportunities for development and advancement of employees (Bussin and Toerien, 2015: 5). The career factor speaks to employees being able to visualize their career path within the current organisation because of opportunities afforded to them. It is the degree to which an employee perceives his or her chances to grow and advance within the organisation (Sinha, 2012: 148). According to George (2015), the retention of professionals in the work place is closely linked with their careers, this is because career development opportunities can increase employee’s commitment to the organisation. Employees value personal and professional development, they become loyal to an organisation that gives them regular access to training and opportunities to growth. Career consists of the following elements; advancement, personal growth, training, employment security, interaction with experts, stretch assignments and quality management employees (Munsamy and Bosch-Venter, 2009).

RESEARCH DESIGN AND METHODOLOGY

The study is located within the phenomenological research paradigm which tends to produce rich and subjective qualitative data (Creswell, 2014: 14). It aims to provide an in-depth description of the respondents' perceptions of existing staff retention factors (Creswell, 2014). The phenomenological research paradigm has allowed the researcher to understand and interpret the meaning that subjects give to their everyday lives (Vos, Strydom, Fouché and Delpont, 2005: 270).

The scope of this study comprised of two municipalities located within the Eastern Cape. The two municipalities were chosen based on their size employing 679 and 445 people respectively (Statistics South Africa, 2016), their proximity to each other and the ease of access. In the context of research ethical clearance, written consent was received from the mayors and/or municipal managers. Purposive sampling was used in selecting research participants. As such purposive sampling is a deliberate effort to obtain representative samples through the inclusion of groups or typical areas in a sample which is also known as selective sampling (Babbie and Mutton, 2001: 166). Potential research participants were identified on the basis of time they were employed within the organisation (longer than five years) and whether they were in the finance or infrastructure and technical services divisions. In total, sixteen interviews were conducted. The municipalities were identified as municipality M and municipality N to ensure anonymity. Participants were assured confidentiality and the freedom to withdraw from participating at any time. Of the sixteen interviews, seven were females and nine males, the length of service ranged from five to twenty-four years. Six were from the finance, nine from infrastructure and technical services and one from the human resource division.

Data collection

Data was collected by means of face-to-face semi-structured interviews that were recorded and ranged between 30 to 120 minutes. Thirteen of the interviews were conducted in English, however, three interviews were conducted in isiXhosa as research participants were more comfortable in communicating in isiXhosa. Interview questions focused on the employees own understanding and perception of selected retention factors, namely, affiliation and career. The first part of the interview questions focused on open-ended staff retention questions. Examples of the interview questions were as follows: How would you describe staff retention? What are the things that you most value as an employee? Why did you choose to remain employed at the municipality? The second part of the interview was informed by the Retention Factors Framework for Existing Employees. Some of the questions asked were: What is your ideal management style? Please tell me about the relationship with your co-workers. To what extent did your co-workers influence your intention to stay? What do you think of your working environment? Please could you identify and elaborate on the factors that are most important in developing your career path. All interviews were transcribed verbatim and were stored according to the ethical guidelines.

Data analysis

The analysis of the data was based on the five-level process of content analysis described by Schilling (2006). Level one looked at transferring interview recorded to raw data (verbatim). Level two was converting raw data to condensed protocols and level three was converting condensed protocols to a preliminary category system. Level four used a preliminary category system to generate coded protocols and level five analysed coded protocols to generate interpretation.

Qualitative research criteria, limitations and ethical considerations.

The data analysis was evaluated against qualitative research criteria (Babbie and Mouton, 2001: 277-278), such as credibility, transferability, dependability and confirmability. A transparent description of the analysis which is supported by a sound research design, informed interviews, research and context inter-validation process, leads to credibility, dependability and confirmability. With regards to transferability of the findings, this study is limited to municipalities in which unit of analysis was limited to employees who had worked for longer than five years in the finance or infrastructure and technical services divisions. Although the findings provide valuable in-depth insights, these findings are not generalizable to private organisations. The findings might, however be useful to similar municipalities sized in South Africa. In terms of ethical considerations, all respondents' identities will be kept confidential and recorded anonymously.

RESEARCH FINDINGS

The biographical information shown in Table 1 includes interviewees' age, gender, highest qualification, position and the length of service.

TABLE 1:

Biographical data

Code number	Age	Gender	Education	Position	Length of service (Years)
1NF	35	F	Ba	Middle Management	11
2NF	43	F	CMA	Employee	14
3NM	56	M	PGH	Top Management	10
4NM	36	M	DCE	Employee	5
5NM	33	M	BTech	Middle Management	12
6NF	38	F	Ba	Middle Management	12
7NF	29	F	BTech	Employee	7
8NF	41	F	PGM	Top Management	23
9NF	34	F	DCE	Employee	8
10NM	43	M	Ba	Top Management	15
11MM	46	M	DHR	Employee	10
12MF	36	F	D	Employee	7
13MM	38	M	PGH	Top Management	11
14MM	39	M	DMA	Employee	8
15MM	57	M	Ba	Employee	24
16MM	55	M	Ba	Middle Management	17

* F = Female; M = Male; Ba = Degree; BTech = Technical degree; CMA = Certified management accountant; D = Diploma; DCE = Diploma in civil engineering; DHR = Diploma in human resource; DMA = Diploma in management accounting; PGH = Postgraduate honours degree and PGM = Postgraduate masters' degree.

The Retention Factors Framework for Existing Employees, (Munsamy and Bosch-Venter, 2009) identifies six retention factors for existing employees at the municipalities. From the sixteen interviews conducted, the affiliation and career factors had total theme frequencies of 300 and 202 respectively (see table 2), making them the two most influential factors in retaining staff.

TABLE 2:**Themes as deduced from the responses of research participant**

Themes	Frequency theme emerged	Factors associated with the themes
1. Management style	85	Affiliation
2. Compensation	84	Direct Financial
3. Training	80	Career
4. Opportunities for development/ Personal growth	77	Career
5. Work environment/conditions	67	Affiliation
6. Job aligned with personal meaning/passion	57	Work content
7. Organisational commitment	57	Affiliation
8. Relationship and interaction between employees and managers	43	Affiliation
9. Work-life balance	38	Work-life balance
10. Challenging work	38	Work content
11. Incentives	35	Direct Financial
12. Promotion	29	Career
13. Indirect finance	29	Indirect Finance
14. Being recognized and appreciated	27	Affiliation
15. Political influence/climate	25	External/Unknown
16. Autonomy	18	Work content
17. Municipal category	18	External/Unknown
18. Feedback	17	Work content
19. Organisational/Municipal structure/	16	External/Unknown
20. Job security	15	Career
21. Job evaluation	15	External/Unknown
22. Team work	13	Affiliation
23. Communication	13	External/Unknown
24. Variety of tasks	7	Work content
25. Organisation support	8	Affiliation
26. Organisation reputation	4	External/Unknown
27. Strength assignment	1	Work content

Findings relating to the meaning of these two factors within a municipal context will now be discussed.

Affiliation

All sixteen interviewees shared their opinions regarding affiliation. For the affiliation factor the following were the main themes:

- *Management style (relationship and interaction between employees and manager)*
- *Organisational commitment*
- *Work environment*

From the sixteen interviews conducted, the affiliation factor was mentioned 300 times with *management style* and *relationship and interaction between employees and manager* at 128, *work environment/conditions* at 67 and *organisational commitment* at 57 (see table 2). Generally, the respondents described affiliation as the need to be liked and be comfortable in their work environment (1NF-16MM). According to Clark (2013), affiliation is feeling a sense of belonging and/or involvement in the organisation. When employees are affiliated, they share the same values of the organisation and identify themselves within the institution. Munsamy and Bosch-Venter (2009: 7), states that affiliation is largely based on a progressive management style, supportive organisation with a good working environment and/or working conditions. According to respondent 5NM, affiliation is being loyal to the organisation:

“...I think any institution must also be loyal to its employees the other way around...that is to retain people they need to avail resources, ensure that staff get the best support from the institution, they get the best resources.

One of the most important aspects of being affiliated to an organisation is the influence management style has on employees. Management style has a direct influence on the organisations ability to maintain and its workforce (Wakabi, 2016; Munsamy and Bosch-Venter, 2009; Meyer, 2005; Netswera, Rankhumise, and Mavundla, 2005). This is evident in the responses of the participants interviewed. The theme *management style* was mentioned by all sixteen research participants (1NF-16MM). With a frequency of 85 (see table 2), all research respondent used words such as ‘*present manager/ setting clear job expectations/ monitoring controlling and accountability*’, ‘*team work/working relationships with co-workers*’, ‘*appropriate, approachable, respectable, trustworthy and transparent*’ to describe their ideal management style. The research respondents further described their ideal management style as a person who is approachable and able to engage with employees. Someone who is aware of others, is respectful, trustworthy and transparent (1NF, 2NF, 4NM-16MM). Respondent 2NF, shares her view of the ideal management style, as someone who is relatable and approachable.

“When you are a supervisor you must someone who can understand the way a person works. Someone who is down to earth, someone whom you can communicate with...someone who can reach out and can relate to so that people are not scared to come to you...”

Employees are far more loyal and committed to an organisation when they trust management, feel that they are recognized for their individual contributions and believe that their leaders are capable of driving the business to success (Coetzee and Pauw, 2013: 178; Nazia and Begum, 2013; Dockel, 2003). According to respondents (1NF, 2NF, 4NM, 6NF), municipalities need to have managers that are able to engage and give feedback to employees. This is part of managements role, being advocates for employees and providing feedback based on employees performance (Chandrasekar, 2011). An area of concern for research respondents (11MM-16MM) was the lack of supervision and support in their workplace.

Employees 16MM states that:

“...our municipality has been unfortunate in that we haven’t had a permanent municipal manager for a long time so we do not have someone who championing the corporate image of the municipality...one key activity from that office of municipal manger is some form of direction for the municipality. To have your vision in place and then to have your staff speaking and working towards that vision so each department aligns its vision with the main vision of the municipality. So if the head of the municipality is non-existence or keeps being changed every three months then what is happening to the whole body?”

Research respondents (1NF-16MM) felt that management style involves being present, setting clear job expectations, monitoring, controlling and ensuring that employees are

accountable for their actions. According to literature, the presence of management in any organisation is crucial, as managers are responsible for communicating the policies, goals, objectives and standards and also ensuring that employees are aware and adhere to that in the organisation (Wakabi, 2016; George, 2015; Nazia and Begum, 2013). Management style gives direction, support and guidance to the employees (Munsamy and Bosch-Venter, 2009). As the respondents pointed out, it is difficult to retain employees for the long term without consistent leadership and management (11MM-16MM).

Organisational commitment is another important part of affiliation as it speaks to the loyalty and commitment individuals have towards their organisations (Clark, 2013). The theme organisational commitment is mentioned by 14 research participants (1NF-8NF; 10NM-14MM; 16MM). With a frequency of 57, research respondents used words such as *'loyal and committed to community and/or municipality'*, *'sense of belonging'*, *'identifies with municipal objectives/alignment of institutional goals'*, *'fear of the unknown/no-alternative jobs/comfort'* and *'responsible for family'* to describe their understanding of organisational commitment. Generally, organisational commitment refers to the bond employees experience with their organisation which normally includes a sense of job involvement, loyalty and belief in the values of the organisation (Ogamba and Nwuche, 2016: 255). It can also be described as the psychological state that characterises an employee's identification, involvement and ultimate relation with a particular organisation (Lumley, Coetzee, Tladinyane and Ferreira, 2011). Respondents (2NF-8NF, 10NM, 11MM, 13MM, 16MM) viewed organisational commitment as the bond they experienced, which sometimes involved feeling a sense of belonging and loyalty towards the municipality and/or community or even the belief in the values of the municipality. According to research participant 4NM, organisational commitment was their loyalty and dedication to the community:

"...the municipality is there to ensure that people are getting services. So I am always willing to ensure that we uplift the standard of our people, I think that is one of the reasons I am still here...we must ensure that we change those lives and I think is one of the reasons...my calling is to ensure that people are getting services..."

Some respondents felt a sense of commitment towards not only the municipality but also the community (2NF-8NF, 10NM, 11MM, 13MM, 16MM). These respondents expressed their desires to make a change in their communities in terms of service delivery and said that they felt like a part of the municipality. These respondents can be seen as being affectively committed to the municipality, they are loyal and actively identify themselves with the organisation's objectives (Ogamba and Nwuche, 2016). The respondents have affection towards their organisation and chose to stay at their respective municipalities because of the connection they have with the municipality (Ogamba and Nwuche, 2016: 255). However, because organisational commitment is a multidimensional concept and can vary, some respondents embodied more than one form of commitment. Some respondents (1NF, 4NM, 12MF) are committed due to fear of the unknown/sense of comfort, no alternative jobs in the area and a sense of family responsibility. Their commitment to the municipalities is based on fear and the economic benefits they are receiving by staying (Ogamba and Nwuche, 2016: 255). These respondents have continuance commitment. Respondents (1NF, 6NF) indicated that they remain committed to the organisation because of the development and practical training they had received at the beginning stages of their careers. This is normative commitment, the respondents feel obligated to stay and pass on what they learnt.

The third main theme identified under affiliation was work environment. The work environment is the surrounding conditions the employees operate in (Massoudi and Hamdi, 2017: 36). The theme work environment/conditions is mentioned by eleven research participants (1NF-5NM, 10NM-14MM, 16MM) who use words such as *'clean offices and restrooms'*, *'condition of walls, temperature and lighting'*, *'adequate resources to perform tasks/tools of trade'*, *'own space/office for privacy and quietness'* and *'office furniture'*, to describe their understanding of

their environment. The respondents viewed work environment as the condition or state of the workplace. Respondents (3NM-5NM, 10NM-14MM, 16MM) describe work environment as a place where adequate resources (e.g. safety equipment like gloves or masks) are made available in order to perform tasks. Respondent 11MM states:

“...conducive environment with the necessary equipment, tools of trade, protective clothier...all those kind of things which are basic needs for any employee to be performing what is required of them...Most for the things are necessities and if you do not have them you become stuck...things like internet through 3G cards for laptops to research”.

Own office space for privacy and quietness (1NF, 2NF, 5NM, 11MM-14MM, 16MM) and walls lights, air conditioner and clean rest areas (2NF, 11MM-14MM, 16MM) are also mentioned as important aspects of the work environment as they speak to the comfort levels of employees.

Respondent 2NF states that:

“Us having access to things like air-conditioners, you see. If we could have access to these things because my group, we sit and work there the whole day, we are going into summer and it is going to be so hot there whereas in some offices have air-conditioner...also things like office space are important, sometimes is get noises here”

How well employees engage with the organisation, especially with their immediate environment influences to a great extent their error rate, level of innovation and collaboration with other employees, absenteeism and ultimately how long they stay in the job (Chandrasekar, 2011: 4). The work environment involves all the aspects which act and react on the body and mind of employees (Jain and Kaur, 2014), this is reason things such as office layout plans, adequate availability of resources (e.g. computers or equipment), physical appearance of organisation play a role. Although none of the respondents said they would stay solely because of the work environment, it was evident that a conducive work environment formed an important part of the ensuring employees are happy where they are work (1NF-5NM, 10NM-14MM, 16MM).

Career

In the following section, the sixteen interviewees share their opinions regarding career. For the career factor the following were the main themes:

- *Training*
- *Personal growth*
- *Advancement*

As the second most frequent retention factor, career emerged with a total frequency of 202 with its three main themes being *training* at 80, *personal growth* at 77 and *advancement* at 29 (see table 2). Overall, the career factor was viewed as the long term opportunities for development and advancement for employees in a municipal context by research respondents (1NF, 2NF, 4NM-16MM) and also described as such in the literature (Bussin and Toerien, 2015: 5). Respondents (1NF, 2NF, 4NM-16MM) viewed an essential part of career as being the exposure and opportunity to learn something new in a municipality, which is practical experience or training. The respondents believe that training shows that the organisation values them as it has taken time to teach them how to perform tasks beyond what they have learned at school and previous jobs (1NF, 2NF, 4NM-8NF, 10NM). Respondent 6NF is of the opinion that:

“Spending resources and time developing you, therefore they cannot lose that...I think training and developing me was the best way they retained me because from varsity I knew nothing, yet I had the theory but I needed the practical experience...”

Respondents (1NF, 2NF, 4NM-8NF, 10NM) indicated that training is a form of human capital investment. It is an attempt to change the knowledge, skills and behaviours of employees in such a way that organisational objectives are achieved (Ng’ethe, Iravo, and Namusonge, 2012: 209). Training creates a sense of loyalty, if done correctly, this form of opportunity can make employees feel that the organisation values them, that there are opportunities for growth within the organisation and which then gives meaning to their current job (1NF, 6NF).

Personal growth and training are closely linked as they both speak to the development of individuals (Nel et al., 2014). Research respondents (1NF-16MM) described personal growth using words such as *‘study assistance/fund’*, *‘attendance of course/workshops’* and *‘being an understudy/succession plan’* being used by employees. Respondents felt that personal growth was the opportunities made available to them and the municipality’s way of bettering and developing them (1NF-10NM). Personal growth is a form of development, it does not necessarily mean that the employee has been given a promotion, but training and education processes. According to Nel and Werner (2014: 194), is it a formal education, job experiences, relationships, and assessments of personality and abilities that help employees prepare for the future.

Research respondent 1NF states:

“There is a need for development here. The development I am talking about (is not like we don’t have workshops we update you know), I mean a person being able to do a course, like a course that is 1 year or 3 years that will focus on the areas we need consultants for. For instance, I have a B.Com, maybe the development could be an Honours degree.”

Respondents (1NF-10NM) felt that personal growth was important. These respondents indicated that they wanted study further and said that it was the municipality’s responsibility to provide educational funds. Respondents (11MM-13MM, 16MM) wanted to update their skills outside the organisation by the *‘attendance of courses/workshops’*. Personal growth was also seen as an opportunity for participant to become understudies which is not currently happening in the some municipalities. Employee 11MM says:

“Also we do not have this kind of approach, you know if you are a Director you must have an understudy, even if you are manager it is good to have that understudy so that you invest in those people, in a way you are also motivating them. The lower level workers will see this happening and they will be motivated...”

Being an understudy not only gives respondents a better understanding of supervisors’ roles, it allows them to visualize their career path growing and developing within the current organisation (11MM, 12MF, 14MM). Research respondents (12MF, 14MM2, 15MM, 16MM) have opted for the opportunity to become an understudy as advancement (i.e. promotion/higher position) is not something municipalities are able to do, this is because of the limitations in terms of hierarchy structure in smaller municipalities.

RECOMMENDATIONS AND CONCLUSION

Of the six retention factors (Britton, Chadwick and Walker, 1999; Munsamy and Bosch-Venter, 2009), the research respondents viewed affiliation and career to be the most influential factors in their retention. The commitment and ultimately, the retention of the respondents was closely linked to their affiliation (bond) to the municipality and its community (municipal area). Respondents also indicated that this bond and their overall decision to remain with their

respective municipalities was influenced by the management style, good working environment and organisational commitment. The respondents that saw themselves as a part of the municipality and expressed their desire to make changes in service delivery were the employees who chose to stay. However, some employees also chose to remain because of a sense of duty and obligation towards the municipality or because of the economic benefits associated with the job. It can be recommended that an effective way of retaining employees in municipalities is to create a conducive working environment where adequate resources are provided (e.g. office layout, access to equipment) and the workplace is physically appealing with some degree of privacy and serenity in order for employees to perform their tasks. More importantly though, municipalities need to ensure that management is present, supportive and provides guidance. How employees feel about the organisation, relationship with colleagues and the environment is largely based on the employer and employee relationship. It is clear from the findings that employees value being appreciated and supported in their work environment. Management needs to ensure that the above mentioned needs are fulfilled. Managers should also ensure that accountability and management guidance at all municipal levels is prioritised.

Also, employee's careers (which is the degree to which employees perceive their chances to grow and be promoted within organisation) must be considered in retaining staff. Training and personal growth are closely linked as they speak to the development of employees. Career themes (training, personal growth and advancement) were seen as investments, not only towards the municipalities achieving their objectives because of the change in knowledge and skills but also the influence in the behaviour of employees. Although career advancement in smaller municipalities can be limited, opportunities for development (e.g. training, assistances with studying further, courses and workshops) should be provided in order for employees to visualize a future in the municipality. Essentially employees want municipalities to value them and acknowledge their key role in ensuring service delivery.

This research was limited to two municipalities. Although the findings provide valuable in-depth insights into affiliation and career as two key factors in the retention of staff in a municipal context further research needs to be conducted in a greater number of municipalities.

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A business perspective on ROI and risk management in human capital development

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ABSTRACT

Human capital development (HCD) improves employee development, which improves business results. HCD is measured to prove business impact. Organisations in Africa and South Africa are challenged when calculating ROI in HCD interventions. This article presents the business perspectives on HCD benefits, highlighting the ROI and risk aspects. The argument is that although there are productivity, customer satisfaction and competitive advantage benefits to HCD, if the ROI is not calculated the impact on business results remain elusive. It is only when HCD risks are measured and managed that HCD manifests a positive impact on business results. The contribution of this article is to add to the body of knowledge on HCD, ROI and risk measurement in the African and South African context. The practical contribution is the highlighted business benefits of effective and efficient HCD management. The article allows HCD managers to embrace business innovation in their human development strategy.

INTRODUCTION

Sustainable productivity is at the center of an organisation's motivation to invest in its human capital development (HCD) (Waddoups, 2016). According to Sheets and Tilson (2016), the development of employees is positively related to organisational efficiency, productivity and profitability. While these financial indicators have been found to improve following an investment in employee development, non-financial indicators such as increased customer satisfaction, employee morale and reduced employee turnover are also linked to employee development (Lim, Lee and Kim, 2015). These indicators present a further challenge, namely, they are difficult to quantify, measure and manage (Sung and Choi, 2014).

Human capital is an organisational asset consisting of the collective knowledge, skills and expertise of its employees (Deloitte, 2017). Emerging economies are particularly reliant on

human assets to help achieve their competitive strategy (Chatain and Meyer-Doyle, 2017). On both a macro and micro level, organisations are under pressure to remain competitive, and while there are various management tools to measure and report it, the same cannot be said for investments in human capital development (Erasmus, Loedolff, Mda and Nel, 2014; Chatain and Meyer-Doyle, 2017).

While there is strong impetus for strategic human capital to improve organisational success (Kwon, 2014), the managers' ability to prove that money invested in this resource contributes to organisational success and wealth creation should also be measured (Sung and Choi, 2014). According to Michels (2017), training and training evaluation seems to be exempt from this imperative. Failure to provide such evidence may result in disciplinary actions against accountable managers, and ultimately may lead to the termination of investment in training. This may result in a lost training opportunity and wasted costs (Kirkpatrick and Kirkpatrick, 2013).

At a business level, organisations are challenged to optimise their scarce resources. Business face the pressure to meet demanding competitive objectives through their human capital empowerment (Subramanian, Sinha and Gupta, 2012; Erasmus *et al.*, 2014). The challenges are quite different for organisations in developed versus emerging economies, and in particular, the way African countries experience specific return on investment (ROI) and risk-related challenges (African Development Bank, 2014). The gap in the literature is that there is limited theoretical and/or empirical research conducted on the business perspectives on HCD ROI and risks, especially in the African context. This theoretical article explores the ROI and risks associated with human capital development or employee training from a business perspective.

PROBLEM INVESTIGATED

The research problem formulated for this conceptual paper is as follows: What are the business perspectives of ROI and risk of human capital development in an African context? The research objectives of this article are as follows: to investigate the current practices and perspectives of ROI and risk in HCD; and to contribute to the body of knowledge on ROI and risk in HCD within the African context.

The paper contributes to theory by adding to the body of knowledge on HCD ROI and risk in the African context. Practically, the paper presents HCD managers with a business perspective on how ROI and risk impact business objectives and strategy. The paper consists of an introduction, literature review, discussion, findings, implications for application and conclusion.

LITERATURE REVIEW

The literature review is presented under these subheadings: human capital development (HCD); HCD evaluation; Kirkpatrick-Phillips training evaluation model; HCD return on investment (ROI); HCD risk; and African business advantages and challenges with HCD.

Human capital development (HCD)

HCD has been found to be difficult to imitate and whether in a competitive and non-competitive environment, it can become a strategic asset (Deloitte, 2016). Considering the Fourth Industrial Revolution (World Economic Forum, 2018) or the "Big Shift" (Deloitte, 2017), which places major emphasis on sustainable productivity, accountability, ethical conduct and adaptability, organisations have to prioritise, engage and empower their human capital to survive the ever-increasing pace of disruption caused by the onset of technology (Deloitte,

2017). HCD practitioners have a major role to play in managing human capital and how well the organisation deals with these demands (McKinsey and Company, 2017).

HCD and training interventions contribute to and benefits some nations to become business growth orientated compared to others who remain stagnant (Acemoglu, Gallego and Robinson, 2014). South Africa, since the dawn of democratic rule, is still grappling the many differences in the quality of the workforce from different ethnic groups and extraordinary investments are made in HCD to reduce the differences (Ebersohn, 2012). Equally so, many other formerly colonised African nations are attempting to integrate western protocols and indigenous values, which were believed to be superior, with uniquely African ones (Iseke, 2011), which is resulting in a workplace where transformation is visible in the cultures, attitudes and values of employees conscious of a need to establish a global business presence (Thesnaar, 2017).

HCD is defined as the knowledge, skills and abilities possessed by individuals, that contributes to personal, social and economic prosperity (Sablok, Stanton, Bartram, Burgess and Boyle, 2017). HCD strongly correlates with increased performance, innovation, capability and income (Cinnirella and Streb, 2017), enhances labour productivity and in turn national productivity. When knowledge creation and continuous learning are embraced to promote innovative thinking, processes, systems and global markets benefit (Kong, 2015). The question on HCD evaluation arises, especially from a business perspective and especially since HCD interventions are time consuming and costly.

HCD Evaluation

The human capital of an organisation is built and enhanced by training employees (Shenge, 2014) and it also contains a development aspect, implying the intention of developing the individual for future positions and enriching the organisation's collective stock of knowledge and expertise (Caligiuri, 2014; Wright, Coff and Moliterno, 2014). The success of HCD and training interventions should be evaluated and verified frequently (Klein, 2016) and modern management information systems can easily provide information on how many employees went on improvement interventions, whether they enjoyed it, what they learned and how much it costs. Managers must now ask whether an improvement in operational performance can be measured and evaluated (Zinovieff and Rotem, 2008; Chukwu, 2016).

Skills enhancement should start with a needs assessment, followed by the actual intervention and an evaluation of its effectiveness (Shenge, 2014). Evaluation criteria may include the cost of the HCD intervention, the time spent on it skills learned. The HCD expenses include costs in finance, human hours, human effort, venue, etc. HCD benefits include changes in attitudes, improved performance and productivity and transferability of the skills within the organisation. HCD evaluation considers a comparison between the cost and the gains of HCD interventions (Singh, 2013). HCD evaluation is a necessary and objective management tool used to express the success of the programme. Yet, it is the least well executed evaluation of HCD projects and programmes (Weber, 2015). HCD evaluation may be used to validate and justify spending scarce organisational resources, and it allows for the improvement of past programmes or alternatives to programmes. Yet, it is not considered a priority and is it found to be too cumbersome to prove performance improvement following training programmes (Griffen, 2013).

Various models exist to evaluate HCD interventions and determine the business impact, yet none have been as popular as the Kirkpatrick model or the Kirkpatrick-Phillips model. Other models counter, criticize and build on the Kirkpatrick-Phillips training evaluation model. In South Africa, most research on training evaluation techniques have favoured the Kirkpatrick-Phillips model (Naidoo and Xollie, 2011; Jasson and Govender, 2017). Training evaluation in South Africa has been criticised as not been done effectively and regardless of the choice of

model, there is a need for a customised model that addresses the unique African situation (Jasson and Govender, 2017).

Kirkpatrick-Phillips training evaluation model

This model consists of these stages: reaction; learning; application; business impact; and ROI (Davey, Tully, Grant, Day, Ker, Marr, Mires and Nathwani, 2013). The most notable and legitimate criticism was by Kearns (2005), who suggested that the effects of training be evaluated on a continuous cycle, instead of the linear evaluation model proposed by Kirkpatrick. An integrated approach was needed that could evaluate training end-to-end, including diagnostically, formatively and summative (Ramiah, 2014). Jack Phillips enhanced the Kirkpatrick model to include such evaluation practices, and added the 5th element of ROI, allowing more managers to use the model as an instrument to determine if business expectations and objectives are met (Phillips, 2017). The Kirkpatrick-Phillips Human Capital Development evaluation model is presented in Table 1.

TABLE 1:

The Kirkpatrick-Phillips Training Evaluation Model

Level	Description/measurement focus
Reaction, Satisfaction, & Planned Action	What are the participant's reactions to the programme and what do they plan to do with what they have learned?
Learning	What skills, knowledge, attitudes or competencies have changed and by how much?
Application and Implementation	How has behaviour changed and did the participant apply what s/he learned to improve work?
Business impact	Looking at output, quality, cost and time, did the business measures improve after training?
Return on Investment (ROI)	Did the monetary value compare favourably with the cost of the training?

Source: Adapted from Curado and Teixeira (2014)

The more advanced levels (3, 4 and 5) have largely been ignored by training professionals, as a result of their focus on training activity, rather than training impact on business goals (Griffen, 2013). The ultimate purpose of training is not just training; instead it is the improvement of business and organisational performance (Kirkpatrick and Kirkpatrick, 2013). Workplace factors, such as buy-in from management and team leaders, and their openness to the new skills introduced by employees returning from training, are also important considerations in the ability of the trained employees to demonstrate their learning (Level 2) and apply new knowledge (Level 3). At the same time, managers and team leaders are looking for characteristics such as humility and respect from trained employees (Aluko and Shonubi, 2014). Training professionals were found to be reluctant to evaluate training, especially when the evaluation process entails complicated models and methods (Orpen, 2013). Furthermore they may lack the skills or are unclear about the evaluation criteria or outcomes, and without a strategic imperative or pressing need from senior management to produce results of money spent on training, it is unlikely that such results will be produced (Ramiah, 2014).

HCD Return on Investment (ROI)

The introduction of training levies imposed on South African organisations encourages human capital development policy makers, managers, professionals and practitioners to understand, record and measure the impact of HCD interventions. Millions are spent on HCD, yet, there is little evidence that HCD practitioners are aware of the value added to their organisational effectiveness, performance or profitability (Meyer and Opperman, 2011). Many reasons are cited by HR and HCD managers for not measuring ROI, ranging from finding the ROI calculation too complex, too much effort and too time consuming, to the fear that ROI may

show that HCD adds no value. This negative perception has serious implications and consequences for HR and HCD professionals. The formula for calculating ROI percentage in HCD is as follows: benefits minus costs, divided by costs, multiplied by 100 (Meyer and Opperman, 2011; Phillips and Phillips, 2009).

An ROI calculation may give HR practitioners leverage when having to report on their HCD expenditure and justification for future budget allocation (Meyer and Opperman, 2011). Many top performing multinationals have used the Kirkpatrick-Phillips model to evaluate the success of HCD interventions, however, in South Africa training evaluation rarely goes beyond Level 3, the application at work level (Meyer and Opperman, 2011; Aluko and Shonubi, 2014; Jasson and Govender, 2017; Ramiah, 2014). This failure to calculate the benefits from HCD may result in a reduction of budget allocation in future (Weil, 2014). An investment in training without information about the expected return may imply that businesses are in fact taking a risk, and reducing the HCD investment may reduce the risk and enhance profitability (Hamel, 2013). According to Kwon (2014) the severity of HCD risk is becoming more prevalent and a discussion of it in the context of this paper is necessary.

HCD Risks

HCD is the active, arranged transfer of skills, knowledge and competencies or abilities to another or others (Milhem, Abushamsieh and Pérez-Aróstegui, 2014). HCD interventions are initiated to improve the effectiveness of individual employees, the business results and the organisational innovation (Kennedy, Chyung, Winiiecki and Brinkerhoff, 2013). HCD risks are identified after the issue of training effectiveness or ineffectiveness is raised. HCD risks include a focus on accountability, value for money and impact on increased performance and improved organisational capability (Roberts, 2017). A key hindrance to creating business value from training interventions is that neither ROI nor risk is measured by most organisations (Topno, 2012). Furthermore, a lack of measuring ROI and identifying and managing HCD risks is that it prompts the risk of value-loss for HCD interventions, especially during budget cuts (Weil, 2014). The absence of a precise measure of HCD ROI results in poor predictive analytics to gauge business growth, resource allocation and organisational change (Jasson and Govender, 2017).

A reduction in bureaucracy and wasteful expenditure is necessary to minimise the risks associated with achieving a competitive advantage out of HCD interventions (Milhem et al., 2014). The SA skills legislation creates measures to import scarce skills from Africa and other countries across the globe by streamlining the work permit and visa system for foreign expertise; yet the government is unable to manage the risks associated with HCD, including management hindrance to HCD transfer by denying support for innovative skills practice and mastery after the training. HCD interventions carry the risks of lacking innovation; too theoretical and not practical enough; does not allow for skills transfer opportunities; and consultants do not ensure that local skills development is also stimulated (Gribble, Blackmore and Rahimi, 2015).

The risk of irregular training is highlighted as a business risk, especially if organisations are competing within a globalised market. How frequently training is conducted in an organisation is dependent on the learning culture and progressive strategic objectives as well on the profit margins that determine the intent for employee advancement (Mitchell, Obeidat and Bray, 2013). Service organisations train more frequently and spend more on HCD than manufacturing organisations due to the demand and supply of specialised skills, especially skills in information technology and financial expertise (Sablok *et al.*, 2017). The risks in HCD in the SA context includes the following: no training occurs due to cost implications; training is postponed in some divisions and redirected to other divisions in order to meet urgent organisational development imperatives; complacency of managers; and SETA inefficiency in

monitoring that planned training occurs as per the skills reports (WSP and ATR) alignment (Erasmus *et al.*, 2014).

According to Coetzee, Oosthuizen and Stoltz (2016), SA HCD risks include a lack of training and development opportunities; no compensation and career opportunities after training; and poor employee retention, engagement and commitment post training. A further risk is that employees with strategic and highly developed skills who have the ability to perform at high levels are in increasingly high demand, scarce and decidedly mobile (Department of Higher Education, 2014). Government policy also forces business objectives to focus on employment equity and affirmative action aimed at reducing the inequitable employment opportunities between previously advantaged (white) employees and previously disadvantaged (black) employees. This results in HCD risks where skilled black employees are in high demand, with high job mobility and hence organisations fail to retain these developed employees (Joao and Coetzee, 2014).

Global and African HCD

Advanced economies and developing countries around the world emphasise the importance of human capital development (Aluko and Aluko, 2012). Human capital is connected with "...the abilities and skills of human resources of a country" (Aluko and Aluko, 2012:164). Morris (2015) points out that in emerging market economies, HCD is important for firms to achieve and sustain financial performance. Employee performance in the workplace has an important impact on a firm's profits (Soubjaki, 2017).

Despite persistently high poverty and inequality, Africa's economic growth is on the rise. Per capita income in 24 out of 54 African countries increased by more than 100 per cent in the period 1990 to 2010 (African Development Bank, 2014). HCD is regarded as an essential component of a nation's economic growth and prosperity (Aluko and Aluko, 2012). In order to stimulate further economic growth in Africa, African countries require workers that have critical skills and knowledge that can be utilised to uplift the continent (Nafukho, 2013). By improving the quality of its human capital, Africa will be able to reduce poverty, improve economic growth and productivity, create new job opportunities, take advantage of technological opportunities and build key capacities (Fredriksen and Kagia, 2013; African Development Bank, 2018).

Compared to the rest of the world, Africa lags behind when it comes to HCD endeavours (Shuaibu and Oladayo, 2016). There is a dearth of research regarding the determinants of HCD in the African context (Shuaibu and Oladayo, 2016). Furthermore, the value of HCD and training is difficult to quantify (Morris, 2015). In order to optimise organisational performance, many organisations have acknowledged the importance of HCD (Soubjaki, 2017). In a study based on the ROI on HCD in South African corporates by Morris (2015), it was found that human capital efficiency was positively correlated with higher profits for firms. The high ROI as a direct result of the continuous effective and efficient HCD interventions becomes a crucial factor in determining business and organisational performance (Soubjaki, 2017).

Africa is projected to have the world's largest workforce by 2040 (African Development Bank, 2014). This could be a positive factor for Africa in terms of HCD (World Economic Forum, 2017). In many other parts of the world, major labour shortages are predicted (African Development Bank, 2018). In light of this, Africa's greatest advantage and risk in the next ten years is its ability to harness its human capital effectively and efficiently (African Development Bank, 2014).

HCD challenges in Africa

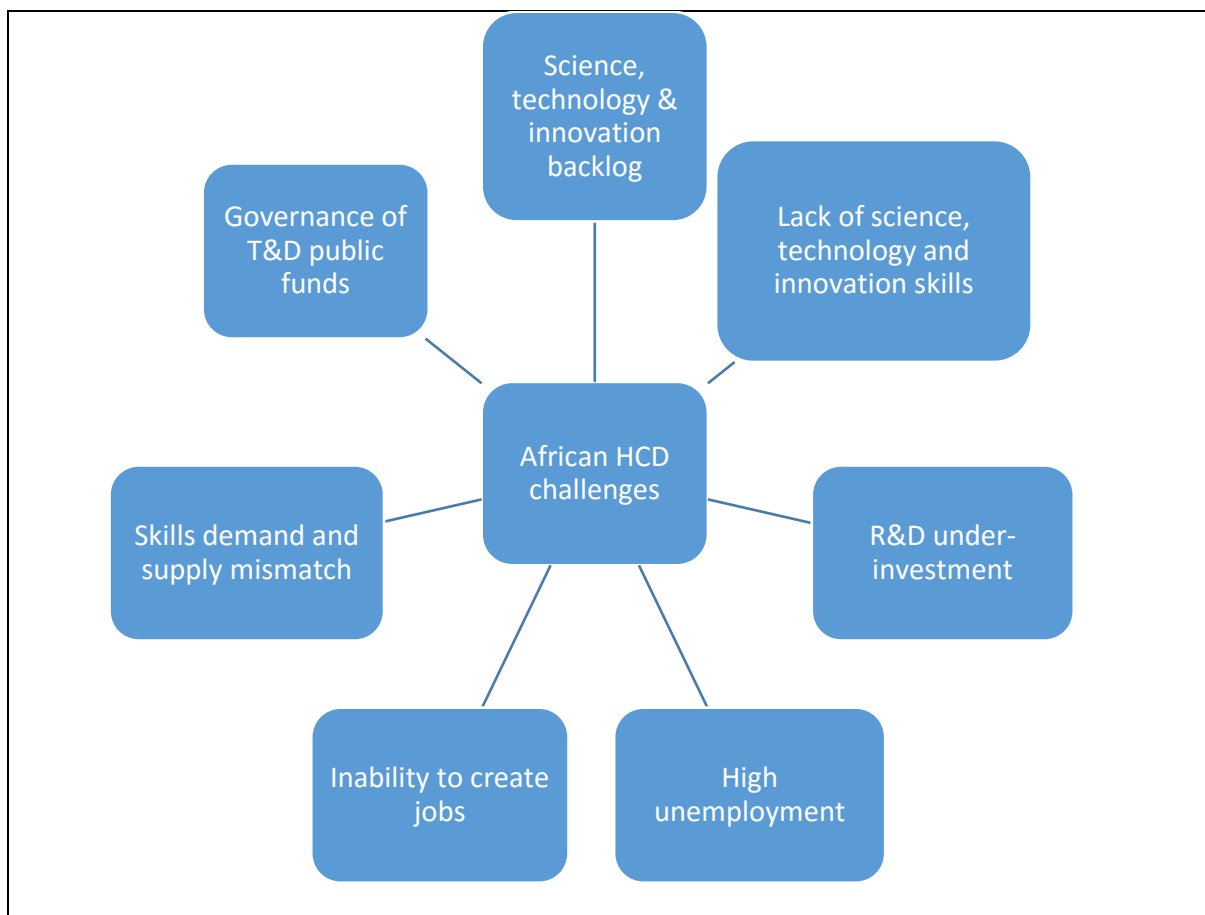
Human capital development is influenced by various political, economic and social factors in many African organisations (Soubjaki, 2017). For instance, gender inequality in Africa is an

important human capital development challenge that has led to underdeveloped human capital. In particular, African women lag behind their male counterparts with 85% of boys attending primary school compared to 73% of girls (Aluko and Aluko, 2012). There is little evidence indicating risk management interventions to increase the education and training of African women (Aluko and Aluko, 2012). As a result of this gender inequality, racial, ethnic and gender discrimination is still very prevalent and has contributed to poor levels of labour output in North Africa and the Middle East (Soubjaki, 2017).

A further major social challenge is unemployment even with HCD interventions. Due to the strong emphasis on agriculture and mineral resources, lack of diversification and low levels of productivity, there have been few jobs created in African countries (World Economic Forum, 2017). African businesses and organisations need to develop more productive jobs that improve the living standards of African people. African countries need to improve their national competitiveness and levels of productivity in order to create jobs and absorb new entrants in the labour market (World Economic Forum, 2017). The African Development Bank (2014) reports on the challenges regarding Africa’s HCD, as illustrated in Figure 1.

FIGURE 1:

Graphic illustration of African HCD challenges



Source: AfDB, 2014.

Fredriksen and Kagia (2013) point out that additional challenges to Africa’s human capital development include the impact of globalisation on education and advances in information and communications technology. Due to increased globalisation, there is a surge in scientific and academic opportunities regarding international collaboration in research and Africa needs to participate in these initiatives. In order to benefit from this opportunity, Africa needs to build many more schools that can educate the growing population, especially in the age category

of 5-14 year olds, which is projected to increase by 71% over the period 2010-2050 (Fredriksen and Kagia, 2013). The main challenge confronting Africa regarding riding the wave of opportunities created by globalisation is its poor capacity to develop its human capital (Fredriksen and Kagia, 2013).

DISCUSSION

This paper aims to extract and present the business perspective on ROI and risk management in HCD, specifically focusing on the African and South African context. The discussion presents a spotlight on these topics: business perspective on HCD, business perspective on ROI, business perspective on risk, and implications for African and South African HCD managers. Table 2 presents the business perspectives as extracted from the existing trends in the literature.

The business perspective on HCD is that HCD is fundamental to improving employee performance, increasing talent development and growing business innovation. HCD contributes to individual, business and organisational development. Developed employees lead to business success that leads to industry and sectorial growth. Ultimately the society, country, continent and world markets benefit from effectively managed HCD interventions.

Table 2:

Business perspectives of HCD, ROI and risk

Perspective	Business benefits from HCD	Supporting authors
Sustainable productivity	Organisational efficiency; productivity; profitability; innovation; technology.	Waddoups (2016); Sheets and Tilson (2016); Kwon (2014).
Increased customer satisfaction	Improved morale; long-term relations; customer-centric strategy; quality products; quality services.	Lim et al. (2015); Deloitte (2017).
Competitive strategy	Unique, collective knowledge, skills and expertise; micro and macro efficiencies.	Chatain and Meyer-Doyle (2017); Deloitte (2016); Subramanian et al. (2012)
Need for HCD measurement	Align HCD to business strategy; measure impact of HCD interventions; determine ROI on each and all interventions; manage risks in HCD.	Michels (2017); Kirkpatrick and Kirkpatrick (2013); Shenge (2014); Jasson and Govender (2017).
Measuring HCD ROI	Does HCD add value to business results, enhance profitability, transfer learning, and enable retention?	Meyer and Opperman (2011); Phillips and Phillips (2009).
Managing HCD risks	Maximize training benefits; ensure learning transfer; support improved performance; flexible retention strategy.	Jasson and Govender (2017); Weil (2014); Sablok et al. (2017).

Source: Authors

The business perspective on HCD ROI is that measuring and evaluating HCD interventions is difficult, costly and largely ineffective. It leads to mostly the costs exceeding the benefits or that costs are so intangible that they are incalculable. Despite this serious challenge, especially in the African and South African context, businesses are embracing the need to measure their spend on HCD via annual ROI calculations or estimations. Various benefits accrue from measuring ROI including business value-add, enhanced profitability, learning transfer and retention of trained staff.

On managing HCD risks, businesses shy away from this management responsibility largely due to the inability to execute the task. Identifying, quantifying, managing and eliminating risks in HCD are fundamental to the success of HCD interventions. Business benefits from

managing HCD risks include maximizing training benefits, ensuring learning transfer, supporting improved performance, and a flexible retention strategy.

IMPLICATIONS

The implications for taking a business perspective on HCD ROI and risk management is that organisations ensure sustainable productivity, increased customer satisfaction, competitive advantage, HCD measurements, ROI measurement and risk management. For African HCD managers, the management implication is that when operational budget cuts arise, they can present a business case for positive HCD impact on business results. For South African HCD managers, the management implication is that HCD benefits has a direct impact on the alleviation of poverty, unemployment, social justice and a transformed, equitable economy and society.

CONCLUSION

HCD ensures that employees keep updated with their skills, knowledge, values and attitudes relevant to their jobs. Organisations invest in HCD interventions to keep employees engaged, skilled, capable and competent. Due to complexities and challenges many HCD interventions escape unmeasured and unaccounted for. Their benefits to improving and increasing business results are lost when HCD interventions are not measured and managed well.

This article presented the business benefits for HCD interventions and highlighted the measurement of HCD ROI and HCD risks. Many benefits accrue to businesses that manage HCD evaluation effectively and efficiently, including sustainable productivity, growth, innovation and technological advancement. Customer satisfaction and gaining a competitive advantage due to HCD management are especially encouraged for African and South African organisations. If South African and African organisations are to escape from the poverty, unemployment and skills-job mismatch scenario, then HCD must be taken seriously and HCD ROI and risks must be quantified, measured and managed well.

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Women experiences and views on benefits of higher education resource services South Africa (HERS-SA) Academy

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Keywords: HERS-SA Academy Intervention, Women Experiences, Views, Leadership Positions

ABSTRACT

South Africa Higher Education Institutions (HEIs) needs more women prepared to assume senior leadership roles. This study examines the lived experiences and views of women after they attended the leadership development intervention through Higher Education Resource Services South Africa (HERS-SA), whether or not such intervention assisted them to stand a better chance to obtain leadership positions within their institutions. The outcomes of HERS-SA development intervention have not yet been researched comprehensively. This study will contribute new and original context-specific insights on women views and experiences pertaining leadership role in HEIs in South Africa, which can be used as a basis for future research on women leaders in HEIs.

HEIs strive to be non-sexist and non-racist. In order to achieve this, the training and development programme was needed to equip women with leadership skills and expertise. HEIs need more well developed women to assume senior leadership roles and to provide diverse quality decisions. HERS-SA was founded in 1972, has provided leadership development opportunities for more than 4,300 women faculty and administrators sponsored by 1,100 institutions in the United States and abroad. HERS has address the new circumstances and challenges women face in HEIs especially in senior positions.

In South Africa, women have always been in the second division of society under presented in leadership roles regardless of their experience, abilities, competencies and qualifications. The universities have not been making a fast progress in appointing women to senior leadership roles despite the government objective of transforming the culture of HEIs to adhere to employment equity act's stipulations. The policies intended at addressing imbalances of the past were drafted and signed into laws, yet there is still non-compliance.

The study resides in qualitative research design, the purposive sample of 12 women will be interviewed to get their lived experiences and views after the HERS-SA academy intervention. The anticipated findings of this study are that women in HEIs are still ignored when coming to be appointed for senior leadership roles in their institutions. In contrast some will prefer not to be in leadership positions based on the other family roles at home and stress that come with the position.

Numerous researchers showed the high statistics that there is still a huge difference in percentages of females in occupying senior management positions in higher education institutions relative to their male counterparts. The findings from the study will contribute to research debates about transformation in HEIs, provide crucial information to government's objectives of compelling institutions of higher learning to implement policies aimed at elevating women to managerial positions and adhere to employment equity act when advertising senior positions. In conclusion women should be afforded equal employment opportunities within the HEIs.

Conceptualising Workplace Spirituality in a university context for increased retention of academic staff

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Keywords: Workplace Spirituality, Universities, Retention, Communities of Practice

ABSTRACT

Change has become a universal topic in the 21st century for all areas of the global, knowledge-driven organisation. This also extends to universities that are mandated to serve public interest and need to supply business and industry with suitably qualified graduates and business solutions on a continuous basis. The massive expansion of higher education coupled with the instrumental role of research and innovation in the knowledge economy has resulted in an increased demand for suitably qualified academics. Subsequently the commercialisation of university activities has transformed universities from 'communities of practice' to 'workplaces' resulting in increased competition for academic staff.

In light of the changing context for universities, academic staff face increased pressure to carry out a variety of functions such as research, teaching, curriculum development, post-graduate supervision, community engagement, administration and the raising of third-stream income. Together with the massification of higher education this has led to increased managerialism in universities characterised by limited professional autonomy and an executive style of management. Academic staff are forced to spend more time on administrative tasks and a heavier workload, replacing collegiality and engagement. This threatens the retention of academic staff as they have a greater need to be engaged in their work to add more meaning and purpose to their lives and workplaces (Bell, Rajendran and Theiler, 2012:72).

Academic leaders and human resource practitioners therefore need to find innovative ways to retain academic staff as part of the human resource strategy of the university and to create a work environment in which academic staff can increase their sense of meaning and purpose in what they do, as well as their feeling of interconnected with colleagues. Workplace spirituality is regarded as the impetus toward meaningful work experiences as it focuses on the inner life of employees that is sustained through meaningful work in the context of community. Workplace spirituality as an emerging concept will be the focus of the study as there is little empirical research available on the topic, especially in the context of South African universities.

Due to the nature of this study, a mixed method approach will be followed. Qualitative research is employed to conceptualise workplace spirituality in the context of South African universities and quantitative research for the empirical phase of the study. The results will lead to creating a valid measure for workplace spirituality in the university context and assist the university to

develop managerial practices that will create positive organisational experiences to ensure the retention of academic staff.

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Emotional intelligence and its impact on subjective career success

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ABSTRACT

For many individuals, career success appears to constitute a major component of their sense of life satisfaction and purpose. Research highlights emotional intelligence as a differentiator for increased SCS of individuals especially those in senior positions that involve complex decision-making. This cross-sectional study assessed the impact of emotional intelligence on the SCS of South African management graduates. An electronic survey using the Wong Law Emotional Intelligence Scale and the Career Satisfaction Scale was administered to a sample of 323 respondents. The findings indicated a statistically significant relationship between emotional intelligence and subjective career although only three of the four variables were found to have a positive effect. Educational institutions should consider the formal inclusion of emotional intelligence in their management curricula while human resource practitioners are encouraged to provide relevant training to ensure the development of an effective managerial layer.

INTRODUCTION

For many individuals, career success appears to constitute a major component of their sense of life satisfaction, purpose, and reason for being (Gunz and Heslin, 2005; Hall and Chandler, 2005). Factors predicting career success are varied with past studies suggesting links to education (Judge, Cable, Boudreau, and Bretz, 1995); networking (Wolff and Moser, 2009); and, personality (Seibert and Kraimer, 2001). Career success has two major components: objective career success – typically measured by hierarchical level, number of subordinates, and income level – and the subjective career success (SCS) component that is assessed through individuals' evaluations of their career aspirations (Heslin, 2005).

SCS has become more prominent in today's working world as the responsibility for career development and what constitutes career success has become more individualised. It is argued that an individual's perception of how their career is viewed has the strongest influence on their self-concept (Tice and Wallace, 2003). SCS also has beneficial organisational consequences such as improved commitment and retention (Herrbach and Mignonac, 2012) and has been shown to have a positive relationship to emotional intelligence (Amdurer, Boyatzis, Saatcioglu, Smith, and Taylor, 2014).

Emotional intelligence (EI) refers to an ability to facilitate accurate reasoning by using emotion and the awareness of emotion to improve thinking (Mayer, Roberts, and Barsade, 2008). In recent years, interest has been growing regarding EI and its effects in the work environment. EI is seen as a crucial core skill that continues to be in high demand by employers (World Economic Forum, 2016). Individuals with higher EI, it is argued, are more emotionally aware and can integrate these emotional experiences with cognitive and behavioural outcomes (Di Fabio and Saklofske, 2014). Importantly, EI has been directly linked to career success in several settings (Amdurer *et al.*, 2014; Hosie, Sharma, Willemyns, and Herkenhoff, 2012; Choi, Oh, Guay, and Lee, 2011; Mayer *et al.*, 2008; Bharwaney, Bar-On, and MacKinlay, 2007; Lopes, Kadis, Grewal, Gall, and Salovey 2006; Cherniss, 2000). Research has shown that EI contributes up to 85 percent of the competencies required for effective organisational leadership (Van Jaarsveld, 2003) and acts as a particularly significant differentiator for those in management and leadership positions (Mittal and Sindhu, 2012; Rosete and Ciarochi, 2005).

These empirical insights have even greater significance within a multi-cultural society such as South Africa where the ability to relate to a wide range of people is considered an essential graduate attribute (Griesel and Parker, 2009) Furthermore, the development of professionals who can engage with others in consistent and productive relationships is now one of the stated objectives of management educators worldwide (Jackson and Chapman, 2011; Krass and Ovchinnikov, 2006). This study, exploring the impact of EI on SCS, is significant as it may a) increase the awareness of EI as a critical component and a necessary feature in the development of future leaders and b) confirm whether a relationship exists between EI and SCS in the South African context.

LITERATURE REVIEW AND PROBLEM INVESTIGATED

Emotional Intelligence

Individual performance in the workplace is increasingly being measured in terms of how effectively people manage themselves and others as opposed to how smart people are or what expertise they possess. This ability, referred to as EI, has been shown to be a dominant factor that contributes to personal and organisational success (Hosie *et al.*, 2012; Goleman, 1995, 1998), and has frequently emerged as a significant predictor of outcomes such as social relations, workplace performance, and wellbeing (Mayer *et al.*, 2008). EI has distinguished itself from other theories through suggesting a symbiotic relationship between thought and emotion (Mayer and Ciarrochi, 2006).

EI has passed certain validation benchmarks, such as a) satisfying traditional intelligence criteria (see, for example, Mayer, Caruso, and Salovey, 2000); b) forming part of personal intelligence in the spectrum of multiple intelligences; and c) having an array of validated measures for different aspects of the construct (Goleman, 2001). The conceptualisations of EI are situated within the context of theory pertaining to three arenas: emotional-social intelligence (Bar-On, 1997), emotional competencies (Goleman, 2001) and, ability (Mayer *et al.*, 2000). Although each of these conceptualisations has resulted in the inclusion of slightly different elements, the fundamental construct appears to have remained constant with the underlying domains suggesting that the different definitions of EI are complimentary rather than contradictory (Ciarrochi, Chan, and Caputi, 2000).

Bar-On's (1997) model referred to a cluster of emotional and social competencies. This array of competencies and skills determine how effectively people can deal with themselves and others while coping with the dynamics of interactions and pressures that surround those (Bharwaney *et al.*, 2007). Goleman's performance model consists of four domains of self-awareness; social awareness, self-management; and relationship management (Berrocal and

Pacheco, 2006). Goleman (1998) believed that EI skills could be acquired and developed and result in exceptional work performance.

Mayer and Salovey (1993) considered three personal characteristics that act as mechanisms to promote EI in individuals. The first, referred to as “emotionality”, was described as an ability to rapidly generate emotions and emotional thoughts, leading to a measure of emotional fluency. Individuals who have high “emotionality” can channel their emotion to promote option identification, and more appropriate prioritisation of needs and goals. The second personal characteristic was described as the ability to manage emotion by reducing negative emotion and promoting positive emotion. This was found to result in optimised information channelling for more effective decision-making. The final characteristic described the neurological ability to decode emotional information and to verbally express it (Mayer and Salovey, 1993). Drawing on the work of these authors, EI has been conceptualised in this paper as consisting of four distinct dimensions as described in Table 1.

TABLE 1:
The four dimensions of EI

Appraisal and expression of emotion in the self (SEA)	The ability to understand and acknowledge deep emotions and be able to express these emotions naturally
Appraisal and recognition of emotion in others (OEA)	The ability to perceive and understand the emotions of other people and be sensitive to their feelings and emotions of others
Regulation of emotion in the self (ROE)	The ability of people to regulate their emotions enabling a more rapid recovery from psychological distress
Use of emotion to facilitate performance (UOE)	The ability to make use of emotions by directing them towards constructive activities and personal performance

Adapted from Wong and Law (2002: 246)

SCS

Despite the subjective nature of career success, it can be succinctly defined as “the positive psychological or work-related outcomes or achievements one has accumulated as a result of one’s work experiences” (Judge *et al.*, 1995: 3). This conceptualisation of career success has usually included two categories, namely objective and subjective indicators. Objective indicators generally include tangible components such as remuneration and total compensation and hierarchical level (Arthur, Khapova, and Wilderom, 2005). Subjective indicators seek to measure individual perceptions of, and affective reactions to career satisfaction, either within their current position or within their overall progression (Callanan, 2003).

While historical assessments of career success tend to focus more on hierarchical progression through the organisation and its associated remunerative growth, subjective elements of career success have recently become more salient (Hall and Chandler, 2005) and interest in SCS has been on the rise (Ng and Feldman, 2014). Studies have linked SCS to several beneficial organisational consequences such as productivity, retention, and employee commitment (Yap, Cukier, Holmes and Hannan, 2010; Pachulicz, Schmitt and Kuljanin, 2008; Igbaria, 1991).

Emotional intelligence and SCS

EI competencies have been found to be a significant predictor of career satisfaction and success (Amdurer *et al.*, 2014). Other studies noted a positive relationship between EI, situational judgement effectiveness, and work attitudes (Choi *et al.*, 2011). The latter study served to highlight the mediating effect of individuals' abilities to make effective judgements of the situations surrounding them – a result of high EI – that in turn led to improved work attitudes. When an individual feels positive and motivated about their job, they focus their efforts on career goal accomplishments (Sultana, Yousaf, Khan, and Saeed, 2016). In an assessment of the array of cross sectional, longitudinal, and experimental studies, Boehm and Lyubomirsky (2008) explored the link between positive affect – described as a feeling of positive emotions – and career success. Their meta-review showed a relationship between these constructs. Successful outcomes were often preceded by positive affect and the induction of positive affect led to enhanced career outcomes.

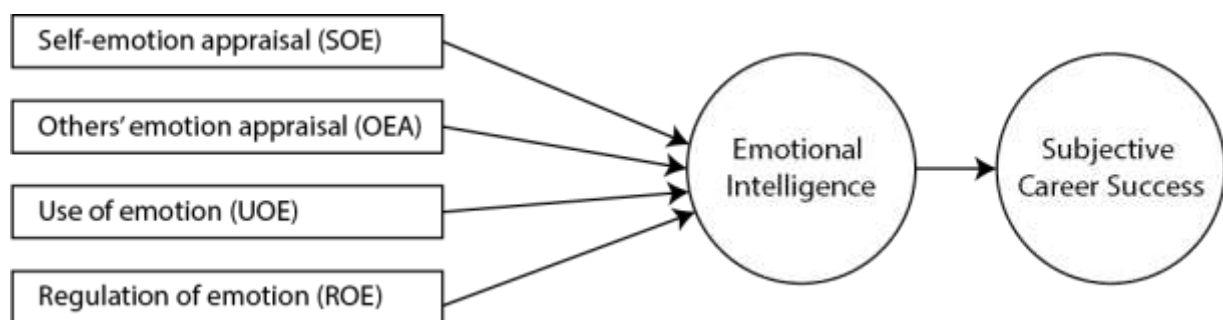
The perception of emotion serves as a foundational dimension of EI that facilitates an individual's proficiency in developing and applying political skill to function at higher organisational levels and enhance their income (Momm, Blickle, Liu, Wihler, Kholin, and Menges, 2015). Thus, emotional abilities – necessary for facilitating the interpersonal dynamics present in organisational life – aggregate to become a key differentiator and allow individuals to progress within organisations. As noted earlier, past studies demonstrate a wide array of positive outcomes experienced by those who have high EI competencies.

RESEARCH OBJECTIVE

Building on initial work by Greenhaus, Parasuraman, and Wormley (1990), the aim of this study was to assess the impact of EI on the SCS in the South African context. To address the research question, the conceptual model presented in Figure 1 was tested.

FIGURE 1:

Conceptual model of the impact of EI on career success



RESEARCH METHODOLOGY

Research approach

The quantitative study took a cross-sectional approach because the data were collected from multiple cases for all the variables at a similar point in time. This design has the benefit of being highly replicable and enjoys strong external validity when samples are randomly selected (Bryman and Bell, 2015). A survey approach was well suited to the present research as (a) the rapid turnaround time of the data gathering process was suited to the current time horizons (Creswell, 2014); (b) these are typically low cost and require few staff; and (c) surveys may be perceived as more anonymous (Cooper and Schindler, 2011).

Sampling

The present study made use of non-probability convenience sampling by administering the survey to as many of the identified sample from the chosen university as possible. This is a highly practical approach to sampling, but researchers caution against using the results to generalise to the population since one is unsure of its representativity. Therefore, although MBA alumni from one business school were chosen for convenience purposes, it may not be possible to generalise the result to all MBAs in South Africa or beyond. According to Westland's (2010) meta-analysis of the literature that discusses sample size with regard to the analytical technique used in the analysis of the data, the minimum sample size required for a study of this nature should be approximately 100 responses. This is a result of the four latent variables that comprise EI in the proposed conceptual model. Westland (2010) suggested a sample formula of: $n \geq 50r^2 - 450r + 1100$ (where r is the ratio of indicators to latent variables). The sample size achieved in this study was more than adequate for the statistical analyses utilising structural equation modelling (SEM).

The sample consisted of 323 respondents who were MBA graduates, ranging in age from 25 to 69 years, with a mean of 37.72 years, a range of 44 years and standard deviation of 6.39 years. The sample comprised 239 male and 84 female respondents, representing 74% and 26% of the sample respectively. This gender ratio was representative of the significant and widely reported male enrolment majority in graduate schools (Perna, 2004) and is slightly below the international MBA enrolment averages for women (roughly 30%) in elite MBA programmes (Kelan and Jones, 2010). The racial distribution of the sample was 7.7% Black ($n = 25$); 9% mixed race ($n = 29$); 72.1% white ($n = 233$); 10.2% Indian ($n = 33$); and .9% did not identify ($n = 3$).

Measuring Instruments

Emotional intelligence: The study used the Wong Law Emotional Intelligence Scale (WLEIS). This scale was created as an attempt to find a practically short and psychometrically sound measure of EI for use in organisational research (Wong and Law, 2002). It was developed according to the four-factor structure of the conceptualisation of EI as posited by Mayer, Salovey, and Caruso (1997) and Salovey and Mayer (1990). These four factors encompass self emotion appraisal (SEA); others' emotion appraisal (OEA); use of emotion (UOE); and regulation of emotion (ROE) Items from the scale included: "I have good understanding of my own emotions" (self emotion appraisal); "I am a good observer of others' emotions" (others' emotion appraisal); "I always set goals for myself and then try my best to achieve them" (use of emotion); and, "I am quite capable of controlling my own emotions" (regulation of emotion). The measure uses a six-point Likert scale (1 = strongly disagree; 2 = disagree; 3 = slightly disagree; 4 = somewhat agree; 5 = agree; 6 = strongly agree).

This scale has an acceptable factor structure and internal consistency as well as appropriate convergent, discriminant, and incremental validity. Various studies have shown Cronbach alphas ranging from .83 to .91 for each of the four scales. In Wong and Law's (2002) research, they reported SEA (.87); ROE (.83); UOE (.84); and OEA (.90). When the WLEIS was administered to the sample in this study, it yielded a Cronbach alpha coefficient for all 16 items of $\alpha = .80$. For SEA, the Cronbach alpha was $\alpha = .72$; for OEA it was $\alpha = .72$; for UOE it was $\alpha = .59$; and, for ROE, it was $\alpha = .73$.

SCS: The five-item Career Satisfaction Scale (CSS) developed by Greenhaus *et al.* (1990) was used to assess the subjective perception of career satisfaction. Respondents were asked to rate statements such as "I am satisfied with the progress I have made towards meeting my overall career goals" across a six-point Likert scale ranging from 'strongly disagree' to 'strongly

agree'. Longitudinal studies have also found high internal consistency, with Hecht and Allen (2009) finding $\alpha = .86$, and another study conducted over a five-year time period producing $\alpha = .83$ (Spurk, Abele, and Volmer, 2011). This scale appears to be psychometrically sound and is a commonly accepted measure for career satisfaction. When the CSS was administered to the present sample, it yielded a Cronbach alpha coefficient of .84. This suggests very good internal consistency reliability.

Research procedure and ethical considerations

The researchers gained the support of the alumni department at the selected university, since their support was essential to gaining wider access to the sample in the data gathering process through leveraging alumni social media pages and the networks of individuals currently involved with the business school. Ethical clearance was sought from and granted by the Ethics Committee of the chosen academic institution. A cover letter was attached to the electronic questionnaire advising respondents that their responses would be anonymous and confidential and that they were free to withdraw from the study at any time.

Prior to administering the survey, a pilot of the proposed questionnaire was conducted with a group of 10 MBA students. The purpose of this pilot group was to test the timing and administration of the survey, as well as its utility, including grammatical correctness, readability, reliability, face-validity, technical ease of use, and the workability of the Internet link. The pilot study provided useful feedback that was used to improve the questionnaire.

Statistical analysis

To confirm each of the four components that make up the structure of the WLEIS, item-reliability analysis was run on each construct using SPSS 22. The five components that make up the SCS were also subjected to the same test. Descriptive data analysis using univariate reporting methods was also conducted using SPSS. Statistica 14 was used to test the proposed model through structural equation modelling.

RESULTS

Assessing the overall model

Because of the non-normal distribution, the chi-square index could not be accurately informative with regard to the fit of the model. It was therefore necessary to use other goodness-of-fit indices that are appropriate in instances of non-centrality. The criteria used to assess equivalence for the fit indices (Table 2 below) were the point estimate scores of the goodness-of-fit index (GFI) = 0.95; the adjusted goodness-of-fit index (AGFI) = 0.91; the population gamma index (PGI) = 0.97; the adjusted population gamma index (APGI) = 0.94; and the root-mean-square error of approximation index (RMSEA) = 0.08. The values of the non-normed fit index (NNFI = 0.94) and the normed fit index (NFI = 0.93) were greater than the cut-off value of 0.90. The proposed model was therefore judged as being an appropriate model for representing the data.

TABLE 2:**Model fit indices**

Fit index	Value	Acceptable fit
GFI	0.95	> 0.90
AGFI	0.91	> 0.90
PGI	0.97	> 0.90
APGI	0.94	> 0.80
RMSEA	0.08	< 0.10
NNFI	0.94	> 0.90
NFI	0.93	> 0.90

The measurement model

With the measurement model (Table 3), the focus is on the variables that make up each of the constructs of Emotional Intelligence and SCS.

TABLE 3:**Measurement model results: Standardised estimates**

	Standardised coefficients	t-statistic	p value
(EI)-1->[SEA]	0.83	18.75	0.00
(EI)-2->[OEA]	0.42	7.65	0.00
(EI)-3->[UOE]	0.51	9.86	0.00
(EI)-4->[ROE]	0.58	11.85	0.00
(SCS)-9->[SCS1]	0.82	36.40	0.00
(SCS)-10->[SCS2]	0.91	56.63	0.00
(SCS)-11->[SCS3]	0.53	12.16	0.00
(SCS)-12->[SCS4]	0.86	45.37	0.00
(SCS)-13->[SCS5]	0.49	11.02	0.00
(EI)-20->(SCS)	0.45	7.89	0.00

Each of the EI variables had a positive relationship with EI. However, while SEA, UOE and ROE indicated strong positive relationships ($\beta_1 = 0.83$, $\beta_3 = 0.51$, and $\beta_4 = 0.58$ respectively), OEA showed a moderate positive relationship ($\beta_2 = 0.42$). The statistically significant relationship found between EI and SCS is a reassuring yet expected finding considering the reliability coefficient of the scale ($\alpha = .82$) in this study. Since this part of the SEM is essentially a confirmatory factor analysis, it can therefore be concluded that the four-factor structure of the WLEIS is confirmed in the present sample.

The study therefore adds to other empirical work promoting the WLEIS as a consistently reliable and psychometrically sound measure of EI within various contexts (Libbrecht, De Beuckelaer, Lievens, and Rockstuhl, 2014; Kafetsios and Zampetakis, 2008; Wong and Law, 2002). For SCS, the standardised coefficients of the five components indicated positive relationships. This scale maintained its high level of reliability ($\alpha = .84$) in the present study and supported previous reliability scores for this measure at different organisational levels (e.g. Judge *et al.*, 1995), across languages (e.g. Park, 2010; Abele and Spurk, 2009) and over time (e.g. Spurk *et al.*, 2011).

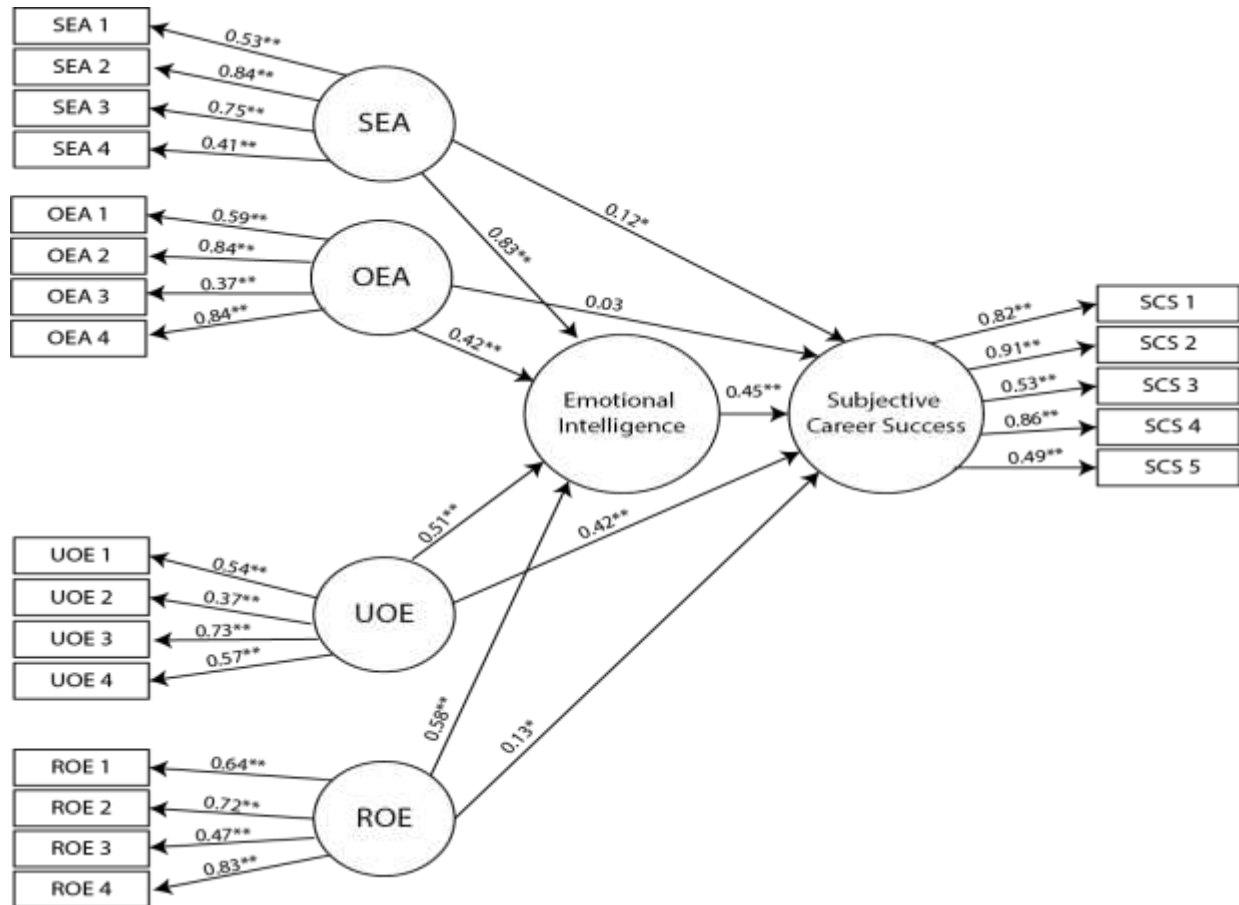
The structural model

The results for the structural model (Figure 2 below) showed that EI had an overall statistically significant positive effect on SCS ($p = 0.00$) and that this was a moderate effect ($\beta = 0.45$). The results showed that UOE had statistically significant effects on SCS showing p -values of 0.00 and coefficients of $\beta = 0.42$. SEA and ROE showed p -values of < 0.05 with coefficients

of $\beta = 0.12$ and $\beta = 0.13$ respectively. However, the structural model showed that OEA did not have a statistically significant effect on SCS with a p -value of 0.59 ($\beta = 0.03$).

FIGURE 2:

Structural model of the impact of EI on SCS



Structural pathways are significant at the ** $p = .00$ and * $p = .05$ levels.

DISCUSSION

The statistically significant and moderately positive effect ($p = 0.00$; $\beta = 0.45$) of EI on SCS confirmed the central objective of this study. The definition of career success used by Judge *et al.* (1995) highlights the psychological antecedents that precipitate SCS. Other empirical findings confirm the following outcomes of EI in the context of work, each of which may precipitate SCS: self-acceptance and positive dispositions (Bharwaney *et al.*, 2007); adaptability (Coetzee and Harry, 2014); wellbeing (Boehm and Lyubomirsky, 2008); a more positive perception of the individual by others; and better social relationships (Mayer *et al.*, 2008).

A study by Choi *et al.* (2011) showed that people with higher EI competencies exhibit more positive work attitudes and that these positively impact on SCS. Furthermore, as these authors found, the relationship between EI and SCS was mediated by the effective ability to judge situations appropriately and to respond successfully. Improved judgement and decision-making allow an individual to maintain a better work attitude and a more satisfying work environment within their immediate surroundings (Choi *et al.*, 2011). Effectiveness of

judgement in work environments has been repeatedly shown to be a core outcome of increased EI (Goleman, 1998). It has also been empirically shown that EI promotes the ability to be adaptable in one's career choices by manoeuvring into situations that are more pleasant or by changing the status quo (Coetzee and Harry, 2014). It seems then that individuals with higher EI are more competent at optimising the work environments that surround them and that this promotes internally defined career outcomes or SCS.

However, a closer look at each of the EI variables and their relative scale items is revealing in the context of this study. While three variables exhibit a positive relationship with EI, the ROE variable was the strongest predictor of SCS. The SEA scale items are indicative of a consistent ability to be aware of and to understand one's emotions. When this is considered in light of the items for the regulation of emotion – two of which suggest an ability to avoid negative emotion – it was plausible to consider that this ability to avoid negative emotion may have promoted the link between EI and SCS. This followed because of the logic that: (a) a person with high self-emotion appraisal attests that they are consistently aware of and understand their emotions; (b) if this person also scores themselves highly on the regulation of emotion, then they see themselves as being adept at avoiding negative emotion; (c) these people would be capable of avoiding or managing the negative emotion associated with being dissatisfied with their success or progress within their career. If this is the case, then it adds empirical evidence to other findings and suggests that EI promotes appropriate adaptation to enhance career satisfaction (Coetzee and Harry, 2014).

The items comprising OEA focus on the individuals' emotional interaction with other people. Specifically, the self-rated statements consider how well the individual can discern the emotions of those known to them; their observational skills regarding emotions; their sensitivity to the feelings and emotions of others; and an overall understanding of the emotions of those around them (Wong and Law, 2002). While these externally focused factors have the most significant impact on objective career success within a corporate context (Momm *et al.*, 2015; Mayer *et al.*, 2008; Goleman, 1998), the findings of this study show no statistically significant relationship between OEA and SCS. This suggests an underdeveloped ability to assess the emotions of other individuals. This could also influence the individual's ability to work with others effectively through being unable to notice and understand their feelings (Othman, Abdullah, and Ahmad, 2009). The impact of this finding is highly pertinent to the current sample since the purpose of MBA programmes in particular is to develop effective managers and leaders (Schlegelmilch and Thomas, 2011).

PRACTICAL IMPLICATIONS

There are implications for individuals who are interested in increasing their career success and for those who are still evolving in their managerial roles. It may be that the most effective avenue for career success is not via avenues such as working harder, changing jobs, or improving technical skills, but rather through the development of EI. The results showed that respondents with higher EI have higher SCS confirming the findings of other studies (Amdurer *et al.*, 2014). The findings of the current study suggest that increased importance should be placed on OEA competencies in management development programmes given EI is a learnt skill and can be developed over time (Colfax, Rivera, and Perez, 2010). This will entail the reconceptualisation of the content and approach used in these programmes to accommodate for this type of development. Even though Fambrough and Hart (2008) cautioned against any quick-fix solution and noted that substantial time and commitment, feedback, and coaching were required for success, there are several classroom activities that can be utilised to improve EI more generally, and OEA more specifically.

On a practical level, enhancing listening skills and ensuring effective group work to improve social skills should improve the ability of individuals to recognise and understand the emotions of those around them. Lectures and workshops that teach management students about

emotional intelligence explicitly (Fall, Kelly, Macdonald, Primm, and Holmes, 2013); role play (Sigmar, Hynes, and Hill, 2012); holistic teaching approaches (Mabry, 2011); and reflection through journalling (Myers and Tucker, 2005) have the potential to enhance students' emotional competencies. Within the work environment itself, Human Resource (HR) departments also have a role to play. HR practitioners are encouraged to conduct EI training especially for those in service and managerial positions (Farnia and Nafukho, 2016). There is also a case to be made for promoting EI within multi-cultural environments such as South Africa since EI promotes the ability to interact effectively with a diverse group of people within these kinds of environments (Fall *et al.*, 2013).

LIMITATIONS AND RECOMMENDATIONS

One of the major limitations of this study was that of gaining access to the sample. The sampling approach endeavoured to capture as many respondents as possible; however, this meant leveraging the contacts that surrounded the current networks of the chosen business school. This limitation restricted the results from being extrapolated to the total MBA alumni population. This study was also limited in its scope as it focussed only on respondents from one university. The sample could have been more representative of the wider MBA community in South Africa if participants had been sought from other business schools.

Future studies should include alumni from business schools more broadly to assess whether the proposed model commonly describes management studies alumni. This proposed research avenue would also allow for an assessment of differences in the relationship between EI and career success between different business schools.

Since the data from the present sample yielded mixed results, future research could test the model on other samples. This is important to both assess the validity of the findings and gauge the reliability of the proposed model. In addition, the inclusion of objective career success as a measure would provide a tangible measure in terms of salary, advancement, and promotions. These indicators, coupled with SCS items, can also be evaluated by others such as the respondents' subordinates and immediate managers through a triangulated methodological approach.

The present study did not assess demographic differences in relation to EI and its impact on career success. This offers numerous avenues for future research. For example, racial and gender differences and their impact on the relationship between EI and career success would be of particular interest given South Africa's multi-cultural environment. Furthermore, the impact of age differences in career stages or type of career chosen could be explored to assess their relationship to the factors in this study.

CONCLUSIONS

This cross-sectional quantitative study assessed the impact of emotional intelligence on the SCS of South African respondents. Past research has highlighted emotional intelligence as a significant distinguishing factor between high performers and their counterparts within similar positions. A review of the literature resulted in a proposed conceptual model through which the researchers endeavoured to investigate the relationship between EI measured using the Wong Law Emotional Intelligence Scale and SCS measured using the one-dimensional Career Satisfaction Scale. The results indicated an overall appropriate fit of the proposed model and a moderate positive relationship between EI and SCS.

The findings also promote the importance of EI as a significant component of SCS for management studies graduates. If the aim of these kinds of programmes is to develop and produce effective managers and leaders, more explicit inclusion of EI competencies, especially ROE, in the curricula will be required since these may be a differentiating factor at

this level. Ensuring EI competence and application is central to the promotion of the calibre of future management and leadership sorely needed in an emerging economy such as South Africa and immensely beneficial to the organisations that will be shaped and influenced by these individuals.

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Main pillars on which to build the future of work

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ABSTRACT

Managers today face uncertainty of what the future of work entails. This research focused on obtaining information about the future of work from futurists. Using the Delphi technique, 30 futurists from several countries were asked to participate in this study. Themes were categorised in round 1 and presented for clarification in round 2. During round 3, Kendall's coefficient and mean ranks were determined. A reasonable degree of consensus was reached. According to the panel, new workspaces should be considered, leadership will have to focus more on empowerment and less on control, organisational structures will need to change, and having a purpose, being able to make a difference and meaningful engagement will be essential. Three main pillars on which to build the future of work, namely the future workplace, future management and future employee, were identified. These pillars will assist management to transform the current world of work into the future of work.

INTRODUCTION

"The future is up in the air and nobody has any idea of what it holds" (Haryanto, Moutinho, Aldas-Manzano, and Hadiansah, 2018: 543). The mystery of the future has attracted many people to explore what it may bring. A little bit comprehension of the future will hence grant a lot of benefits for those who know it. For instance, companies who know a small part of the future will be able to gain advantages more easily. With the information age ushering in rapid digitalisation and a fast evolution of technology in different aspects of the workplace, managers have to re-evaluate their roles to remain relevant. Morgan (2014) states that, throughout the history of business, employees have had to adapt to managers, and managers have had to adapt to organisations. However, this will be reversed in the future, with managers and organisations adapting to employees. Morgan (2014) is of the opinion that there are five trends shaping the world of work, namely new behaviours shaped by social technologies that are entering organisations, technology, the millennial workforce, mobility and globalisation. According to Boudreau (2016), leaders of the Global Consortium to Reimagine HR, Employment Alternatives, Talent, and the Enterprise (CHREATE) identified five forces of fundamental change, namely social and organisational reconfiguration, an all-inclusive global talent market, a truly connected world, exponential technology change and human-automation collaboration. Botha (2016) mentions the different tools to approximate the future are for example technology-related, behaviour-related and future-related. Rafferty, Jimmieson and Armenakis (2013) emphasise the fact that managers must prepare employees for change on a cognitive and an affective level. To prepare for the future, it is necessary to develop a new

thinking framework in a complex space. There are strong parallels between future thinking and systems thinking (Botha, 2016).

FUTURE OF WORK

Technological advances

The term Industry 4.0 is the reminiscent of the fourth industrial revolution which is upon us. The first three industrial revolutions spanned almost 200 years. In general, Industry 4.0 is interpreted as the application of the cyber physical systems within industrial production systems (Ghobakhloo, 2018). When future directions and options in technology are uncertain, organisations need to formulate an appropriate technology strategy to support their planning for interacting with upcoming future technological developments such as Industry 4.0 (Ivanov, Dolgui, Sokolov, Werner and Ivanova, 2016).

Artificial Intelligent (AI) robotics create substitutes for humans in brain work as well as in physical labour it will change the comparative advantage of machines relative to people and are likely to raise the income earned by machines relative to human workers (Freeman, 2018). Freeman (2018) also mentions that studies of the deployment of industrial robots suggest that the technologies are beginning to affect employment and earnings. Totterdill and Exton (2014) posit that organisations that embrace participative work practices are able to respond to rapid technological and other environmental changes, and to withstand competitive pressures.

Pires and Azar (2018: 311) state that “modern robotic manufacturing systems, beyond just being flexible, must allow users – at programming, advanced engineering, maintenance and operator levels – to be able to simply tell or show what users are calling them for”. Machine reengineering is therefore not simply a technology transformation. It is a new perspective encompassing technology, strategy and work – one that differs dramatically from the old notion of creating value by replacing workers with automated machines (Shukla, Wilson, Alter, and Laverri, 2017). Safety of robots that operate in this proximity to humans, specifically collaborative robots, assistive, personal care and service robots and mobile warehouse and delivery robots, is therefore essential (Bogue, 2017).

Lastly, “such areas as nanoelectronics, photonics, nanobiotechnology and nanoelectromechanical systems have already proved their potential and are expected in the near future to bring significant effects in a number of sectors of economy” (Gokhberg, Sokolov and Chulok, 2017: 449).

Workspace

Boudreau (2016) is of the opinion that organisations are without boundaries, agile, global and transparent – and will be even more so in the future. The future work environment – physical space, virtual space and culture – must support successful teaming (Darmody, 2017). Wilhoit, Gettings, Malik, Hearit, Buzzanell and Ludwig (2016) state that the most important characteristics for workspace include the ability to hold private conversations, the ability to undertake quiet, concentrated work, and protection from outside noise and conversation. “In identifying their ideal workspace, respondents valued spaces that provide privacy, control, access, proximity, technology access, size, indication of either status or equality, an aesthetically pleasing environment, comfort, physical well-being, and flexibility” (Wilhoit et al., 2016: 811).

Economic change has transformed the nature of most office-based businesses and continues to do so. Offices are leaner and more agile, they are continually reorganising and adapting, and they are less hierarchical in structure and in terms of decision authority (Harris, 2016).

Some form of flexibility and customisation of space and furniture should be incorporated into workspace design in order to satisfy the unique needs of the workforce (Hills and Levy, 2014).

Maitland and Thomson (2014) mention that offices themselves will continue to exist as locations where people meet, and will become meeting places rather than places where concentrated work is done. There will still be workplaces, but not in the conventional form, and people will need a healthy mix between solitary work and face-to-face encounters (Maitland and Thomson, 2014).

Wilhoit et al. (2016) mention that employees communicate their satisfaction or dissatisfaction with their workspaces, which could have an influence on employee morale or organisational culture. There are weaknesses in modern offices when it comes to collaboration and a handful of obstacles that the digital working environment still needs to overcome. These problems aren't solved yet, but the world is heading in a direction where professional collaboration will be most successfully hosted in a digital environment (Alton, 2016).

Leadership and management

Managers must focus on designing environments and systems for work that inspire individuals to contribute their full imagination, initiative and passion every day, and on taking advantage of new social, mobile and digital technologies to activate, enlist and organise talent across boundaries (Bell, 2012). Morgan (2014) suggests that, in order to succeed and thrive, management should rethink and challenge everything they know about work. Employers should start building a navigation system and asking the hard questions now to navigate the changing topography (Boudreau, 2016).

Gratton (2010) is of the opinion that the following practices should be established to deal with the future world of work: virtual teams, transparent and authentic leadership, valuable cross-business networks and relationships, valuable relationships with partners, consumers and entrepreneurs, and flexible working practices. It is interesting to note that leaders of high-tech enterprises should flexibly adopt transformational and transactional leadership, particularly more value transformational leadership (Li, Castaño, and Li, 2018). Li, Castaño and Li (2018) also note that leadership styles significantly influences work engagement; specifically, transformational and transactional leadership positively predicted work engagement.

Managers should engage in futures workshop to produce, collect and communicate views and ideas on potential future developments (Lauttamäki, 2016). A data-driven culture by measuring, monitoring and improving the attitudes of managers toward statistics and business analytics should be encouraged (Carillo, Galy, Guthrie and Vanhems, 2018).

Workforce

Businesses will source and engage talent in diverse work arrangements that go beyond traditional full-time employment to include part-time, freelance, outsourced and crowdsourced workers (Boudreau, 2015). People might be without a job for a period, but will be reemployed if they gain new skills (Ashata, 2015). Johns and Gratton (2013) state that virtual freelancers, virtual corporate colleagues and virtual co-workers are inevitable, and managers will have to focus on collaboration, reconceive physical workspaces, reconstruct workflows to tap remote talent, invest in technology and recognise idiosyncrasy. Although the compensation rates of contingent workers are often quite high, they are offset by a proven set of skills and the elimination of benefits and other employee services (Vaiman, Lemmergaard, and Azevedo, 2011).

The position of agency workers may be problematic from the perspective of social capital formulation in a work organisation because of the short duration of contracts and different

conditions of employment shake relations in a work group (Viitala and Kantola, 2016). With freelancers and remote workers moving around, keeping different schedules, it may affect collaboration in the future of work. Johns and Gratton (2013) mention that measuring achievement remains difficult because managers agonise about how to gauge productivity in knowledge work and not being able to observe people at their desks.

With an increasing concern over environmental issues, organisations with the ability to be socially responsible will attract employees, customers and investors (Ulrich and Dulebohn, 2015). Employees need help to adapt to changing skills requirements through employer investment in learning and development, and through active labour market policies at national level (Totterdill and Exton, 2014).

PROBLEM STATEMENT AND PURPOSE OF THE STUDY

It is clear from the above review that there is a research gap in terms of the main pillars on which to build the future of work. It is uncertain which pillars will assist management to transform the current world of work into the future of work. The purpose of this article is to shed light on the main pillars that management should be aware of in order to prepare for the future of work.

DATA AND METHODS

The Delphi technique recognises expert knowledge as legitimate and useful in generating forecasts and achieving consensus (Green, Armstrong and Graefe, 2007; Hsu and Sandford, 2007; Topinnen, Pätäri, Tappura and Jantunen, 2017; Yousuf, 2007). As engaging with the future of work requires such forecasting, the Delphi technique was deemed appropriate to obtain futurists' views on the world of work because the technique facilitates knowledge exchange and idea generation. The Delphi technique includes at least two rounds of questionnaires, with the first round of questions being open-ended, and each subsequent round being based on the responses of the previous round (Ruschkowski, Burns, Arnberger, Smaldone and Meybin, 2013).

Sampling

The study on which this article reports set out to examine futurists' views of the future of work. Morgan (2017a) is of the opinion that futurists help organisations look ahead to see what their potential futures hold and how to create the future that the organisation wants. Futurists also help others to understand and generate a knowledge base about the future (Mahaffie, 2003). Reviewers have shown surprising agreement in studying changes in the past, the current situation and the future (Furnham, 2000: 253).

An invitation to participate in this study was therefore posted on the website of the Association of Professional Futurists (APF). Futurists who were members of the association at the time of this research indicated their interest and were included in the study (i.e. purposive sampling). Snowball sampling further used to supplement the sample (Babbie, 2010), and resulted in the participants representing several futurist associations. The snowball sampling method resulted in referrals by participants, which increased the diversity of the sampling. The criteria for including respondents were as follows: university degree and a minimum of one year's experience as a futurist.

Regarding the participants' biographical information, 13 indicated that they lived in South Africa, 7 in the United States of America, 2 in Canada, 2 in the Netherlands, 1 in Sweden, 1 in Sierra Leone, 1 in Kenya and 3 in Australia. Five of the respondents reported that they had 1–5 years' experience as a futurist, 8 had 6–10 years, 3 had 11–15 years, 5 had 16–20 years, 2 had 21–25 years, 1 had 26–30 years, 3 had 31 or more years' experience and 3 were

unknown. There were 12 respondents with a PhD qualification, 12 with a master's degree, 2 with an honours degree and 4 with a B degree. Lastly, there were 15 members who were affiliated with the APF, 6 with the World Future Society, 5 with the Millennium Project, 2 with the World Futures Studies Federation, and 2 with the Institute for Future Studies.

Data collection and analysis

The Delphi technique was employed to collect data from the participants. Three rounds of questioning took place. The first two rounds focused on generating ideas around the future world of work as well as clarification and expansion of ideas. Futurists not only contributed their personal thoughts on the future of work but were also provided with the themes and ideas generated by other futurists in the group, providing the opportunity to debate and reach consensus about the various contributions. This participative process concluded with a third and final round of the Delphi technique where the participants were provided with the final themes agreed upon in order to rate their priority. This resulted in an ordered list of themes addressing each of the questions raised in the previous rounds. Each round is described in detail below.

Delphi round 1

The first round consisted of one open-ended question to prompt panel members about their opinion of the future of work, namely: "In your opinion, what does the future of work entail?"

The textual data, along with a demographic profile for each panel member, were analysed and coded with ATLAS.ti. The database also included reflections, memos and descriptions from the research team, which informed the decisions made during coding, ensuring transparency (Miles, Huberman and Saldana, 2014). During round 1, qualitative content analysis involved a process designed to condense raw data into categories and themes based on valid inferences and interpretation (Berg, 2001). Inductive coding (analysis without predetermined categories) and deductive coding (analysis with previously formulated categories derived from theory) were used to analyse the data (Hsieh and Shannon, 2005). Generating concepts or variables from theory or previous studies is also very useful for qualitative research, especially at the inception of data analysis (Berg, 2001). The purpose of coding is therefore to understand the raw data by putting names to events, incidents, behaviours and attitudes (Welman, Kruger and Mitchell, 2010). In the present study, this involved breaking down the narrative data into smaller units, and coding and naming the units according to the content represented. The coded material was grouped based on shared concepts and meanings. The themes were then categorised and described using Tesch's method (1990). Inductive coding was used to analyse the transcripts. ATLAS.ti (version 7.0) was used to organise the data.

The trustworthiness of content analysis results depends on the availability of rich, appropriate and well-saturated data (Tesch, 1990). Improving the trustworthiness of content analysis of this study began with thorough preparation prior to the study, and required advanced skills in data gathering, content analysis, trustworthiness discussion and result reporting (Tesch, 1990). The trustworthiness of data collection was verified by providing precise details of the sampling method and participants' descriptions.

Delphi round 2

The themes generated through the analysis of the round 1 data resulted in multiple themes. These themes formed the basis of the second-round questionnaire, which reported the themes related to each question. Participants then had the opportunity to comment on their own and other futurists' input, as well as to expand, add and clarify previous inputs. New themes were then formed to complement their comments and inputs during round 2. This constituted a form of member checking in order to ensure that the data were analysed appropriately and captured

the voices of the participants accurately (Lincoln and Guba, 1986). The process thus contributed to both additional data collection and the establishment of the trustworthiness of the research.

Delphi round 3

Round 3 focused on consensus seeking and prioritisation of the themes. Each participant was provided with the themes based on the previous two rounds of input and asked to rank the themes according to importance. This resulted in a list of ranked themes. Kendall's concordance analysis (Kendall and Babington Smith, 1939) was conducted to measure the agreement of different respondents on their rankings of risks based on mean values within a particular group. Kendall's coefficient of concordance (W) is statistically significant at a pre-defined significance level of 0.05, and this is an indication of a reasonable degree of consensus amongst the respondents within the group on the rankings of risks as indicated (Ke, Wang, Chan and Cheung, 2011).

Response rate

The response rate during the three rounds of the Delphi process is stipulated in Table 1.

TABLE 1:

Response rate by phase throughout the Delphi process

Rounds	Sent	Received	Response rate
1	30	27	90%
2	30	20	67%
3	30	23	77%

RESULTS AND DISCUSSION

The results and discussion of the three Delphi rounds are presented below.

Delphi round 1

Nine themes and categories, with accompanying quotes, were identified and are depicted in Table 2. All quotes are reproduced verbatim and unedited. The themes depicted in Table 2 are people management, environmental scanning, technology, leadership, thinking, collaboration, transition preparation, laboratories and engagement.

TABLE 2:

Round 1: Themes, categories and quotes

Themes	Categories	Quotes
Management (management of all people-related issues in the workplace)	Invest in employees	Participant 18: <i>Top management should be able to invest in technology, education or capacity of employees as some jobs might become obsolete.</i>
	Futuristic approach	Participant 2: <i>Managers need to adopt a more futuristic approach to planning, the design of workspaces and relationships between the employer and employees.</i>
	Workforce	Participant 9: <i>Engage in scenario planning to look at likely futures and create a workforce development plan to support organizational success in light of those possible scenarios.</i>

	Essential soft skills	Participant 10: <i>They should hire critical thinkers and ensure that they have the right social intelligence and emotional intelligence to play well with others.</i>
	Organisational structure	Participant 27: <i>It is therefore imperative that top management invests in more flat structures that allow accessibility and cooperation among all staff. This not only applies to organizational structures but also to the arrangement of physical spaces.</i>
	Social responsibility	Participant 22: <i>For those in industries or firms in which corporate social responsibility has been an issue, I would propose that the fact of rising transparency should be taken seriously, and that aligning good values and practices regarding employee safety, well-being, etc. is also good business.</i>
Technology (techniques, skills and processes to produce products or services)	Virtual workspace	Participant 27: <i>With increasing technology and automation of work, it is possible to work from any location thus limiting the need for physical contact. Designing the accomplishment of work programmes virtually is the trend worth considering, particularly because of the time spent more and more due to city congestion (traffic).</i>
	Encourage technology	Participant 16: <i>Understand new values and life styles, understand technology, and use technology and communication for the company instead of restricting it.</i>
	Deploy mechanisation	Participant 1: <i>Start thinking about deploying appropriate mechanisation as part of modernisation and competitiveness.</i>
Leadership (the ability to influence others to reach a goal)	Resilience	Participant 14: <i>Fully understand that your organization is not necessarily going to be there forever. Among keys to sustainability are adaptability and resilience.</i>
	Bring out the best in people	Participant 15: <i>As a leader, fully understand that we will be expected to bring out the best in people across several generations, each with a variety of aspirations and work styles.</i>
	Be an example	Participant 14: <i>Model qualities you would like to see as an employee or as a client or customer.</i>
	Be open and inclusive	Participant 16: <i>Be open and inclusive instead of command and control.</i>
	Vision and social influence	Participant 20: <i>Please identify your company's vision and social impact and show each worker how he/she is contributing.</i>
	Triple bottom line	Participant 3: <i>Triple-bottom line approach [dimensions of performance: social, environmental and financial] will become more important.</i>
Collaboration (the process of working together to achieve a goal)	Partnerships	Participant 13: <i>Applied sciences will increasingly be aligned and following industry needs, therefore top management could close partnerships with academies and technical institutes, stimulating young talent to emerge within frameworks of corporate operational excellence.</i>
	Flatter structures	Participant 25: <i>Work is becoming less hierarchical and more collaborative. It is therefore imperative that top management invest in more flat structures that allow accessibility and cooperation among all staff.</i>
	Collaborating skills	Participant 19: <i>What does it take to collaborate: transparency, integrity, humility and creativity to name a few. Thus the focus of these managers should be on these soft skills.</i>

Laboratories (innovation, learning and research space)	Become laboratories	Participant 7: <i>Become laboratories where people can innovate, make mistakes, learn and become invigorated as they try new and novel ways to add value.</i>
	Self-organising	Participant 20: <i>Obtain better insight ... self-organization, emergence, enabling constraints and holacracy.</i>
Engagement (management's ability to liaise with employees)	Listening skills	Participant 14: <i>Listen to the voices of all people, including staff, community, and employees.</i>
	Encouragement	Participant 14: <i>Encourage idea sharing, individual achievement and teamwork.</i>
	Develop an engaging culture	Participant 17: <i>Develop an engaging culture through trust and a compelling mission.</i>

Delphi round 2

Ten new themes were identified during round 2, as shown in Table 3.

TABLE 3:

Round 2: Descriptions of the themes

Themes	Description
Technology	Technology consists of techniques, skills and processes to produce products or services. Technological advances will have a profound effect, introducing new types of work and career paths and making others redundant.
Contingent workforce	A contingent workforce refers to workers who are hired on contract to complete projects and leave once the work is finished. Contingent workers will become increasingly common, particularly in highly technical and creative areas.
Future employee skills	Employees should have foresight, be adaptable, multi-skilled, resilient, lifelong learners, and should have quality soft skills while exhibiting polymathic knowledge.
Management capabilities	Management need capabilities to anticipate probable occurrences in the future world of work. These capabilities will allow managers to be dynamic, resilient, adaptable and flexible.
New economic structures and income models	New economic structures and income models should be developed for the future of work, with people doing a short job for someone instead of being employed by a company. New models are therefore required to provide security, pensions and so forth.
Engagement	Engagement usually refers to the ability of management to liaise with employees. Employers should engage meaningfully with challenges such as cybercrime, global insecurity, polarisation, inequality, migration and poverty.
Purpose and making a difference	Having a purpose and making a difference give meaning to life and work-life.
Organisational structures	Organisational structures will change, for example to flatter structures.
Leadership	Leadership is the ability to influence others to reach a goal. Leadership will have to focus more on empowerment and less on control.
Workspaces	New workspaces should be considered. A virtual workspace is an example of a new workspace to save on square metre office space.

Delphi round 3

It is clear from Table 4 that new workspaces should be a top priority in the future world of work. Employers should engage meaningfully with challenges such as cybercrime, global insecurity, polarisation, inequality, migration and poverty. Having a purpose and being able to make a difference in the future world of work are also important. Managers must take note that

organisational structures will change and leaders will have to focus increasingly on empowerment and less on control. It is interesting to note that the effect of technological advances may be not as profound as one would have expected.

TABLE 4:

Round 3 mean ranks

Themes	Mean rank
Technological advances will have a profound effect, introducing new types of work and career paths and making others redundant.	1.83
A contingent workforce will become more common, particularly in highly technical and creative areas.	4.17
Employers should engage meaningfully with challenges such as cybercrime, global insecurity, polarisation, inequality, migration and poverty.	6.70
Management need anticipatory capabilities, allowing them to be dynamic, resilient, adaptable and flexible.	4.43
Employees should have foresight, be adaptable, multi-skilled, resilient, lifelong learners, and should have quality soft skills while exhibiting polymathic knowledge.	3.70
New economic structures and income models should be developed for the future of work. New models are therefore required to provide security, pensions and so forth.	4.70
Having a purpose and being able to make a difference.	6.91
Organisational structures will change.	6.57
New workspaces should be considered.	8.96
Leadership will have to focus more on empowerment and less on control.	7.04

It is evident from Table 5 that a reasonable degree of consensus (0.475) was reached.

TABLE 5:

Round 3: Kendall's coefficient of concordance

N	23
Kendall's W	.475
Chi-square	98.317
df	9
Asymp. sig	.000

During the Delphi process, the panel had to rank the themes, and the aspect of the future of work that was ranked most highly was that new workspaces should be considered. This concurs with the findings of Morgan (2017b), who found that the design of environments that make up every single employee experience at every organisation around the world (culture, technology and physical space) is of utmost importance. More top rankings were that leadership will have to focus more on empowerment and less on control, organisational structures will change, having a purpose and being able to make a difference, and meaningful engagement. Schultz and Van der Walt (2015) also found that engagement and purpose are vital.

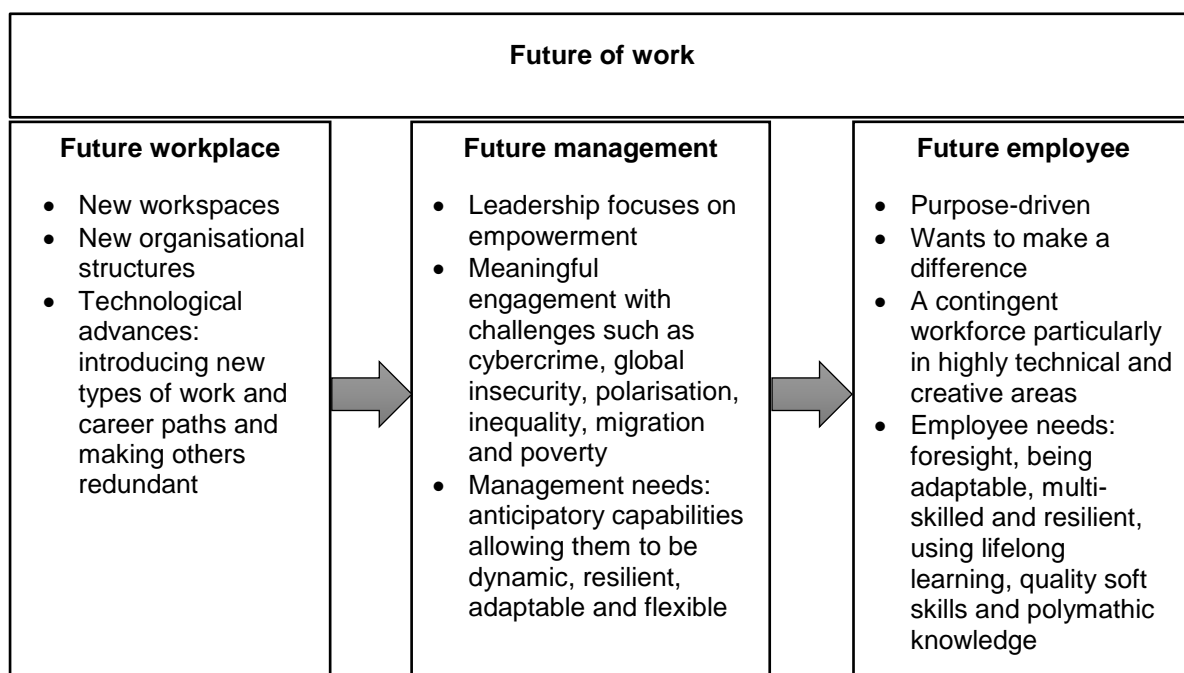
Technological advances will have a profound effect on introducing new types of work and career paths and making others redundant. This includes automation, artificial intelligence, robotics, big data, repetitive tasks and manual labour. The social acceptance or refusal of the processes of the above-mentioned might change the speed and penetration thereof. A contingent workforce will become increasingly common, particularly in highly technical and creative areas. A contingent workforce means that employees will be working on specific projects or short jobs, moving where skills are needed; thus, workspace will be decentralised and outsourced. This concurs with the findings of Donkin (2010), who states that people need to be able to find the space to pursue fulfilling careers alongside the joys and demands of raising families, so they need choices about part-time and freelance working.

Employers should contribute meaningfully to challenges such as cybercrime, global insecurity, polarisation, inequality, migration and poverty. Management need anticipatory capabilities that allow them to be dynamic, resilient, adaptable and flexible. They should have strong interpersonal skills to handle group dynamics and complex issues, as well as diversified revenue streams to allow resilience in a highly dynamic environment. Organisational structures will change. This may include flatter, rounder, horizontal and/or collaborative organisational structures, as well as productive hybrids that might work in the future world of work. However, these structures will need to be adaptive in order to improve productive engagement and collaboration. This concurs with the findings by Morgan (2012) about the essence of collaboration in the future world of work.

An integrated framework for the future of work is presented in Figure 1.

FIGURE 1:

An integrated framework for the future of work



In Figure 1, it is clear that the future of work should be built upon three main pillars, namely the future workplace, future management and future employee. These pillars will assist management to transform the current world of work into the ideal future of work. The future workplace must first be prepared in order to set the work environment. Future management must then be trained and mentored to focus on empowerment and meaningful engagement. Future managers will determine the work atmosphere. Lastly, the future employee will want to be purpose-driven and will want to make a difference in the future of work. Future employees will determine the work productivity. In order to prepare for future work, it is therefore essential to pay attention to new workspaces and new organisational structures. Leadership will have to focus more on empowerment and less on control, managers must embark on meaningful engagement, and employees must feel they have a purpose or rather that they are purpose-driven and that they want to make a difference. It is clear that this all boils down to meaningfulness. This concurs with the outcome of the Genesis Research Report (2014), which found that future generations seek greater meaning and joy from work and places of work. Ulrich, Ulrich and Goldsmith (2010) state that the new employee value proposition is about meaning, and the heart of leadership is essentially about the creation of meaning. Leaders therefore have a key accountability to work with their employees to unleash this creation of meaning. This can be ascribed to the fact that future managers will have to invest

in people and guide them into discovering purpose and making a difference in the future workplace. This is of utmost importance in order to ensure productivity in the future world of work.

PRACTICAL MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

The practical managerial implication of these results is that management should now diligently invest time and effort into transforming the current world of work into the future of work. If this is not done, the consequence may be that a company can lose its competitive edge in the future. Management should gain information and advice on the future workplace so that the best option can be implemented. Future managers will need to empower employees without hesitance and continually engage with employees. Being dynamic, resilient, adaptable and flexible is also of utmost importance.

It is recommended that management embark on transforming the current world of work into the future of work by using the three main pillars of the future workplace, future management and future employee. Firstly, this can be done by creating new workspaces and new organisational structures. Workplace and work environment design needs to align with what people value. So, the most important thing leaders can do is to listen to their people about what they need to be successful, including workplace. New types of work and career paths, as well as making other career paths redundant should also be investigated. Secondly, in terms of future management, leadership should focus on empowerment. Meaningful engagement with challenges such as cybercrime, global insecurity, polarisation, inequality, migration and poverty should be considered. This new perspective requires leadership vision. Executives and managers must foster cultures of creativity, collaboration and data competency. They must also establish a culture that empowers employees to thrive alongside intelligent machines while at the same time encouraging workers to maintain a healthy skepticism of machine-generated outcomes. Management should possess anticipatory capabilities which allow them to be dynamic, resilient, adaptable and flexible. Lastly, the future employee must be encouraged to be purpose-driven and to make a difference. A contingent workforce, particularly in highly technical and creative areas, should be explored. The following employee needs should be investigated: foresight, being adaptable, multi-skilled and resilient, using lifelong learning, quality soft skills and polymathic knowledge.

For future research, it is suggested that the perceptions of other participants such as economists, managers and Human Capital specialists be gathered to determine the future of work. Another research idea is to implement these pillars in the public and private sectors of different countries and then measure the effectiveness thereof.

LIMITATIONS

The generalisability of the results of the study might be questioned, especially since a sample of 30 was used. Another limitation is that this study was limited to the perceptions of only futurists.

CONCLUSION

It was clear from the present study that the future of work needs to be built on three main pillars (future workplace, future management and future employees). In closing, appropriate transformation will not be possible without creating new workspaces, leadership that focuses more on empowerment and less on control, new organisational structures, having a purpose, being able to make a difference and meaningful engagement. A focus on meaning could produce future employees who are productive and committed, who build the capacity of the organisation to respond to business challenges, and who help their organisations succeed.

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Academics' perceived external reputation, affective commitment and turnover intentions: a mediation model

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Keywords: Perceived External Reputation, Affective Commitment, Turnover Intentions, Academics

ABSTRACT

This study investigated the impact of academics' Perceived External Reputation on Affective Commitment and Turnover Intentions. It specifically tested Affective Commitment's mediation role in the relationship between Perceived External Reputation and Turnover Intentions. The research comprised a cross-sectional study with 205 usable responses collected through an online survey at a South African university. As hypothesised, Perceived External Reputation was found to be significantly and positively related to Affective Commitment, and Affective Commitment was found to be significantly and positively related to Turnover Intentions. However, a direct negative relationship was found between Perceived External Reputation and Turnover Intentions, meaning that Affective Commitment only *partially* mediated the relationship between Perceived External Reputation and Turnover Intentions, not fully as had been hypothesised. These findings contribute to the understanding of the role external reputation plays in terms of academics' commitment and turnover intentions, and thereby contribute to higher education HRM knowledge.

INTRODUCTION

Higher education globally has undergone dramatic changes over the past few decades. The pervasive influences of massification, managerialism, marketisation, and privatisation of the sector has had far-reaching effects on the academic profession (Webbstock, 2016; Altbach, Reisberg and Rumbley, 2009). These issues are exacerbated in South Africa due to structural inequalities and inefficiencies that exist in the higher education system from the legacy of apartheid. South Africa's higher education sector is under threat of losing academic staff to retirement, as well as attrition of younger academics due to unacceptably high staff to student ratios, workload pressure and low salaries (McKenna, 2016; Webbstock and Sehoole, 2016; Universities South Africa, 2015).

One way in which a university can retain academic staff is through encouraging their Affective Commitment (AC). AC is defined as "identification with, involvement in, and emotional attachment to the organization" (Allen and Meyer, 1996: 253). While AC has been strongly positively correlated with among several important workplace outcomes such as job performance, attendance, and organisational citizenship behavior. Importantly, it has consistently been found to be negatively and strongly related to turnover intentions (Stanley, Herscovitch and Topolnytsky, 2002; Meyer and Allen, 1997). Turnover intention (TI) is defined

as “a conscious and deliberate decision to leave the organization” (Tett and Meyer, 1993: 262). The influence of AC on turnover intentions is a relevant consideration in South Africa, where there is a critical shortage of skilled academics (Barkhuizen, Schutte and Nagel, 2017). Recent studies showed that between 34% (Theron, Barkhuizen and Du Plessis, 2014) and 50% (Barkhuizen *et al.*, 2017) of the surveyed academics were thinking of leaving their institutions. High turnover of higher education academic staff presents numerous challenges, such as the high cost of training new staff, reduction in research outputs and university productivity, as well as potentially lesser quality of teaching (Barkhuizen *et al.*, 2017). Thus, in terms of its influence on reducing TI, there is a strong argument for promoting AC in academics.

While several factors influence academics’ AC and TI, Perceived External Reputation (PER) is an organisation-related factor that has been less frequently studied. PER represents the academic’s perception of what outsiders think of his/ her employing institution. Although studies have investigated the impact of PER on both AC and TI simultaneously, it is believed that only one such study, conducted in Turkey, has been conducted in the context of academia (Alniacik, Cigerim, Akcin and Bayram, 2011). Thus this study aimed to better understand the impact of perceived reputation on South African academics’ commitment and turnover intentions. Furthermore, an unusual operationalisation of the PER construct has been utilised in this study, one that is based on employee’s evaluations of how outsiders view the organisation in terms of specific corporate reputation dimensions. Arguably, universities are functioning more like corporate firms as a result of managerialism (Parker, 2011), hence this construct was deemed interesting and appropriate.

LITERATURE REVIEW

Perceived External Reputation

Perceived External Reputation (PER) is closely related to the constructs of “Prestige” (March and Simon, 1958), “Perceived Organisational Prestige” (Mael and Ashforth, 1992) or “Perceived External Prestige” (Carmeli, 2005). Conceptually, these terms all refer to employees’ beliefs about how outsiders evaluate the image and status of their organisation (Mignonac, Herrbach and Guerrero, 2006). Helm’s (2013: 547) operationalisation of PER - used in this study - measured “individual perceptions of a company based on a cluster of corporate associations representing different stakeholders’ expectations”. The author further suggested that this holistic approach was supported by Carmeli’s argument that perceived external prestige is “a function of several criteria that represent the overall behaviour of the organization” (Helm, 2013: 547). Furthermore, Perceived External Prestige (PEP) implies a judgement or evaluation about the organisation’s status, and refers to the employee’s personal beliefs about how outsiders judge the organisation’s status and prestige. Therefore, both PEP and PER might contribute towards academics’ social status and self-image (Guerrero and Herrbach, 2009) in a similar fashion. Based on this, it is concluded that results of (more frequent) studies involving PEP might generally be applicable to PER too. Since there is a paucity of relevant studies that have used the term PER as operationalised here, this study draws additionally on the relevant research findings involving PEP. While acknowledging that their meanings are not identical, the terms PER and PEP are interpreted interchangeably when reporting on relevant findings that support the hypothesis development.

Perceived External Reputation and Affective Commitment

A recent meta-analysis and synthesis of the prevailing commitment literature identified AC as the “core essence” of Organisational Commitment, being an “enduring, indispensable, and central characteristic” (Mercurio, 2015: 393). AC to an organisation is usually developed because of a “social exchange” between the employer and employee. Social exchange theory (SET, Mowday, Porter and Steers, 1982) is a theory that “defines the employment relationship

as an exchange process between an employer and an employee (Guerrero and Herrbach, 2009:1538). SET was based on the contribution of Gouldner (1960), who proposed that “felt obligation” gives rise to the reciprocity of valued resources in social relationships (known as “the norm of reciprocity”), as well as that of Blau (1964), who argued that social exchange is based on favours that - due to the development of trust over time - elicit future obligation from the recipient. Thus, while both economic and social exchange entail the exchange of economic resources, social exchange also includes socio-emotional resources (Shore, Coyle-Shapiro, Chen and Tetrick, 2009).

Fuller, Hester, Barnett, Frey, Relyea and Beu (2006) argued that traditionally SET researchers only focused on *direct* exchange rewards, assuming a dyadic relationship between exchange partners, i.e. the exchange happens between the same two parties, be it the organisation or an agent thereof. However, they suggested that researchers should also focus on exchange rewards that are indirect and impersonal, since these may also impact the bond between two parties. One such indirect reward that an organisation may bestow upon its employee, may come in the form of status. Status, gained from organisational membership, would fulfil certain socio-emotional needs such as self-esteem. Fuller *et al.* (2006) suggested that the conferred status to the employee based on the organisation’s prestige, may be deemed an indirect reward. As such, the mechanism of SET and the associated norm of reciprocity would generate feelings of obligation for the employee to repay the organisation. One way that this repayment is likely to manifest is through employees demonstrating AC toward their organisation. Hence based on this argument, Perceived External Prestige (PEP) can be construed as an indirect exchange reward, and principles of SET should apply to the relationship between PEP and AC. This type of indirect reward is likely to be valued by academics since institutional prestige is believed to be important in academia (Blackmore and Kandiko, 2011; O’Meara and Bloomgarden, 2010). Academics might enjoy benefits such as increased access to top journals because of the status or prestige of their employing university. These benefits may well induce a felt obligation in academics, and in turn, greater AC to their institution.

According to Guerrero and Herrbach (2009), PEP, representing a “characteristic of the organization” (p. 1536), should be related to AC. The authors argued that PEP is likely to influence AC, due to the conceptual proximity of organisational identification and AC. When organisational identification has developed (meaning that the organisation forms part of the individual’s self-identity), the employee is likely to develop an emotional attachment to the organisation when the association increases their sense of self-worth. Indeed, these authors found support for the influence of PEP on AC in their study. Other empirical studies have investigated the effect of PEP/PER on AC and found affirming results: Carmeli and Freund (2009) were among the first researchers to find that PEP was positively correlated with AC. Kang, Stewart and Kim (2011) confirmed PEP as a predictor of organisational commitment, but not of career commitment. More recently, Podnar and Golob (2015) also found that PEP helps to explain organisational commitment in the private sector. In the higher education sector, Alniacik, Cigerim, Akcin and Bayram (2011) found evidence that PER was positively correlated to AC of the academic staff of two universities in Turkey. Similarly, in their study of university faculty in the southern United States, Fuller *et al.* (2006) found that PEP was strongly related to AC, as they had predicted. Based on the theoretical and empirical evidence presented, therefore, it was proposed in this study that PER is positively related to AC.

Affective Commitment and Turnover Intentions

AC has consistently been found to be negatively and strongly related to turnover intentions (Meyer *et al.*, 2002; Stanley and Meyer 2016). Studies have shown that employees who display high levels of affective commitment usually invest discretionary effort, time, and energy in the organisation and are consequently less likely to look for alternate employment (Carmeli and Freund, 2009). In the higher education context, AC has been found to be an important

predictor of the reduced turnover intentions (TI) of Malaysian academics (Lew, 2009). Mensele and Coetzee (2014) found a similar result with South African academics¹. Therefore, this study hypothesised that AC is negatively related to TI.

The Mediating Role of Affective Commitment in the Relationship between Perceived External Reputation and Turnover Intentions

While the relationship between AC and TI has been strongly evidenced in the extant literature, AC's role as a mediator between various antecedents and TI has also been confirmed several times (Herrbach *et al.*, 2004). It has already been proposed that PER is positively related to AC, and it is likely that a higher AC will, in turn, be found negatively related to TI, therefore the mediation role of AC in the relationship between PER and TI can be argued. Stated differently, PER is proposed to be indirectly negatively related to TI via AC as mediator.

Testing the *direct* negative influence of PER² on TI in the presence of job attitudes such as AC, has yielded inconsistent findings. Helm (2013)³, for example, found a significant direct negative relationship before pride in membership and job satisfaction were introduced into the model. However, the direct relationship between PER and TI became insignificant when these variables were introduced, and further, pride in membership and job satisfaction were found to fully mediate the path between PER and TI. Similarly, Alniacik *et al.* (2011) found a significant direct negative relationship when PER was tested independently, but when organisational commitment and job satisfaction were tested concurrently, the relationship between PER and TI surprisingly became positive. On the other hand, Herrbach, Mignonac and Gatignon (2004) found that the direct effect of PEP on turnover intentions was still present after controlling for organisational commitment and job satisfaction. Concurring with these authors, Kamasak (2011) found a direct significant negative relationship between PEP and TI that remained after job satisfaction was included in his model. Carmeli and Freund (2009) conducted two studies and found that in both cases, AC and job satisfaction mediated the relationship between PEP and TI. However, in one case, the mediation effect was complete, i.e. the direct relationship between PER and TI became insignificant when the mediators were introduced into the model, and in the other case, the opposite held true (a direct and significant negative relationship remained between PER and TI). More recently, in the retail sector, Rathi and Lee (2015) found AC only partially mediated the relationship between PEP and TI.

Given these conflicting results, Alniacik *et al.*'s (2011) study was drawn on to formulate the hypotheses in this study, because it was conducted in a similar context, i.e. with academics. Based on the results of these authors' study, AC was hypothesised to fully mediate the relationship between PER and TI in this study.

RESEARCH OBJECTIVES AND HYPOTHESES

This study set out to investigate the impact of academics' Perceived External Reputation (PER) on Affective Commitment (AC), and on Turnover Intentions (TI). Specifically, the study tested AC's mediation role in the relationship between PER and TI. The research question can be framed as:

¹ This result involved normative organisational commitment, but there is generally an overlap between normative and affective commitment.

² The reader is reminded that PER (Perceived External Reputation) and PEP (Perceived External Prestige) are being treated as if they were identical constructs for hypotheses formulation involving PER.

³ PER, as operationalised in this study, was based on Helm;s (2013) study. Helm's study, conducted in the private sector, is believed to be the only one that measured the PER construct in this way.

How does academics' PER influence AC and TI?

The hypotheses are summarised below:

H1: Perceived External Reputation is positively related to Affective Commitment.

H2: Affective Commitment is negatively related to Turnover Intentions

H3: Affective Commitment (mediator) fully mediates the relationship between Perceived External Reputation (independent variable) and Turnover Intentions (dependent variable).

RESEARCH METHODOLOGY

Procedure and Participants

The research took the form of a quantitative, cross-sectional, ex post facto correlational design, administered via an online survey. Non-probability, convenience sampling was used, and the target population comprised the total number of academics at one South African university. The sampling frame was 1649 academics, comprising all permanent faculty members, i.e. lecturers, senior lecturers, associate professors, professors, and part-time permanent academic faculty, across all the institution's different academic disciplines and faculties. An email was sent to each academic, via the university's HR department, containing a link to the online-survey. One reminder email was sent. The overall response rate was 13%, including ten incomplete surveys. Statistically, the sample size, excluding all the records with missing data, was deemed sufficient, based on guidelines by Hair Jr., Black, Babin and Anderson (2010). Table 1 shows the demographic breakdown of the sample.

TABLE 1:
SAMPLE CHARACTERISTICS

Demographics		Frequency (n=205)	%
<i>Gender</i>	Female	94	45.9
	Male	103	50.2
	Prefer not to answer	8	3.9
<i>Age</i>	18 to 24	1	0.5
	25 to 34	25	12.2
	35 to 44	59	28.8
	45 to 54	63	30.7
	55 to 64	41	20.0
	65 to 74	11	5.4
	75 or older	5	2.4
<i>Race / Ethnicity</i>	African	16	7.8
	Coloured	8	3.9
	Indian or Asian	8	3.9
	White	136	66.3
	Prefer not to answer	37	18.0
<i>Academic Position</i>	Lecturer	56	27.3
	Senior Lecturer	57	27.8
	Associate Professor	40	19.5
	Professor	52	25.4

Table 1 shows that males comprised a slightly higher proportion of the sample than females (where gender was indicated). The age groups “35 to 44” and “45 to 54” together represented 60% of the sample. White academics represented 66% of the sample. African academics represented 8% (rounded) of the sample while the other two ethnic groups each represented only 4% (rounded) of the sample. The four academic positions were each well-represented.

Measures

PER’s measures were adapted for academia from an instrument used in the private sector. The original eight items were based on Fortune’s AMAC4 Ranking (Helm, 2013), however, three of the items were not deemed to be relevant to this study and were thus excluded (e.g. “long-term investment value”). An example of how a typical item was adapted for the academic context is as follows: “Quality of products/services” was changed to “Quality of research and teaching.” PER was measured on an 11-point scale ranging from 0 (poor) to 10 (excellent). The Cronbach’s alpha coefficient for the adapted five-item scale used in this study was 0.83, indicating an acceptable level of internal consistency.

The measures for AC and TI each comprised 5-point Likert scales ranging from “Strongly Agree” to “Strongly Disagree”. The AC scale was adapted from Meyer and Allen’s (1997) well-established six item scale of AC. A sample item is: “[University name] has a great deal of personal meaning for me”. A Cronbach’s alpha coefficient of 0.85 was recorded⁵. The TI scale was based on a study by Irving, Coleman and Cooper (1997). This scale consisted of three items with two reversed questions. An alpha of 0.86 was obtained. An example of an item is: “I do not intend to pursue alternate employment for the foreseeable future” (reversed).

RESULTS

Principal Component Analysis (PCA) with orthogonal VARIMAX rotation was used to examine the underlying structure of the three constructs, using StataCorp14.2 software. One component was extracted in each case, using the Kaiser criteria of Eigenvalues >1. One item was eliminated from the six-item AC scale due to a low communality of 0.20. Excluding the item “I feel as if the challenges facing [University name] are my own” from the composite score increased the overall Cronbach’s alpha from 0.85 to 0.86.

Descriptive statistics, and bivariate correlations are displayed in Table 2.

TABLE 2:
Construct correlations matrix

VARIABLES	MEANS	SD	PER	AC	TI
Perceived External Reputation (PER)	6.26 ^a	1.48	1		
Affective Commitment (AC)	3.46 ^b	0.86	0.34*	1	
Turnover Intentions (TI)	2.36 ^b	1.00	- 0.37*	- 0.58*	1

a Minimum 1, Maximum 10

b Minimum 1, Maximum 5

*Pearson’s *r* Correlation is significant at the 0.01 level (2-tailed).

The overall mean score for the PER construct was 6.26 (maximum score = 10). However, given the context of the study, it is interesting to note that one PER item “Quality of Research and Teaching” had a significantly higher mean score (7.9) than the other four constructs, and

4 AMAC is the acronym for “America’s Most Admired Companies”.

5 It is common practice to deem Cronbach’s alpha coefficient values above 0.7 to be acceptable (Hair Jr., Black, Babin and Anderson, 2010).

the lowest standard deviation too. Conversely, “Quality of Management’s Leadership” scored relatively low (5.0) and had the highest standard deviation.

The overall mean score for AC was 3.46 (maximum score = 5), which is not particularly high given that a neutral score equals 3. TI had a low overall mean score of 2.36 with a standard deviation of 1.

Cohen (1988) argued that correlation coefficients to the value of 0.1 can be classified as a small effect size, to value of 0.3 as medium, and with a value greater than 0.5 large. Based on these widely used guidelines, there is a large correlation (0.58) between AC and TI, while the correlations between PER and AC, and between PER and TI, respectively, are both moderate (0.34, -.037).

A simple mediation analysis, using ordinary least squares path analysis, was done with PROCESS Procedure for SPSS Release 2.16.3 (Hayes, 2013) software to determine how PER influenced TI, whether directly or indirectly through AC as a mediator. Figure 1 displays the results of this analysis.

FIGURE 1:
Structural relationships between PER, AC, and TI

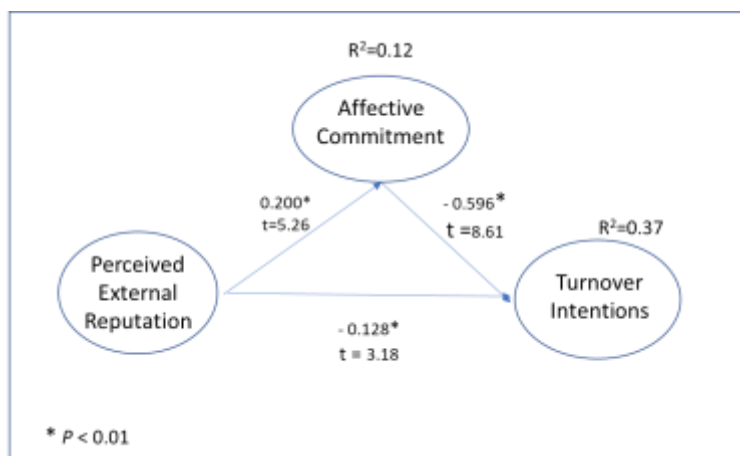


Figure 1 depicts the path diagram of the structural model. It shows that PER influenced AC positively ($\beta = 0.200, p < 0.01$), supporting $H1$. In agreement with $H2$, AC influenced TI negatively ($\beta = -0.596, p < 0.01$). However, PER influenced TI both indirectly ($\beta = -0.119, p < 0.01$), via AC, and directly ($\beta = -0.128, p < 0.01$), deviating from $H3$ that suggested AC would fully, as opposed to partially, mediate the relationship between PER and TI. A bias-corrected bootstrap 95% confidence interval for the indirect effect, based on 5000 bootstrap samples, was entirely above zero (.0741 to .1806). The model including PER as a direct predictor of TI, and indirectly influencing TI through AC, explained 37% of the variance in TI ($R^2 = 0.37$).

DISCUSSION

The aim of the study was to investigate the influences of academics’ PER on AC and TI at a South African university. Empirical support was found for two of the three hypotheses, but it was found that AC only partially mediated the relationship between AC and TI, since a significant direct effect was observed between PER and TI. The finding of the positive relationship between PER and AC, was consistent with previous research (Podnar and Golob, 2015; Alniacik *et al.* 2011). Similarly, the negative relationship between AC and TI concurred with several studies (Mensele and Coetzee, 2014; Lew 2009). However, while some previous studies that found the relationship between PER and TI to be insignificant or positive when AC was included concurrently into the model (Alniacik *et al.*, 2011; Carmeli and Freund, 2009),

this study found that the relationship between PER and TI remained significant. Given that other studies have found similar partial mediation results regarding the relationship between PER and TI (albeit with constructs like job satisfaction, rather than AC), it is not unusual, although it is surprising that the result was inconsistent with a study in a similar context, i.e. academia (Alniacik *et al.*, 2011).

Practical Managerial Implications

The findings suggest that PER is a variable that higher education institutions need to consider as important in terms of developing affective commitment as well as that of retention of their academic staff. Literature suggests that institutional reputation is important to faculty academics because of prestige (Blackmore and Kandiko, 2011; O'Meara and Bloomgarden, 2010), but also presumably for practical and instrumental reasons, such as access to conferences, attracting good students and so forth. Moreover, given that PER was operationalised in this study to incorporate various aspects of reputation, such as the quality of university leadership, how innovative the institution is perceived to be, social responsiveness, and the university's ability to retain and attract faculty, as well as the quality of research and teaching, the results suggest that these aspects might matter to academics. This goes beyond the conceptualization of "prestige" which is typically measured in a more global way, i.e. not measuring any specific dimensions of an institution or organisation. It might therefore be worthwhile for university management to consider the degree to which they promote these different aspects of their institutions internally, among their faculty. An example might be to internally publicise and celebrate research and teaching achievements. Media releases that report on social responsibility events facilitated by the institution can also be distributed to academic staff to increase their sense of pride in belonging to the institution.

Limitations and Recommendations for Future Research

Since the study was conducted at one university, the results should be generalised with caution. However, the results might at least be useful to other higher education institutions in South Africa. Being a cross-sectional study, no firm conclusions can be drawn about the causality of the relationships between the variables in the study. Longitudinal research would ideally need to be conducted to establish causality. A possible further limitation of this study is that it was based on a self-report online survey, introducing the possibility of common method bias. Introducing a complementary qualitative component might be helpful in this regard. Finally, future research might consider an even more refined adaptation of the PER construct for the higher education context. For example, the perception of the student experience (equivalent to the "customer" experience in the private sector), may be an appropriate measure to include.

CONCLUSION

This study contributes to the literature on reputation, in adapting the PER construct (based on corporate reputation dimensions) for the context of academia, as well as contributing to research on antecedents of both AC and TI. Importantly at a time when higher education is being challenged on many fronts, not least of all in South Africa, it provided insight into what might influence academics to become emotionally attached to their employing institution, as well as to stay. Given that academics are crucial to the success of any university, keeping them committed and retaining them, is key to ensuring the sustainability of the higher education sector.

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Comparing organisational commitment measures: a study of South African knowledge workers

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ABSTRACT

This research compared two prominent conceptualisations of organisational commitment, the multidimensional TCM, and the unidimensional KUTM, and their relationship to each other, to selected antecedents, and to one outcome, turnover intentions, in South African knowledge workers. The research comprised a cross-sectional study with data collected through an online survey at a large professional services company employing mainly engineers. KUTM and the TCM were significantly positively correlated, however a number of differences were found. Notably, correlations with both supervisor support and co-worker support were not significant for KUTM but were significant for the TCM, and the correlation with occupational commitment was much higher for KUTM than TCM. Overall commitment scores were also higher for KUTM than TCM and KUTM exhibited a stronger correlation with turnover intentions. These findings contribute to the understanding of the differences between KUTM and TCM conceptualisations as they pertain to knowledge workers' organisational commitment.

Introduction

Organisational commitment has historically been of interest to researchers because of its relationship with an individual's intention to remain in an organisation (Jayasingam, Govindasamy and Singh, 2016; Jayasingam and Yong, 2013; Meyer and Herscovitch, 2001; Jaros, 1997). Research on organisational commitment has been ongoing since the 1960's, resulting in a broad array of conceptualisations. For the past 20 years, the three-component model (TCM) of commitment developed by Meyer and Allen (1991) has been the most prominent. However, this approach has recently been challenged by a number of authors. Solinger, van Olfen and Roe (2008), for example, argued that the TCM is in fact a model for predicting turnover rather than commitment, as it combines attitudinal phenomena which are fundamentally different. Recently, a new conceptualisation of commitment was proposed by Klein, Molloy and Brinsfield (2012) who defined commitment as a unique and volitional psychological bond, and in doing so removed some of the overlap between commitment and its antecedents and outcomes.

Because this definition of organisational commitment is new, studies comparing it to the TCM as a predictor of turnover intentions are fairly limited. One gap identified is in its applicability and relevance for knowledge workers. Knowledge workers are individuals who possess prior knowledge, education and skills and draw on their experience in an organisation to develop their knowledge and skills further (Jayasingam and Yong, 2013). What makes knowledge workers unique and important, is that their knowledge is imbedded in the person rather than the organisation. Preventing loss of this knowledge requires finding ways to ensure it gets transferred from the individual to the organisation or alternatively, to retain the knowledge workers (Jayasingam et al., 2016). Knowledge worker retention is thus critical in any organisation which requires intellectual capital for success.

Retaining knowledge workers is of particular importance in the consulting engineering environment in South Africa, given the current shortage of engineers. At a national level, South Africa has a ratio of GDP to number of engineers of \$16.4million/engineer, 20 percent higher than the average of English-speaking, developed countries such as Australia, USA, Ireland and Canada (Watermeyer and Pillay, 2012). As Watermeyer and Pillay (2012) explain, maintaining a healthy quota of engineers is important for ensuring delivery of infrastructure to support socio-economic growth and allow for sustainable development.

The purpose of this research was, therefore, twofold: firstly, to compare the affective commitment scales of the TCM and Klein et al.'s Unidimensional Target-free Model (KUTM) in terms of their respective relationships with specific commitment antecedents and one outcome in South African knowledge workers, and secondly, to confirm the factors that promote organisational commitment and reduce turnover intentions in consulting engineering.

Literature Review

Evolution of Commitment Literature

Klein, Molloy and Cooper (2009) presented an overview of the history of commitment literature and the development of construct definitions from the early 1960's to the present. As these authors explained, the evolution of organisational commitment's definition has resulted in a broad array of conceptualisations in which commitment has been defined as an attitude, a bond, a force, investment or exchange, identification, congruence, motivation and continuance.

Following on from the broad exploration of multiple commitment bases and typologies in the 1960's, a critical distinction was highlighted in the 1970's in the work of Staw (1977) and Salancik (1977) (as cited in Mowday, Porter, and Steers, 1982) who noted the importance of distinguishing between the definition of commitment developed in psychological literature (behavioural commitment) and in organisational behaviour literature (attitudinal commitment). These authors provided the following definitions for the two types (Mowday et al., 1982):

- Attitudinal commitment: "Commitment viewed in terms of a strong identification with and involvement in an organisation brought on by a variety of factors" (p. 22)
- Behavioural commitment: "Commitment viewed in terms of sunk costs invested in the organisation that bind the individual irrevocably to the organisation" (p. 22)

Attitudinal commitment thus relates to the process by which an individual comes to identify with the goals and values of the organisation and, thus, desires to maintain membership (Mowday et al., 1982). In parallel with the work of Staw and Salancik on behavioural commitment, Porter, Steers and Mowday (1974) significantly advanced the literature on attitudinal commitment, testing commitment as an attitude in its relationship to turnover intentions. Similar to the definition quoted previously, the authors defined commitment as the

“strength of an individual’s identification with and involvement in a particular organisation” (p. 604). According to the authors, attitudinal commitment comprises three important aspects including a strong belief in and acceptance of the values and goals of the organisation; a willingness to exert considerable effort on behalf of the organisation; and a definite desire to maintain membership of the organisation. These three components suggest that commitment implies an active relationship with the organisation rather than passive loyalty, as well as an attachment to the employing organisation (Mowday, Steers and Porter, 1979).

Almost two decades later, in reviewing the development of organisational commitment research in the 1970’s and 1980’s, Meyer and Allen (1991) noted that three distinct “types” of commitment were apparent in the literature. These regarded commitment as affective attachment, as perceived costs, and as an obligation or responsibility. However, rather than classify these as types of commitment, as authors had previously done, Meyer and Allen (1991) regarded these as rather being overlapping components of commitment that can be experienced by a person simultaneously in varying degrees. In other words, they are not mutually exclusive. This led to the development of the TCM of organisational commitment, which comprises three mindsets, each with its own antecedents and resulting work outcomes or behaviours (Meyer and Allen, 1991). Firstly, continuance commitment refers to a need to stay within an organisation as a result of the perceived costs of leaving and the benefits of remaining. Secondly, normative commitment refers to an individual’s perceived obligation to remain within the organisation where the person feels he/she ought to stay out of a sense of duty. Thirdly, affective commitment refers to an emotional bond with the organisation where the person feels that he/she wants to stay out of his/her own volition. Affective commitment was found to have the strongest and most consistent link with desirable outcomes.

Based on the three-component model, Allen and Meyer (1990) developed three eight-item scales for measuring each of the components of commitment that were both valid and reliable. Interestingly, close correlations were found between the normative and affective commitment scales whereas the continuance scales were independent of both, suggesting a strong overlap between normative and affective commitment.

Despite the TCM and associated measures being the most widely used and dominant model in research of the past two decades there have been a number of critiques (Solinger et al., 2008). Firstly, as touched on previously, affective and normative commitment have been consistently shown to be closely correlated and, in many cases, overlapping (Meyer, Stanley, Herscovitch, and Topolnysky, 2002). Thus, it is arguable that they are not distinct constructs. Secondly, the elements of continuance commitment related to perceived costs of leaving (sacrifice) and benefits of remaining (lack of alternatives) result in it being a two-dimensional construct with different outcomes, particularly in relation to turnover intentions (Jaros, 1997). In a meta-analysis, Meyer et al. (2002) found that the two dimensions of continuance commitment showed opposites signs in their correlation with affective and normative commitment, with the sacrifice scales showing a stronger correlation with turnover intentions. Thirdly, the components all relate to different phenomena, bonds or attachments which, it is argued, cannot be grouped together as components of commitment (Klein et al., 2012). Solinger et al. (2008) argued that the TCM is in fact a model for predicting turnover, rather than a model of commitment, as it combines attitudinal phenomena which are completely different. General organisational commitment is an attitude regarding the organisation, but normative and continuance commitment are, instead, antecedents of attitudes regarding specific behaviours such as staying or leaving, or “different classes of imagined consequences of discontinuing employment” (Solinger et al., 2008, p. 76).

Considering these many criticisms, some authors have reverted to considering affective commitment only, because it represents the most reliable and strongly validated dimension of organisational commitment (Solinger et al., 2008).

The Unidimensional Target-Free Model

Klein et al. (2012) argued that in the twenty years since the development of the TCM, much had changed in the work environment. This led the authors to question some of the assumptions of the previous theory on commitment. Firstly, previous research assumes that the organisation is the only relevant commitment target and research has, therefore, been heavily weighted towards the assessment of organisational commitment. Where studies have looked at other targets, the TCM measures have been adapted often adding completely new items and, hence, jeopardising the original validity.

Secondly, turnover has been regarded as the primary significant outcome of commitment. Workers have become more mobile and flexible and are much more likely to change jobs and even careers. As Klein et al. (2012) noted, "Individuals' careers now span organisations and employment is increasingly transient" (p. 132). Given this situation, these authors argued that reduced turnover intentions was no longer the most important consequence of high levels of commitment and that it would be erroneous to believe that loyalty was the logical outcome of commitment amongst today's workforce. If the TCM were more suitable as a model for predicting turnover intentions, as argued by Solinger et al. (2008), then this would bring into question its relevance in the study of organisational commitment.

Thirdly, Klein et al. (2012) challenged the assumption that the concept of commitment applies to all workplace bonds. They argued that the components of commitment in the TCM are, in fact, different constructs rather than components of commitment, and that authors' attempts to conceptualise commitment as a multi-dimensional construct have led to a "lack of definitional clarity" (p. 131), confusion and a stretched construct which was trying to incorporate and explain fragmented concepts.

Furthermore, Klein et al. (2012) claimed that different forms of extrinsic motivation are linked to a discontinuous continuum of bonds or "distinct psychological phenomena" (p. 133) each with their own circumstances and outcomes. The authors defined four main types including acquiesce bonds, instrumental bonds, commitment bonds and identification bonds. Hence, Klein et al. (2012) defined commitment as being a unidimensional construct, a specific type of psychological bond which has a distinct meaning and similar antecedents and consequences in all contexts. Commitment bonds are defined as embracing and "volitional psychological bonds reflecting dedication to or responsibility for a particular target" (p. 138). They are the result of a conscious decision (choice is a key part of the definition) and are therefore more internally than externally regulated. Commitment is a psychological state and thus results from a person's perception of a situation.

Klein, Cooper, Molloy and Swanson (2014) found that the commitment bond is positively and significantly correlated with affective and normative commitment in the TCM. Continuance commitment, and to an extent normative commitment, are thus not actually types of commitment according to this definition but instead relate to other forms of bonds. Affective commitment is most closely correlated with commitment defined in this way, although it also overlaps with the identification bond.

In accordance with their definition of commitment as a unidimensional construct, Klein et al. (2014) developed Klein et al.'s Unidimensional Target-free Model (KUTM) scale. It comprises four items which, the authors asserted, can be applied to any target. Their testing of the scale concluded that KUTM is distinct from previous commitment measures and offers methodological advantages. Furthermore, it enables the assessment of the relationship between different commitment targets without any modification to the scales.

Factors Influencing Organisational Commitment

Meyer and Herscovitch (2001) defined antecedents of affective commitment as personal or situational variables which increase the chance of becoming influenced, seeing value-relevance, and deriving identity. Many of these have been tested in the literature, both in relation to the TCM and in relation to the KUTM. This study tested only a selection of possible antecedents, focusing on those that had been commonly found to be relevant among knowledge workers, including the following:

- Autonomy has been commonly found to correlate strongly with commitment in knowledge workers and is one of the most commonly mentioned antecedents (Jayasingam et al., 2016; Nazir, Shafi, Qun, Nazir, and Tran, 2016; Benson and Brown, 2007; Malhotra, Budhwar, and Prowse, 2007; Kinnear and Sutherland, 2000; O'Driscoll and Randall, 1999). A possible explanation for the importance of autonomy is that knowledge workers desire to feel in control of their own destiny and therefore appreciate high degrees of autonomy and discretion in the work environment (Jayasingam and Yong, 2013).
- Satisfaction with Pay has generally been found to be positively correlated with commitment (Nazir et al., 2016; O'Driscoll and Randall, 1999). However, for knowledge workers results have been mixed. Possible explanations for these findings are that knowledge workers care more about personal growth and are looking for more than just financial compensation, or that pay is often a pre-requisite for commitment but not a motivator beyond a moderate level (Jayasingam and Yong, 2013).
- Co-worker and Supervisor Support have been found to be primary determinants of both commitment and intention to quit in knowledge workers (Jayasingam et al., 2016; Nazir et al., 2016; Benson and Brown, 2007). Co-worker and supervisor support relate to the interaction between employees and the organisation. An environment that is friendly and supportive strengthens the psychological commitment bond between the employee and the organisation (Benson and Brown, 2007). At a more interpersonal level, friendships with co-workers and supervisors in an interactive work environment can serve as a social incentive to remain committed through a felt obligation or desire to protect one's reputation (Dachner and Miguel, 2015).
- Organisational Support has been found to correlate strongly with affective commitment (Giauque, Resenterra and Siggen, 2010; Meyer et al., 2002; O'Driscoll and Randall, 1999). Perceived organisational support relates to the extent to which a person feels that they are valued, cared for and supported by the organisation and can include aspects such as autonomy, active listening and encouraging work-life balance (Giauque et al., 2010).
- Occupational Commitment refers to an individual's commitment to their profession or occupation and has found to correlate with organisational commitment (Lee, Carswell and Allen, 2000; Vandenburg and Scarpello, 1994; Wallace, 1993). In general, employees tend to identify more strongly with their occupation than their organisation, and this has been found to be particularly well-defined for knowledge workers (Horwitz, Heng and Quazi, 2003; Tam, Korczynski, and Frenkel, 2002) and professionals such as engineers (Ashforth, Joshi, Anand, and O'Leary-Kelly, 2013).

Outcomes of Organisational Commitment

The importance of understanding and evaluating organisational commitment is rooted in the correlations established between this construct and a variety of positive outcomes. Commitment has been found to correlate with job performance (Meyer et al., 2002; Baugh and Roberts, 1994), role performance (Klein et al., 2012), reduced absenteeism (Meyer, 2009; Meyer et al., 2002), increased organisational citizenship behaviour, in particular altruism and

conscientiousness (Meyer et al., 2002), increased boosting behaviour, defined as the “act of promoting the organisation to outsiders and protecting it against external criticism” (Bagraim, 2004, p. 133), higher levels of job satisfaction and lower levels of job problems (Baugh and Roberts, 1994), motivation (Klein et al., 2012) and employee well-being (Meyer, 2009).

However, perhaps the most fundamental reason for researching organisational commitment is the linkage found between commitment and turnover intentions in all conceptualisations of commitment of the past five decades (Allen and Meyer, 1990). Reducing turnover is important for retaining the knowledge and skills possessed by knowledge workers in an organisation. Turnover amongst knowledge workers has been found to be higher than other workers for reasons such as pay, job prospects and career related issues (Horwitz et al., 2003).

Considering the TCM, Meyer and Allen (1991) refer to the three components of commitment as an individual wanting to, needing to or feeling that they ought to remain in an organisation. Turnover intentions are thus, essentially, built into their definition of commitment. Commitment is thought of as a force which binds an individual to an organisation and hence reduces the likelihood of turnover (Meyer and Herscovitch, 2001). Although all three components of commitment have been found to be significantly negatively correlated with turnover intentions (Bagraim, 2004; Jaros, 1997), affective commitment is correlated with significantly more outcome measures and discretionary behaviours than other forms of commitment (Meyer and Herscovitch, 2001), and is most strongly linked with turnover intentions (Jayasingam et al., 2016; Jayasingam and Yong, 2013). In their longitudinal study, Jaros (1997) found that affective commitment was in fact the only significant predictor of turnover intentions.

Considering the KUTM approach, Klein et al. (2012) proposed using the term “continuation” rather than turnover as it is applicable across multiple targets and includes both *intention* to continue and continuing. The authors argued that because their conceptualisation of commitment is not confounded with other outcomes, it is possible to more precisely explore the relationship between commitment and continuation. Initial findings support this assertion, with KUTM found to account for significant incremental variance over the TCM for turnover intentions (Klein et al., 2014).

Research Objectives / HYPOTHESES

In light of the methodological benefits of Klein et al.'s (2012) model of commitment demonstrated in the literature, this study aimed to address the following research question: *How do the affective commitment scales of the TCM and KUTM compare in terms of their relationships to commitment antecedents and turnover intentions in South African knowledge workers in the consulting engineering environment?*

The research question was addressed through the following sub-questions:

1. What is the relationship between each of the following factors and organisational commitment as conceptualised by TCM: satisfaction with pay, autonomy, co-worker support, supervisor support and perceived organisational support?
2. What is the relationship between each of the following factors and organisational commitment as conceptualised by KUTM: satisfaction with pay, autonomy, co-worker support, supervisor support and perceived organisational support?
3. What is the relationship between occupational commitment and organisational commitment as conceptualised by TCM?
4. What is the relationship between occupational commitment and organisational commitment as conceptualised by KUTM?

5. What is the relationship between organisational commitment and turnover intentions as conceptualised by TCM?
6. What is the relationship between organisational commitment and turnover intentions as conceptualised by KUTM?
7. How do the relationships mentioned in items 1 to 6 compare for the TCM and KUTM?
8. What is the relationship between TCM and KUTM?

Based on previous research, it was expected that all of the selected commitment antecedents would be positively correlated with both conceptualisations of organisational commitment, that occupational and organisational commitment would be positively correlated in both cases, and that organisational commitment would be negatively correlated with turnover intentions, again in both cases. However, it was expected that there would be a significant difference in their prediction of turnover intentions. It was also expected that there would be a positive correlation between TCM and KUTM.

Research Methodology

Data Collection Method

The target population comprised knowledge workers currently employed in the consulting engineering environment in South Africa. At the time, there were approximately 540 registered consulting engineering firms in the country, employing an estimated total of 24 300 staff (CESA, 2016). A convenience sampling approach was taken, with the research conducted at Consulticon⁶, a large consulting engineering and technical advisory company, employing approximately 2 500 people in 20 offices across South Africa. Consulticon's second largest office, employing 560 people and was a convenient location in which to access a large pool of knowledge workers.

Data were collected using an online web-based survey. As a pilot study, the initial draft questionnaire and covering email were sent to six employees. The aim of the pilot study was to assess the survey length, ensure that the wording was easy to understand and unambiguous, and to test the functionality and usability of the survey platform. The revised questionnaire (covering letter and survey link) was distributed via email. This was pragmatic as it would save time in distributing and collecting data, it would allow participants flexibility to complete the survey, and it would eliminate interviewer bias and ensure anonymity. Personnel who were not knowledge-workers were filtered out of the analysis after data collection, on the bases of level of education, occupation and job designation.

Questionnaire Design and Instruments

Organisational commitment was measured using both KUTM (Klein et al., 2014) and the affective commitment scale (ACS) from the TCM (Allen and Meyer, 1990) as adapted for knowledge workers by Bagraim (2004). This allowed for comparison between two measures and commitment definitions in line with the research objective.

⁶ Pseudonym used to protect company confidentiality

KUTM:

*How committed are you to your organisation?*⁷

1. *To what extent do you care about your organisation?*
2. *How dedicated are you to your organisation?*
3. *To what extent have you chosen to be committed to your organisation?*

ACS:

1. *I feel as if my organisation's problems are my own.*
2. *I feel a strong sense of belonging to my organisation.*
3. *I feel 'emotionally attached' to my organisation.*
4. *I feel like 'part of the family' at my organisation.*
5. *My organisation has a great deal of personal meaning to me.*

Measures selected for the independent variables and turnover intentions were as follows:

- Occupational commitment (OC) was measured using the same four scale items of the KUTM (given that it is purported to be a target-free measure) with 'organisation' replaced with 'occupation'.
- Turnover intentions (TI) was tested using Irving, Coleman and Cooper (1997)'s three-item scale, which was preferred over other options due to its reference to the 'foreseeable future' rather than a defined timeframe.
- Satisfaction with pay (SP) was measured using the 18-item Pay Satisfaction Questionnaire (PSQ) developed by Heneman and Schwab (1985) which taps into four dimensions of pay related to level, benefits, raises and structure or administration. The four items related to the 'benefits' dimension were removed to better align with Consulticon's pay scales, and a few of the repetitive items were removed.
- Autonomy (AUT) was measured using the three items of the Job Diagnostic Survey developed by Hackman and Oldham (1975) which relate specifically to job autonomy.
- Supervisor support (SS) was measured using the adapted six item scale used by Malhotra et al. (2007) and Nazir et al. (2016) which was adapted from House and Dessler (1974). In addition, three items used by Nazir et al. (2016) and Malhotra et al. (2007) regarding participation in decision-making were added.
- Team or co-worker support (CS) was measured using the four-item scale used by Malhotra et al. (2007).
- Perceived organisational support (OS) was measured using the shortened form of the Survey of Perceived Organisational Support developed by Eisenberg, Cummings,

⁷ The original intention was to use the actual name of the organisation in the questionnaire, however this was changed back to the generic form at the organisation's request.

Armeli and Lynch (1997) which used the eight highest loaded items from their original 36 item instrument published in 1986.

In terms of the control variables, respondents were asked to provide their gender using tick boxes for male and female, age and tenure as numerical inputs in years, occupation from a list of occupations relevant in the organisation, highest level of qualification from a list, job classification level from a list (using terminology relevant to Consulticon), and employment status (full time or contract). The control variables were in line with most of the organisational commitment literature reviewed.

Data Analysis Methods

Numerical values from 1 to 5 were assigned to each of the Likert scale values in the questionnaire, allowing for the generation of quantitative (ordinal) data from the responses. For each variable, responses from the scale items were averaged, in line with the approaches adopted by the various authors, thus giving one value for each variable per respondent (ranging from 1 to 5).

To test for normality, skewness and kurtosis were calculated for each set of data using the statistical analysis functions in Microsoft Excel 2016. The Jarque-Bera test was then applied to calculate a test statistic which, for normally distributed data, has a Chi-square distribution with two degrees of freedom (Zaiontz, 2016). Secondly, the D'Agostino-Pearson test was applied which again uses both skewness and kurtosis. In addition to the individual tests for skewness and kurtosis above, the combined D'Agostino-Pearson test was also performed (Zaiontz, 2016). For both cases, the Chi-square function in Microsoft Excel 2016 was used. Lastly, a graphical analysis was undertaken using quantile-quantile (Q-Q) plots.

Pearson's sample correlation coefficients were calculated, and significance of the correlations were evaluated using Student's t-test for a correlation (Wegner, 2016). Note that the use of Student's t-distribution for testing for inference assumes that the bivariate data are normally distributed. Secondly, Kendall's Tau correlation coefficients were calculated using the version adapted for data which contain many duplicates or ties (Zaiontz, 2016). Kendall's Tau can be used for hypothesis testing even when both sets of data are not normally distributed. Thus, although more complex to calculate than Pearson's correlation coefficient, it was found to be more useful given the nature of the data.

Considering the demographic control variables including age, gender, occupation, tenure, job position and nature of employment (full time or contract), the T-test and F-test were applied.

The data were split into two sets using the control variables, generally according to the median value. The T-test was then used to compare the means of the data sets and determine whether there were any significant differences across the control variables. Differences in correlations across the control variables were also examined, using the Fisher Transformation of the Pearson's correlation coefficients, and the test statistic z (Zaiontz, 2016). The test statistic is normally distributed when the correlations are equal.

For all tests mentioned above, a significance value (α) of 0.05 was used.

Findings, Analysis and Discussion

Results

Demographics

A total of 104 responses were received before the closing date of the survey. 30 percent of the responses were female and 70 percent were male. The fact that there were significantly more male respondents was expected, and the ratio was representative of the gender split in the organisation. Eighty-eight percent of the respondents were full time employees with 12 percent employed on a contract basis. Respondents' ages ranged from 22 to 75 years with an average age of 35 years and median of 29 years. The age distribution was clearly negatively skewed, with 66 percent of respondents falling into the 'young professional' bracket, under the age of 35 years. However, this was representative of the organisation's age profile that has an average age of 36.5 years. As expected, the number of years that respondents have been employed by the organisation followed a similar trend to age. The vast majority of respondents (81 percent) were in the engineering profession and all respondents had some form of post-matriculation qualification. Lastly, considering job designation, in line with the age distribution, 59 percent of respondents fell into the junior job designation categories, which includes administrative staff, new graduates and those that were still in training towards professional registration. The 41 percent of senior respondents included registered professionals, specialists and those with management titles.

Descriptive Statistics

Table 1 presents the descriptive statistics for the two measures of organisational commitment (KUTM and the TCM), and turnover intentions. Using KUTM, the mean commitment score was 4.08 compared to 3.49 for the TCM, suggesting that KUTM may measure higher than the TCM. Similarly, the median for KUTM is higher than the TCM. Based on the median and mean values, organisational commitment levels appear to be fairly high, evidenced by the negative skewness of both measures. The mean score for turnover intentions of 2.30 and median of 2.33 suggest a more symmetrical distribution than those of the commitment measures.

TABLE 1:

Summary statistics for organisational commitment and turnover intentions

	Organisational Commitment (KUTM)	Organisational Commitment (TCM)	Turnover Intentions
Mean	4.08	3.49	2.30
Standard Error	0.06	0.07	0.09
Median	4.00	3.60	2.33
Mode	4.00	3.80	1.67
Standard Deviation	0.62	0.74	0.91
Sample Variance	0.39	0.54	0.83
Kurtosis	0.36	0.13	-0.41
Skewness	-0.45	-0.38	0.31
Minimum	2.00	1.20	0.67
Maximum	5.00	5.00	4.67

Table 2 shows descriptive statistics for the six commitment antecedents that were tested. The lowest scores found were for satisfaction with pay. Perceived organisational support was also relatively low when compared to the other antecedents. Occupational commitment and co-worker support showed the highest scores. For all antecedents, the distributions were

negatively skewed suggesting more positive than negative feelings from respondents related to each of the antecedents.

TABLE 2:
Summary statistics for antecedents

	OC	AUT	SS	SP	CS	OS
Mean	4.31	3.72	3.95	2.78	4.16	3.09
Standard Error	0.07	0.07	0.07	0.07	0.06	0.06
Median	4.25	3.67	4.00	2.80	4.00	3.25
Mode	5.00	4.00	4.00	2.30	4.00	3.38
Standard Deviation	0.65	0.73	0.69	0.73	0.63	0.57
Sample Variance	0.43	0.53	0.47	0.53	0.39	0.32
Kurtosis	0.35	0.89	0.37	-0.43	0.43	1.10
Skewness	-0.78	-0.51	-0.73	-0.25	-0.59	-0.42
Minimum	2.00	1.33	2.11	1.00	2.00	1.13
Maximum	5.00	5.00	5.00	4.20	5.00	4.75

Correlations

Based on the tests for normality, it was concluded that the two measures of commitment, satisfaction with pay and turnover intentions could be assumed to be normally distributed whilst the other factors were not. Given that five of the nine parameters were not normally distributed, Kendall's Tau was selected as the most appropriate method for calculation of correlations. The calculated correlation coefficients using Kendall's Tau (τ -b), the standard error (s_τ), test statistic (z) and probability (p-value) are presented in Table 3. Based on a significance level α of 0.05, the significant correlations are highlighted in bold.

TABLE 3:
Kendall's Tau correlations between antecedents, organisational commitment and turnover intentions

		Organisational Commitment (KUTM)				Organisational Commitment (TCM)			
		τ -b	s_τ	z	p-value	τ -b	s_τ	z	p-value
Antecedents	OC	0.37	0.08	4.74	0.00	0.26	0.08	3.50	0.00
	AUT	0.18	0.08	2.38	0.02	0.29	0.08	3.82	0.00
	SS	0.13	0.07	1.79	0.07	0.33	0.07	4.64	0.00
	SP	0.24	0.07	3.30	0.00	0.24	0.07	3.40	0.00
	CS	0.12	0.08	1.53	0.12	0.33	0.08	4.46	0.00
	OS	0.30	0.07	4.06	0.00	0.41	0.07	5.67	0.00
	TI	-0.41	0.08	-5.45	0.00	-0.38	0.07	-5.14	0.00
	TCM	0.50	0.08	6.64	0.00	-	-	-	-

Considering organisational commitment measured using KUTM, statistically significant correlations were found with four of the antecedents including occupational commitment, autonomy, satisfaction with pay and organisational support. Of the antecedents, the strongest correlation was with occupational commitment and the weakest was with co-worker support. Organisational commitment was also found to be significantly negatively correlated with turnover intentions.

Considering organisational commitment measured using the TCM, statistically significant correlations were found with all of the antecedents. In this case the strongest correlation was with organisational support, and the weakest was with satisfaction with pay. For all antecedents, except occupational commitment, the correlations with the TCM were stronger than with KUTM. Organisational commitment was also significantly negatively correlated with turnover intentions, although with a weaker correlation than for KUTM.

The two measures of commitment were also found to be significantly positively correlated.

Control Variables

Considering gender, no significant differences were found in the variance or mean for any of the parameters. However, correlations between organisational commitment (KUTM only) and turnover intentions as well as between occupational commitment and organisational commitment (TCM only) were much stronger for males than females. Regarding age, mean autonomy scores were higher for older respondents than younger respondents, and the correlation between organisational support and organisational commitment (KUTM only) was higher for the older than younger respondents. Considering qualifications, a significant difference was only found in the correlation between occupational commitment and organisational commitment (TCM only), with the correlation stronger for those with post-graduate qualifications than those without. Years employed had no significance on any of the means or correlations. However, differences between contract and full-time employees were found in the correlations between autonomy and organisational commitment (KUTM only) and occupational commitment and organisational commitment (TCM only). The former correlation was stronger for full time employees and the latter stronger in contract employees. Lastly, significant differences were found for correlations of both organisational support and turnover intentions with organisational commitment (KUTM only). In both cases, correlations were stronger for more senior employees.

Discussion

Comparison of the Commitment Measures

The significant positive correlation found between organisational commitment measured using KUTM and the TCM was consistent with the findings of Klein et al. (2014). This suggests that Klein et al. (2012)'s definition of organisational commitment overlaps with affective commitment, as has been previously found in the literature. Variance and skewness were similar for the two, however the mean organisational commitment measured using KUTM was significantly higher than the TCM. Two possible reasons for this difference were identified. Firstly, the words used in KUTM such as 'committed' and 'dedicated' are relatively neutral and "unemotional" whereas TCM uses more emotive terminology such as "belonging", "emotionally attached" and "personal meaning". It is possible that knowledge workers, and engineers in particular, found the former easier to understand and relate to than the latter, perhaps resulting from their natural affinity for logic and reason over emotion. Secondly, it is possible that KUTM actually mirrors occupational commitment, particularly in this study where the name of the organisation was not used in the survey. Respondents may have been thinking more of their dedication and commitment to their work or job rather than to Consulticon as the target.

Occupational commitment exhibited the strongest correlation with KUTM organisational commitment, but was only the fifth strongest correlate of TCM organisational commitment. Supervisor support and co-worker support were significantly correlated with organisational commitment measured using the TCM, ranking second and third of the antecedents in terms of the strength of correlation. This supports the conclusions of Benson and Brown (2007), Jayasingam et al. (2016) and Nazir et al. (2016) who all found a strong correlation between

these antecedents and organisational commitment in knowledge workers. However, contradicting this literature, both supervisor support and co-worker support were not significantly correlated with organisational commitment measured using KUTM, ranking last of the antecedents. The mean scores for co-worker support and supervisor support were the second and third highest of the antecedents, and both were significantly negatively skewed. This suggests that, in general, respondents felt strongly supported by their co-workers and supervisors. However, this correlated with the respondents' emotional bond with the organisation and consequent desire to remain out of their own volition (Meyer and Allen, 1991) but not with the respondents' volitional psychological bond, dedication and responsibility for the organisation (Klein et al., 2012). A possible explanation for the discrepancy is that the TCM affective commitment scales use statements starting with "I feel" and refer to terms such as "part of the family" and "belonging". It is logical to expect that support from ones' co-workers and supervisor would contribute to a sense of belonging and feeling part of the family at the organisation, hence the significant correlation with organisational commitment using the TCM.

Commitment and Turnover Intentions

As expected, both measures of organisational commitment were significantly negatively correlated with turnover intentions. This supports the notion of organisational commitment binding an individual to an organisation and reducing the likelihood of turnover. The correlation between turnover intentions and organisational commitment was stronger for KUTM than the TCM. Some of the aspects previously mentioned related to the terminology used in the two measures and how these would be interpreted by knowledge workers (particularly engineers) might explain the stronger correlation with KUTM. However, it must be noted that upon further testing, the difference between the two correlations was found not to be statistically significant. It is therefore not possible to conclude that KUTM is a better predictor of turnover intentions than the TCM, as was argued by Klein et al. (2012) in support of their model of commitment.

The mean scores for turnover intentions were consistent across the control variables, however there were some differences in correlations. The negative correlation between organisational commitment (KUTM only) and turnover intentions was significantly larger in males than females and in senior employees than junior employees. These differences do not have clear explanations and could simply be a function of sample size or of the terminology used in the measures and how these were interpreted by the different groups.

Practical Managerial Implications / Recommendations

Implication of Findings

Firstly, the study applied a recent conceptualisation of commitment as a unidimensional construct, a diversion from the previously understood TCM of commitment. There were some similarities between the results using Klein et al.'s (2012) KUTM and Meyer and Allen's (1991) TCM. However, there were also some significant differences between their correlations with the antecedents. This supports Klein et al.'s (2012) assertion that the conceptualisation of commitment as a volitional psychological bond is different from the previous definition of affective commitment. Furthermore, the correlation between organisational commitment and turnover intentions was stronger for KUTM than the TCM, although the difference was not large enough to conclude that KUTM was a better predictor of turnover intentions in this study. The differences between the measures in their correlations with certain antecedents, such as occupational commitment, co-worker support and supervisor support, suggest that the wording used in the measures could be an explanation for the differences found.

Secondly, the research advanced the limited body of knowledge of organisational commitment in South African knowledge workers, which is of particularly important given the shortage of skills in the consulting engineering environment in South Africa. In general, the results in terms of correlations between the antecedents and organisational commitment and between organisational commitment and turnover intentions, supported the findings in local and international literature with very few anomalies.

Thirdly, although the field of organisational commitment has been well researched, occupational commitment literature was less prolific, and studies investigating the relationship between the two commitment targets amongst knowledge workers were relatively limited. The findings demonstrated a significant correlation between occupational and organisational commitment using both measures, suggesting that there may be a relationship between knowledge workers' psychological bonds with their professions and their organisations. This could have implications for consulting engineering companies in their recruitment processes and retention strategies.

Limitations and Recommendations for Further Research

The study was cross-sectional and therefore no inferences could be made regarding causation between the constructs. Most of the literature reviewed for this study was cross sectional and very few longitudinal studies have been undertaken. Thus, a longitudinal study on this topic would be a good area for future research with the aim of establishing the causative relationships between organisational commitment, its antecedents and outcomes.

The research was only performed at one firm, meaning that the sampling technique was non-random. A wider sample, using random sampling techniques, would possibly be more representative of the population and it might allow for more meaningful inferences to be made.

The use of self-reported measures in this study might have resulted in common method bias, however, self-reported measures are widely used for measuring employees' perceptions since they are likely to be more accurate.

Only a selection of commitment antecedents and outcomes were tested, however there are many others mentioned in the literature which could be important for knowledge workers. Comparing KUTM and TCM against a broader array of these would be of interest, possibly through a larger mixed-methods study.

Conclusion

Organisational commitment is one of the factors that has been consistently associated with lower turnover intentions (Jayasingam et al., 2016; Jayasingam and Yong, 2013; Meyer and Herscovitch, 2001; Jaros, 1997). Knowledge workers have been shown to possess unique qualities which require tailored approaches in order to encourage organisational commitment and, consequently, reduce turnover intentions (Horwitz et al., 2003). This is important both for consulting engineering companies, whose business is built around knowledge workers, and for South Africa as a whole, who is reliant on engineers for infrastructure development. Historically, the TCM has been the most widely applied model of organisational commitment in literature. However, the recently developed KUTM, defining commitment as a unique and volitional psychological bond, is worthy of further exploration, particularly for knowledge workers. In comparing the two models as part of this study, scores for organisational commitment were significantly higher for KUTM than TCM, and the correlation between organisational commitment and turnover intentions was stronger (although not significantly) for KUTM than TCM. It is therefore possible that KUTM is a better predictor of turnover intentions in knowledge workers. Differences were found between the measures in their correlations with antecedents such as occupational commitment, co-worker support and

supervisor support. Exploring these differences, the wording used in the two organisational commitment measures was identified as a possible explanation, with the less-emotive wording of the KUTM being more relevant for engineers, and possibly all knowledge workers.

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Career development challenges facing administrative employees in South Africa

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ABSTRACT

The purpose of this exploratory research study was to investigate challenges facing administrative employees with regard to career development. Inadequate understanding of career development and the importance thereof poses a threat to organisational success. The research methodology adopted for this study was a qualitative approach. The researcher made use of structured interviews to collect data. The target population comprised managers and administrative employees working at the South African National Accreditation System. The research was a case study and applied, non- experimental research were used. Content data analysis identified themes obtained from data gathering. The findings indicate that career development is relevant, significant and important to administrative employees and should be recognised and managed effectively to ensure that organisations retain knowledgeable, skilled and qualified administrative employees.

INTRODUCTION

The previous president of the Republic of South Africa, Jacob Zuma, announced on the seven o'clock state of the nation address (SABC2, 2014) that career growth remains the universal key area in organisations and that employers must invest in career development in order to build the economy of South Africa. This statement illustrates the value and importance of career development in the South African business economy. The opportunity for career development provides a sense of achievement, growth, and improvement in one's career and ensures that an organisation has better control over external resources such as raw materials, skilled staff and technological advancement (Liu & Liao, 2013). Cichocki and Irvin (2011). One of the major reasons why employees leave their place of work is that they feel that they are "not getting enough career development and exposure to different challenges or tasks" (Rothwell & Chee, 2013). Empowering employees to develop their careers at all levels supports an organisation to run more productive and effectively (Bruce & Montanez, 2012). There is a need for employees and employers to be aware that a career no longer means climbing the ladder of success, but gaining and broadening skills, gaining knowledge and growing in a broader sense (Caplan, 2014).

BACKGROUND TO THE STUDY

The South African National Accreditation System (SANAS) is a schedule 3(A), Public entity, and is the sole accreditation body in laboratories in South Africa. SANAS is recognised by the South African Government as the only National Accreditation Body. It gives formal recognition with regard to Laboratories, Certification Bodies, Inspection Bodies, Proficiency Testing Scheme Providers and Good Laboratory Practice test facilities. Recognition is given in terms of the Accreditation for Conformity Assessment, Calibration and Good Laboratory Practice Act (Act 19 of 2006). The purpose of SANAS is to instil confidence and peace of mind within companies and individuals through accreditation, which is required for economic and social well-being in South Africa. Factors influencing career development of administrative employees in SANAS are a major concern for both employers and employees. Although SANAS is a flat structure, the organisation is growing rapidly and career development needs to be reviewed. As discussed in the introduction, career development should be regarded as the shared responsibility of employees and employers to improve employees' knowledge, skills and abilities. A working environment that is created with demotivated and unhappy administrative employees, leads to employees leaving the organisation sooner than expected (Rothwell & Chee, 2013). Unless organisations are able to understand the career development practices that employees' value, employee resignations will escalate, adding to rising organisational concerns and costs (Bambacas, 2010).

The next section reviews relevant and current literature on career development. The research objectives and design is then presented followed by the findings from the qualitative research design. The paper concludes with conclusions and recommendations to the field on career development for administrative employees.

LITERATURE REVIEW AND PROBLEM INVESTIGATED

Importance of career development

Lo, Ramayah and Kui (2013) define career development as the process to enhance employee's learning and guiding employees in their career advancement and personal growth. Development is the process where employees progress to a state of belonging in the organisation and can be measured in terms of career growth (Urama & Ndidi, 2012). Career development can further be viewed as a secure movement of employees over a certain period of time, through the hierarchy of one position to the next within the same organisation (Royal & Agnew, 2012). Research has shown that career development benefits both the employer and the employee because, if the employees are satisfied, they can help the organisation operate more effectively and also improve their own performance (Chang, Feng & Shyu, 2014). The activities in an organisation should be well structured to assist employees to explore in different areas and to develop their careers accordingly (Johns, 2012:120). For employers to be encouraged to succeed in developing their employee's full potential, an organisation has to develop career strategies as career interventions (Fan & Frederick, 2016).

Career development can be seen as the interactive progression of internal career identity formation and the growth of external career significance (Hoekstra, 2011). Francis, Holbeche and Reddington (2012) write that career development can be viewed from both the individual's as well as the organisation's perspective. An individual's career development can range from career status to job flexibility and monetary rewards. From the organisation's perspective, factors that influenced career development in administrative environments are employee motivation, efficient employee training, employee development and mutual trust between employees and managers. Van De Ven and Pharmaceutical (2007), state that managers have to actively support their employees in finding the "right match" and think beyond the boundaries of their departments and rather "focus on career development and growth".

The National Career Development Association found that efficient training is needed for the career advancement of administrative employees, and that career counselling should be provided (Hopping & Splete, 2013). Organisations should be encouraged to accept responsibility towards career development for their employees, which will in turn lead to the success of the organisation (Nord & Connel, 2011).

Employees and managers with a high degree of motivation have a lot of energy, are optimistic about challenges and are committed to the organisation and to their jobs (Ehlers & Lazenby, 2007). Organisations should develop leaders at every level and invest in their best talent, their employees, and to secure the future of the organisation. According to Schreuder and Coetzee (2009), a formalised organisational career-management system can also help to create a positive career-development culture which can help in addressing a range of issues, such as productivity and competitiveness, employment equity, succession planning and work forecasting, talent retention, management-potential selection and development, and up-skilling due to technological changes. This will result in employees that value the organisation's growth and excellence. Managers are, however, very conservative when it comes to promoting employees or providing them with challenging assignments due to the fact that they are afraid of failure (Van De Ven & Pharmaceutical, 2007).

Job rotation as a career intervention to career development

Robbins, Judge, Odendaal, and Roodt (2009) define job rotation as the periodic shifting of an employee from one working environment to another. When a work activity is no longer challenging, the employee is rotated to another environment, usually at the same level and applying similar work skills. The main objective of job rotation is to familiarise employees with all the aspects of their work duties. Job rotation is especially beneficial when it comes to employees being absent from work, for example sick leave, vacation leave or maternity leave. Working operations must continue in such a way that customers do not notice any absenteeism from administrative employees. Another advantage of job rotation is to reduce work overload upon return from absenteeism, and the level of stress the employee experiences will be minimal (Herholdt, 2012).

Job rotation can be seen as a career development strategy that motivates administrative employees who are assigned to repetitive tasks as well as to create multi-skilled employees (Nambiyar, 2014; Ayough, Zandieh & Farsijani, 2012). The goal of job rotation is for employees to be able to share their experience of work and work skills with their fellow employees in the organisation and, maintain a strong culture of working together as a team and display a willingness to learn more (Bogovis, Vukovich & Stroiteleva, 2013). Job rotation can lead to improved knowledge gained from different departments and will help administrative employees on how to implement the knowledge from one department to another (Stettina & Heijstek, 2011). It is important for employers to recognise the positive impact of job rotation on employees (Middaugh, 2014). Individual growth, specifically of employees who are determined to grow within their organisation can be determined by factors such as employee's knowledge about the importance of tasks and duties, information about the results related to the tasks and also gaining information about the real outcomes of a job (Sultan, 2012). Job rotation prepares employees to be able to take on new responsibilities and be able to face different challenges within their organisation and will develop resourcefulness and willingness of employees to gain new skills and advance in their respective careers (Azulay, 2013). Given this, it can be seen that there is a huge gap with regard to job rotation and the development of administrative employees in their respective careers.

The relationship between career development and mentoring

Studies have shown that a formalised organisational career-management system can help to create a positive career-development culture which can help in addressing a range of issues,

such as productivity and competitiveness, employment equity, succession planning and work forecasting, talent retention, management-potential selection and development, and up-skilling due to technological changes (Coetzee, Schreuder, & Tladinyane, 2009). This will result in employees that value the organisation's growth and excellence. Mentoring employees should focus on the long-term work performance because the purpose of mentoring in organisations is a combination of employee-organisation benefit and personal-performance development (Stewart & Rig, 2011). Mentorship empowers involvement in the organisation's strategic planning, implementation of plans and employee skills development. Managers must assist employees to live up to their full potential thus encouraging employees to develop their respective careers (Robbins & Hunsaker, 2012). Mentoring does not only benefit the employee, but also the organisation because it provides a humane and empowering learning environment (Scheepers, 2012). It encourages the employees to think in a broader sense, and also benefits the employees with regard to their career advancement, commitment to their work and organisation, job satisfaction, increased income, communication and promotions resulting from training and learning. Mentoring assists the employee to have a better understanding of the mission, vision and values of the organisation and also to explore opportunities of finding success in the organisation (Scheepers, 2012). It assists the employees to be able to align their ambitions and aspirations of their careers with those of the organisation (Cunningham (2014). Mentoring and coaching assist employees in overcoming a sense of vulnerability, develop new personal, social and cognitive skills and find new meaning and purpose with regard to career development (Terblanche, Albertyn & Van Coller-Peter, 2017). Mentoring can be seen as the responsibility of a manager to coach and develop employees to be successful in their work environment and to assist them to be equipped for future progression towards career development (Grensing-Pophal, 2015). Briscoe and Finkels (2009) believe that people with higher levels of positive career attitudes have higher levels of commitment to their organisations than employees with lower or negative career expectations. Career commitment reflects a form of work commitment that the employees have towards their careers and could be related to desired career outcomes (Ballout, 2009).

Employee commitment and engagement towards career development

Employers are reducing their commitments and efforts to employees' career development, and expect employees to take ownership and responsibility for their careers (Gardner, 2014). When managers give up their responsibilities towards their employees, it indicates that they are not too concerned about their employees' well-being and that employers are avoiding dealing with employee career development challenges (Nielsen, 2013). Latham (2012) states that employee commitment is a key variable that can affect the employees' willingness to remain in the organisation and also to commit employees to achieve organisational goals. According to Wu, Chen and Li (2013), fulfilment of career aspirations through career self-management operates via organisational commitment. Employees need organisations where they can be involved and feel that what they are doing is important and that their output contributes a lot towards a positive way of thinking (Royal & Agnew, 2012). Employers need to instil a sense of pride amongst employees regarding their work and also reinforce dignity in their work environment (Lipp, 2013). Waters, Bortree and Tindall (2014), state that administrative employees must be involved in organisational plans because they are the most important employees in the organisations who must be listened to because they deal with customers. Walker (2012) states that committed employees experience the importance and meaning of their work and they are driven by a high quality of performance.

The literature review confirms that factors such as, job rotation, career mentoring and employee commitment has an influence on career development of administrative employees. Career development is thus relevant, significant and important to administrative employees and should be recognised and managed effectively to ensure that organisations retain knowledgeable, skilled and qualified administrative employees.

RESEARCH OBJECTIVES

The primary objective of the investigation was to determine whether career development is taken into consideration with regard to administrative employee's future within SANAS. Therefore, the question arises whether administrative employees are effectively influenced by management towards their career development? The specific objectives pertaining to this paper focussed on the importance of career development, job rotation as a career intervention to career development, the relationship between career development and mentoring and lastly employee commitment and engagement towards career development.

RESEARCH METHODOLOGY

The research was a case study that focused on career development of administrative employee's within SANAS. In order to address the research objectives of the study, the explorative and descriptive approaches were used. The research methodology adopted for this study was a qualitative approach and was guided by the research question and objectives. This research followed an interpretive paradigm because the researcher seeks to understand the world in which participants work. The researcher made use of a structured interview which falls within the qualitative paradigm.

Population and sampling

The research was conducted at SANAS. The target population for this study comprised of managers and administrative employees ($N=64$) working at SANAS. The aim of this study was not to generalise across large groups of people, but instead to gain reflective insight and comprehension into the experiences of managers and administrative employees working at SANAS. The researcher opted to utilise the non-probability sampling making use of purpose sampling. The researcher chose the purposive sampling method because the population, its elements and the purpose of the study was known to the researcher (Babbie, 2013). The sample size for the study comprised of 10 managers ($n=10$) and 20 ($n=20$) administrative employees within SANAS. Inclusion and exclusion criteria had to be adopted. All participants had to be full time employees with a minimum of two years working experience at SANAS. Participants were excluded if they did not meet this criterion.

Data collection

Structured interviews formed the baseline for data collection for the research. Participants were informed of the goals of the research and consent asked for their participation. Permission was obtained from the participants to audio record the interviews and then later to transcribe the recordings verbatim. The researcher also made her own notes throughout the interview which she later compared with the digital audio recordings. During the data collection process, the researcher also fulfilled the role of active listener and observer. Before posing the first question, the researcher reiterated that participation was voluntary and that participants could withdraw at any stage should they wish to do so (Goldenberg & Goldenberg, 2013). Well-structured questions formed the baseline for the interview (Punch & Oancea, 2014). In this research, twelve questions were formulated to form the basis of the structured interviews. The questions were also based on theoretical perspectives of an overview of relevant literature (Maree, 2014). An interview guide containing the research questions were used to guide all the interview sessions. The purpose of the interview guide was to assist the researcher to probe questions in a systematic manner. The researcher was accompanied by a mediator whilst conducting the interviews. The mediator was a neutral person who accompanied the researcher to conduct the interviews with the intention of ensuring unbiased, reliable and scientific data collection. The interviews were conducted in a suitable venue which allowed the interviewees to feel comfortable and confident when interviewed. In this study, data was collected until saturation or redundancy of information was achieved.

Data analysis

Qualitative data analysis is primarily an inductive process of organising data into categories and identifying patterns and relationships among categories (Savin, Baden & Howel: 2013). Data analysis included transcriptions and data organisation. Data obtained from the interviews had to undergo preliminary preparation before analyses. Data preparation included data editing, coding, and the summarisation of the data. The analysed data was summarised and themes and categories were identified. Each interview was recorded and transcribed into an electronic format for further analysis. For the purposes of this study, a well-known qualitative data analysis software platform namely, ATLAS-ti was utilised for data analysis (Flick, 2014). The researcher's insight into the research topic enabled her to construct concepts and categories describing the phenomenon under study. In this research, the researcher used the content data analysis method to improve understanding of the factors influencing career development of administrative employees at SANAS. According to Stewart and Shamdasani (2015), content analysis was appropriate to use for this study because it provided knowledge and understanding of the phenomenon under study.

Establishing trustworthiness

A pilot study was conducted with one senior manager and one administrative employee in order to ensure that questions were unambiguous, objective and understood by the participants. The pilot study also measured the duration of the interview and how the participants perceived their roles during the interview. Trustworthiness affirms the worthiness of a study and efforts to ensure the accuracy and inclusiveness of recordings that the research is based on, and the efforts to test the truthfulness of the analytic claims that are being made about those recordings (Silverman, 2014). The researcher ensured the trustworthiness of the research, by applying the following criteria to accurately reflect the assumption of the qualitative paradigm. To ensure credibility of data, interpretations of the study was compared to raw data and the presence of the mediator during interviews also verified credibility. The researcher enhanced transferability of the findings through descriptions of the collected data from an objective perspective which should enable future researchers to judge the transferability of the criteria to other user populations. Dependability was achieved with the mediator being present during the interviews and was obtained by describing how data was collected, recorded, coded and analysed. Conformability was achieved by demonstrating that the findings and data were clearly linked to the set research objectives.

Ethics

The following ethical factors were taken into consideration whilst conducting the research. The names of the respondents were not shared or disclosed to anyone and voluntary permission from the participants to partake in the study and participant's right to privacy was honoured, an informed consent form was signed by all the participants, the relevant documentation served at Tshwane University of Technology Research Ethics Committee for approval, a letter of consent from SANAS granted the researcher permission to conduct research at the organisation, and to limit researcher biases an external mediator was in attendance during the interviews (Stewart & Shamdasani, 2015).

FINDINGS

The findings of this study are discussed against the background from the literature and information gathered in the course of the empirical investigation. All the questions from the interviews will not be discussed and only pertinent questions from the interviews are repeated. The discussion corresponds with factors listed in the literature review that is relevant to career development in the administrative environment.

In order to analyse and interpret the data, a qualitative data analysis process was followed where the information was coded and categorised, and clear findings emerged from the utterances of the participants. All the interviews were typed verbatim making use of a word processor programme, Microsoft Word. The data was integrated in the CAQDAS software package, ATLAS.ti. The researcher compared each transcription to each audio recording in order to check the style of the transcription and to determine the accuracy of the original transcription. Confirmatory quotations cited were referenced as, for example, Participant 1 is cited as P1.

The key findings of the study are aligned with the research questions as follows:

What is your understanding of the term “career development”?

When responding to their perceptions regarding career development, all the participants indicated that they understood the meaning of the concept. Participants were in agreement that career development could be achieved through learning, attending workshops, training and improving qualifications. The literature review indicated that career development in an organisation should be well structured to assist employees to explore different areas and to develop their careers accordingly.

In your opinion, what are the challenges and constraints that affect career development of administrative employees in SANAS?

The participants listed a myriad of challenges and constraints regarding career development at SANAS. Results indicate that financial constraints and obtaining a bursary are major challenges for all the participants. Participants are eager to improve their qualifications but are unable to do so. Participants were in agreement that management has to ensure that policies regarding further studies should be amended and procedures explained. It was emphasised that policies have to be fair regarding career development. It is important to note that participants agreed that managers should involve employees when drafting policies and strategic matters.

According to your experience, what interventions can be included in a strategy to link career development towards the goals of the organisation?

Findings illustrate that there is a major lack of support in terms of training and communication at SANAS. It is important to take note of the fact that effective employee training helps to minimise the level of stress, promotes team work, reinforces the values of open communication and cooperation between employers and employees. Intervention strategies as seen by participants would be to link career development goals with that of the policies of SANAS. Managers must engage with employees and employees need to be mentored and monitored through the process of career development. In-house training and courses will assist employees in terms of understanding the necessity of achieving the same goals and values as that of SANAS. The necessity of a skills audit was seen as a strategy in order to close the gap in achieving the objectives of the organisation.

With reference to your line of duty, what kind of commitments does your manager have in developing your career?

A minority of the participants (P1, P3, P11, P13, P14, P20, P23, P27 and P28) were in agreement that their “*line managers are committed and involved in the development of their respective careers*”. This raises a serious concern because literature indicates that career development benefits both the employer and the employee and, if the employees are satisfied, they can help the organisation operate more effectively and increase productivity by improved work performance.

The majority of employees (P2, P5, P6, P8, P9, P10, P12, P15, P19, P21, P24, P25, P26 and P29) were unwavering to say that *“there was no commitment from their managers regarding the development of their careers”*. However, participants (P7, P16, P17 and P22), were of the opinion that *“commitment only partially existed”*. Participant (P18 and P30) stressed that *“commitment towards developing employees’ career should be an individual’s responsibility”*. The results suggest that the employer’s commitment is important in order to lead and guide employees to higher maturity levels.

With reference to your own personal experience, how do you perceive the mentoring or coaching process from your manager towards you as an administrative employee in the working environment?

The majority of participants (P2, P3, P5, P6, P8, P9, P10, P11, P12, P13, P15, P16, P17, P18, P19, P20, P22, P24, P25, P26, P27, P28 and P30), were in agreement that *“mentoring and coaching did not exist in SANAS”*. Mentoring employees should be focused on the long-term work performance because the purpose of mentoring in organisations is a combination of employee-organisation benefit and personal- performance development.

Participant (P1) stated that *“managers only coached employees during performance appraisals”* while participant (P29) commented that *“managers did not have the time to coach and mentor employees”*. Only one participant (P4), remarked that *“mentoring and coaching did exist”*. This raises a serious concern because coaching encourages employees to think in a broader sense, and also benefits the employees with regard to their career advancement, commitment to their work and organisation, job satisfaction, communication and promotions resulting from training and learning.

According to Stewart and Rig (2011:204), mentoring employees should be focused on the long-term work performance because the purpose of mentoring in organisations is a combination of employee-organisation benefit and personal performance development. Participants (P2, P10 and P30) reiterated that *“coaching and mentoring processes and procedures must be implemented and not only be based theoretically or based as an ideal”*. Although the majority of participants indicated that mentoring and coaching did not exist in SANAS and all the participants realised and acknowledged that mentoring and coaching will create a pleasant relationship between managers and employees and will benefit SANAS as a whole.

Can you tell me how you perceive the relationship between job rotation and career development?

A surprising observation was that participant (P30) was adamant that job rotation is not related to career growth *“There is, but I do not know how it is done, because the rotation to me is not a career growth, it is to understand the programs in the organisation”*. Participant (P5) agreed that there is no growth in job rotation *“Job rotation is very interesting but there is no growth as you are doing the same things from program to program. It needs to be implemented as it does not exist”*. Findings from participants (P2, P4, P18 and P25) revealed that *“job rotation was of the utmost importance to employees in the administrative environment and could lead to employees being multi-tasked and having better opportunities of being promoted”*. Participants (P6, P7, P8, P9, P10, P11, P12, P13, P14, P15, P16, P17, P19, P20, P21, P22, P23, P24, P27 and P28) were all in agreement that *“job rotation did not exist in SANAS”*. Literature emphasises that job rotation will lead to improved knowledge gained from different departments and will also help employees on how to implement the knowledge from one department to another.

According to participants (P4, P12, P21 and P27), *“management should consider the planning and implementing of job rotation in the administrative environment”* of SANAS, which could

lead to the gaining and sharing of new knowledge from different departments. These results strengthen the alluded view that job rotation can decrease boredom in the work environment, prevent employees from resigning and work operations can continue even in the event of absenteeism, maternity leave, vacation leave or off-sick leave.

Participants (P3, P5 and P18) explained that *“job rotation will not contribute towards career growth”* however, should it be implemented *“job rotation will assist administrators in acquiring new knowledge from different departments”*. It is interesting to note that a minority of participants (P7 and P25) stated that *“job rotation partially existed in their work environment”*. Participant (P8) mentioned that there was *“no link between job rotation and career development and that formalised planning, implementing and monitoring should be implemented to ensure that all the employees benefit from job rotations which will lead to developing careers”*.

The following categories derived from the theme job rotation: time constraints, employee recognition and work overload.

Time constraints

Participants (P2, P4, P14, P19 and P23) stated that *“should job rotation exist, it will assist them in having sufficient time to further their qualifications”*. Participants (P12, P15, P22 and P24) were of the opinion that they *“didn’t have enough time to develop their careers without the support from management”*. Participants (P18, P27 and P30) believed that it should be *“the responsibility of the administrators to identify the gaps for growth, plan their career paths and pursue their individual growth”*, in spite of looking at the fact that the prospect of growing within the department is limited.

Employee recognition

According to Boonstra (2013:82), in order to bridge gaps and distances in culture, it would require building relationships between management and employees, management that is accessible, working on mutual trust, working on recognition, appreciating and celebrating successes. Participant (P25) was unwavering to state that *“employee recognition must be taken seriously and be included in strategic plans especially those employees with a high volume of work must be recognised and be rewarded accordingly”*. According to participant (P15), *“managers must start recognising employees for a job well done, and encourage employees to perform better which will then lead to employees accepting additional tasks”*. Participants (P9, P15 and P25) affirmed that *“employee recognition will also be a solution to eliminate unnecessary absenteeism and managers must recognise employees’ worth, and praise them for work well done”*.

Work overload

Participants (P10, P12, P21 and P29) were of the opinion that *“work overload affected their career development”*. Participants (P9, P10, P12, P14 and P16) further confirmed that *“administrative employees were unhappy about their work overload and that management did not acknowledge their hard work and efforts to perform duties effectively and efficiently”*. It was observed that the work environment limits most employees to further their studies leading to employees looking for better work offers outside of SANAS. Participant (P10) elaborated and commented that *“due to different kinds of programs, work load differed and in order to keep employees satisfied, management had to consider looking at the work overload versus salaries”*. Participants (P4 and P23) stated that they were *“discouraged to improve their qualifications due to the fact that they were always overloaded with work and did not have sufficient time to study”*.

Findings are that the implementation of job rotation can benefit both the employees and employers in such a way that it will reduce complacency, stimulate creativity and increase both job satisfaction and engagement. Job rotation can be implemented to reduce work overload and will increase the value and morale of administrative employees. The results imply that the policy with regard to job rotation in the administration departments should be investigated and a teamwork strategy should be established to work towards a common goal.

CONCLUSIONS

The primary objective of the research was to determine whether career development was taken into consideration with regard to administrative employees' future within SANAS. The research findings confirmed that the majority of the participants were in agreement that there were significant factors that had a negative influence on their career development and growth within SANAS.

Strong consensus was reached that employees were not getting enough support from management in terms of career development, and the fact that they could not communicate openly with their managers made it even more difficult to progress in their careers and further studies.

Participants were in agreement that leadership styles need to be reviewed in order for managers to be more approachable and trusted. Management must genuinely be concerned about the sustainability of their employees in order to avoid employee resignations. This can be achieved through organisational awareness and interaction techniques from management to ensure that employees remain motivated and content.

There was consensus between participants that job rotation could benefit both the administrative employees and employers in SANAS. Job rotation could increase the knowledge of the administrators from other programmes, stimulate creativity and increase job satisfaction. The participants agreed that employers can reduce workload by increasing the number of administrators as an intervention, and also implement job rotation. The participants concurred that job rotation would reduce boredom, absenteeism, and increase good performance rates due to motivated employees, and this will lead to achieving organisational objectives and goals.

It was established that high levels of employee motivation are intrinsically linked to high levels of employee engagement, which in turn would lead to employees being more productive. Organisational performance depends on efficient and effective performances of an organisation's employees. For this reason a highly satisfied workforce is indispensable. Employees who are satisfied with their work environment would be motivated to put in the extra effort. The management of SANAS should realise that satisfied employees are committed to their work and crucial to the success of the organisation. The participants concurred that if they were motivated to further their studies and develop their careers, they would be more satisfied with their work environment. The findings of this study indicated that there were employees who have the necessary talent, knowledge and abilities to perform their duties, but were not acknowledged and rewarded for the work well done, which led to employees having the perception of no worth. Motivation within SANAS could support the innovativeness of the entire organisation and employees will remain satisfied within their work environment. The participants of this study believed that motivated and satisfied employees have a significant effect on productivity, job satisfaction, effective communication and employee morale.

The participants were in agreement that employers must form a partnership with employees in managing their career goals because SANAS will benefit from highly skilled and qualified employees, and the employees will also benefit from the organisation.

There was consensus amongst the participants that mentoring and coaching in the organisation did not exist, and should be enforced. The procedure must be well documented and be implemented. SANAS employees can improve their chances in developing their careers through receiving relevant mentoring and coaching.

The participants also commented on the fact that managers must support their subordinates by being transparent with information and grant employees the permission to further their studies and improve their qualifications or, attend relevant training courses that are in line with the goals of SANAS.

PRACTICAL MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

The following recommendations are made based on the findings of this study as well as the conclusions drawn from the research. The recommendations could assist management to further develop the careers of administrative employees.

Managers could earn trust and improve career development by being accessible, authentic and fostering openness. Administrative employees and their managers should create a culture of trust. Managers can improve employee performance by being accessible and, fostering openness and being role models. Management have to become more concerned about the job satisfaction of their employees, as contended employees are more productive. Administrative employees must be involved in organisational developmental plans. Administrative employees can add value to the revision and adaptation of organisational policies, needs and future expectations. Employers have to find a method of engaging administrative employees in order to develop better ideas and to maintain positive employer-employee relationships. Career development should be aligned with an organisation's vision and mission in order to create meaningful change. Management have to change their original paradigms regarding job rotation. Job rotation should be approached from a positive and proactive perspective and should focus on opportunity and possibility. Mechanisms should be developed to establish the effective integration of job rotation. The establishment of effective job rotation can lead to efficient and effective job performance within the different programmes of an organisation. Job rotation will offer administrative employees more work enrichment and work redesign and will offer them more autonomy, responsibility and challenges. A two-way communication process should be established between management and administrative employees. The communication process should be transparent and managers should be clearer in addressing administrators' expectations. The quality of the administrative employees' performances would improve if managers were to remain on the alert for warning signs due of inadequate motivation and poor performance. Recognising such signs would prevent the deterioration of a healthy organisation. Employees should be recognised for their successes in their place of work. The purpose of recognition is to create symbolic moments that further reinforce the work effort and to establish a culture that encourages employees to move forward in their respective careers.

LIMITATIONS OF THE STUDY

Since this was a case study, the researcher did not aim to generalise the results, instead, the intent was to provide for the extension of the findings which will enable managers and administrative employees to understand similar situations and apply these findings in subsequent research situations. Therefore findings and conclusions are limited to this case study alone. The qualitative literature review focused on specific topics. Having specific inclusion rules may cause the exclusion of topics and concepts that may prevent conceptual advances. The study included managers and administrative employees working at SANAS. The data collected stemmed from the personal experiences of participants, hence the findings cannot be generalised to other administrative environments in South Africa.

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Employee engagement: what is the influence of biographical attributes

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ABSTRACT

The diversity of the workforce, characterised by different biographical attributes, is an important factor that influences employee engagement. These attributes usually include aspects like age, gender, and tenure. An engaged workforce, increases an organisation's value. This, in turn, supports employee retention and the effective and efficient running of the organisation. The more engaged employees are, the more productive they generally are and the better their customer service. A lot of research has been done in developed countries on the effect of biographical attributes on engagement. The paper discusses the influence of biographical attributes, namely age, gender and tenure, on employee engagement in a developing context.

INTRODUCTION

As the world is increasingly becoming a global village, organisations are expanding their operations to an international level. Rapid economic development brings an increase in corporate profits and employee income, leading to an increase in workplace stress that negatively affects productivity levels and employee engagement (Mathur & Sharma, 2016). According to Shine, Garg and Gupta (2017), growing market competition has increased the demand for skilled human resources. The ensuing shortage in organisations has placed a high premium on this resource. Shine *et al.* (2017) further indicate that human resources is one of the most dynamic and volatile resources. Moreover, it may be an advantage or disadvantage, as there are two sets of employees. The one set is engaged and committed, raising productivity levels and lowering turnover. They are ultimately the source of an organisation's competitive advantage. The other set of employees are disengaged and not committed, increasing organisation costs as they are a burden because of their low productivity. The paper reports on a study of an organisation in Lesotho, the Matekane Group of Companies (MGC). MGC is a group of diversified companies that includes a drilling and excavating plant hire firm, a construction company, a hotel and a property developing company

The following section is a brief discussion of the literature review of employee engagement.

LITERATURE REVIEW

This section reviews the definition, dimensions and influence of biographical attributes on employee engagement.

Definition of employee engagement

Employee engagement is a positive, fulfilling, work-related state of mind (Schaufeli & Bakker, 2004). It is characterised by an insistent and prevalent affective-cognitive state, not based on any particular object, event, individual or behaviour.

Mathur and Sharma (2016) define employee engagement as the commitment and energy an employee brings to work. It is therefore a key indicator of their enthusiasm and participation in the success of the organisation. Mathur and Sharma (2016) further indicate that if employees are engaged, they are more productive and loyal to the organisation. The emphasis on employee engagement as an aspect of organisational behaviour has shifted to facilitating confirmative psychological states, rather than simply averting undesirable ones.

Saks and Gruman (2014), building on the work of Kahn (1990), define employee engagement as harnessing the organisation's members' self to their work responsibilities. When employees are engaged, individuals occupy and express themselves physically, cognitively and emotionally during role performances and are defined by Kahn (1990) as physical -, emotional - and cognitive engagement

Mishra, Boynton and Mishra (2014) suggest that an engaged employee is one who has a strengthened emotional bond with their employer and encourages other employees to have that bond. Their time and effort are dedicated to the success of the organisation. Mishra *et al.* further define engagement as the measure of an employee's commitment, both emotionally and intellectually, to the organisation's success, suggesting that employee engagement contributes to a high-performing organisation. Jindal and Shaikh (2016) define employee engagement as the level of responsibility and participation that an employee has towards their organisation, its core values and beliefs. The authors indicate that an engaged employee is assumed to be conscious of the business environment, as well as work intricacies with their co-workers, to improve performance for the advantage and excellence of an organisation.

Schaufeli, Salanova, Gonzalez-Roma and Bakker (2002) define employee engagement as a stable, pervasive affective-cognitive state that is measured by vigour, dedication and absorption. It is a more recent conceptualisation of employee engagement and is similar to that of Kahn (1990).

Dimensions of employee engagement

Schaufeli et al. (2002) use vigour, dedication and absorption to explain employee engagement.

Vigour, according to Truss, Alfes, Delbridge, Shantz and Soane (2014), comprises high levels of energy and mental spirit. Vigorous employees are likely to devote a significant time and effort to their duties and robustly, effectively and efficiently execute them even when faced with disruptions.

Dedication is the alignment of behaviours that encompass desire, enchantment and stimulus. It is characterised by a sense of significance, eagerness, motivation, self-importance, and challenge (Schaufeli & Bakker, 2004).

Absorption, according to Basikin (2007), is employees being fully concerted and deeply immersed in their work. Absorption is characterised by a full concentration and happy immersion in one's work; hence, time passes by quickly. In most cases, when employees are fully absorbed in their work, they find it difficult to detach from their work.

Employee engagement and biographical attributes of employees

Diversity in the workplace not only encompasses different ethnicities and cultural backgrounds, but also includes different ages, gender and tenure. According to Lapoint and Liprie-Spence (2017), life experiences shape an individual's outlook on life, which is why people of different age groups, with different genders and tenure in the workplace, have different life experiences. Therefore, understanding these differences will offer an insight into why people act and react the way they do.

Employee engagement and age

According to James, McKechnie and Swanberg (2010), a modern-day workplace includes workers of all ages, ranging from young adults to retirement-eligible adults. All of them seek different outcomes and are in different stages of their careers. This implies that they have different perspectives on the basis of the norms and expectations about their work at different points in their career cycle. The level of engagement between a young adult and an employee eligible for retirement may differ. A young adult is not yet willing to settle down or make any career commitments due to a drive to climb the corporate ladder. Employees with their sights on retirement find it very easy for them to settle down and commit to their current employer as there are no aspirations to grow their careers further now that they are approaching their retirement age. It is very important to engage all of these workers for optimal productivity. When employees' age is similar, they are more likely to develop strong friendship ties at work. Avery and McKay (2007) therefore indicate that the age similarity of employees may help promote greater engagement through its impact on both identification and friendship. Employee engagement also relates to how long an individual is active at a company (Lapoint & Liprie-Spence, 2017).

A study by Lapoint and Liprie-Spence (2017) indicates that older people are typically more competitive and optimistic and focus more on personal development. Their strengths include team perspectives, the ability to work longer hours, dedication, experience, and knowledge. However, older people struggle with technology as it replaces human interactions, work-life balance and shared appraisals and awards. Middle-aged employees are risk-takers. They constantly seek employee well-being and work-life balance. They are independent, adaptable, creative, and techno-literate, and constantly challenge the status quo. They are also committed to their work and co-workers, but struggle with trusting authority. Lastly, the youngest group of employees is team-oriented, optimistic and technologically informed, and tends to multitask. The younger generation is characterised by tenacity and the constant drive to learn and grow. Their shortcomings include inadequate skills to juggle daily living and fulfilment of employment tasks. They also lack respectful communication skills and patience.

According to Avery and McKay (2007), engaging the ageing workforce has proved to be challenging for most employers. An ageing employee group increases the age diversity in the work space, because the greater the age gap, the greater the possibility of dissimilarities between the older group and their co-workers. The meta-analytic evidence indicates that there is a positive correlation between organisational commitment and an intent to stay in the organisation. However, understanding the relationship between employee engagement and the age dissimilarity of employees is very important as employee engagement is directly linked to outcomes such as turnover, customer satisfaction, loyalty, profitability and productivity, whereas job attitudes and organisational commitment are indirectly related. Hatak, Harms and Fink (2014) indicate that older people are most likely to exhibit behaviours that are undesirable

for doing business. The younger generation is likely to act entrepreneurially. Older people may lack interest in investing their time in activities that have a long and uncertain payback such as starting a new venture or developing a new business. The younger generation has the patience and the intent to be part of the plans of the organisation.

Antoniou, Polychroni and Vlachakis (2006) reveal that younger employees present higher levels of emotional exhaustion and depersonalisation in comparison to their older counterparts. This is due to the younger employees' inability to activate the pertinent coping mechanisms for occupational stress in times of difficulties. Employees that are highly engaged feel a sense of pride and solidarity with the organisation they work for. As a result, their jobs are inevitably connected to their diverse identities, interests, life goals and the satisfaction they derive from effectively doing their jobs. The discipline and practice of employee engagement is a key indicator of employee well-being, continuously progressing with modifications to prevailing simulations and measures. There is a strong suggestion that the experience of work can have both affirmative and deleterious effects on the vigour and well-being of individual employees. According to Lapoint and Liprie-Spence (2017), the recognition that there may be differences in engagement based on an employee's age will allow some businesses to create a competitive advantage over others.

A discussion of the relationship between employee engagement and the biographical attributes of gender and tenure follows.

Employee engagement and gender

Stengard (2018) indicates that different expectations are imposed on women and men during their work life. Early on, the sex-stereotypical orientation exists that different career paths are suitable for different sexes; it will therefore affect career choices. In the end, men and women tend to choose different career paths, with different working conditions and different labour market opportunities. Traditionally, the labour markets were highly gendered, as more females were in the care-giving sectors, while the males were seen as providers and were mostly in the industrial and technology sectors. Owing to the segmented labour market, men and women have different roles to play in society in relation to their families and children, which restrict the possibilities of their working life (Stengard, 2018).

According to a study by Antoniou *et al.* (2006), gender has an effect on stress and burnout. Female employees experience higher stress levels and less satisfaction in their workplace than males. Gender pay gaps, work-life balance, and an inherent vulnerability to stressful working conditions are some of the factors Antoniou *et al.* (2006) indicate as leading to an increase in the stress levels of female employees. The study reveals that female employees are more prone to occupational stress and have limited access to dealing with and interpreting work-related problems as compared to their male counterparts. Emotional exhaustion in female employees is caused by a lack of the acquired psychological coping resources that are critical in meeting the demands of their work lives. However, Antoniou *et al.* indicate that it is a difficult task to interpret these differences as there are a number of intervening factors such as workload, position in the job hierarchy and the presence of social support.

Akinbode and Fagbohunbe (2011) point out that the prevailing gender stereotype analyses females as possessing higher emotional and cognitive engagement than their male counterparts, while males possess higher behavioural and overall engagement when their tenure in the organisation is equal to or exceeds five years within the organisation.

The following discussion examines the influence of tenure on employee engagement.

Employee engagement and tenure of employees

Tenure means the length of time an individual has worked for the organisation (Mitonga-Monga, Flotman and Cilliers, 2017). According to Bindu and Muralidhar (2016), the tenure of an employee within the organisation has a direct influence on the employee's confidence and competence. Their engagement levels either increase or decrease. The tenure of employees determines the flexibility of time they allocate to their work roles and the energy they exert. The employees with 0–5 years reported the highest level of engagement on all three dimensions of employee engagement. Employees with 16–20 years of experience reported the lowest level of engagement. Lastly, employees with 4–10 years were seemingly less engaged than they were when they began their careers. A recent study by Stengard (2018) indicates that one of the reasons older employees are likely to stay in an organisation longer is because of the organisational benefits they have gained and which they will lose if they leave. As a result, older employees have been found to possess a stronger preference towards their workplace.

According to Mitonga-Monga *et al.* (2017), two pervasive assumptions exist about the length of tenure. First, employees with a longer tenure are supposed to be more competent and perform at higher levels than their colleagues with a shorter tenure. The second assumption is that because employees with longer tenure have gained much experience, the organisation implicitly expects them to socialise, help and guide the more junior employees. The employees with longer tenure within the organisation tend to find socially oriented responsibilities emotionally and psychologically fulfilling as compared to their junior counterparts.

PROBLEM INVESTIGATED AND RESEARCH OBJECTIVE

In the case of MGC, it was found that the company's rapid growth had affected the engagement of employees. The researchers wished to identify whether there was a relationship between employee engagement and the biographical attributes of age, gender and tenure. Therefore the following research objective was set as part of a bigger study:

To determine the influence of age, gender and tenure on employee engagement at MGC.

RESEARCH METHODOLOGY

A quantitative research design was used to measure the engagement level of employees. MGC has 120 employees with a sample size of 82 employees, employing non-probability comprehensive sampling. A standardised questionnaire known as the Utrecht Work Engagement Scale (UWES) was utilised to collect data. The researcher used the Statistical Package for the Social Sciences (SPSS) software with the support of a statistician.

A letter was sent to the MGC finance manager and an email to the contracts manager to obtain permission to conduct the study on employees. The contents and details of the study were explained to the respondents. The respondents completed a consent form prior to the questionnaire, which indicated that the researcher had explained the nature, procedure, potential benefits, and anticipated inconvenience of participation to them. The consent form further made respondents aware that the study would be anonymously processed into a research project. The respondents were not exposed to situations where they could be subject to physical or mental harm. The researcher ensured that the questionnaires were completed at a pace suitable for each respondent. The information received was treated as strictly confidential and the privacy of the respondents was safeguarded. Additionally, information from the respondents was preserved to protect its confidentiality. The data was reported in such a way that it avoided misrepresentation and a distortion of what was initially collected during the study.

DATA ANALYSIS

Eighty-two (82) questionnaires were distributed to the respondents and all 82 questionnaires were completed, which means the response rate was 100%. Below is a discussion of the analysis of the biographical attributes of the respondents followed by the recommendations.

Biographical attributes

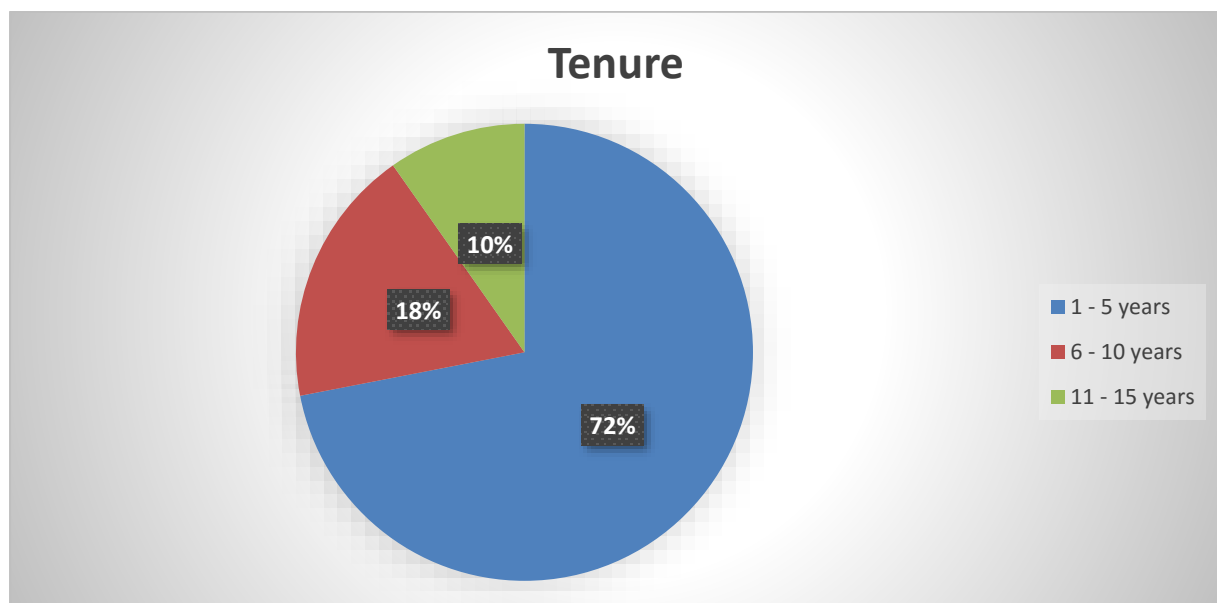
The respondents' biographical attributes of tenure, age and gender are discussed in this section. The findings pertain to the sample at MGC.

Employee tenure

Figure 1 illustrates the number of years the respondents had been employed at MGC. Among the 82 respondents, 72% had been employed for five years or less, while 18% had been employed for six to ten years. There was a greater percentage of employees who had been employed for five years or less, because a number of new businesses started operating in December 2014 and March 2016 respectively. Conversely, MGC-Mining employees, mainly operators, regularly left their jobs to seek employment elsewhere. Because of the mounting pressure to meet set targets, new employees were constantly being recruited.

FIGURE 1:

Employee tenure distributions of employees

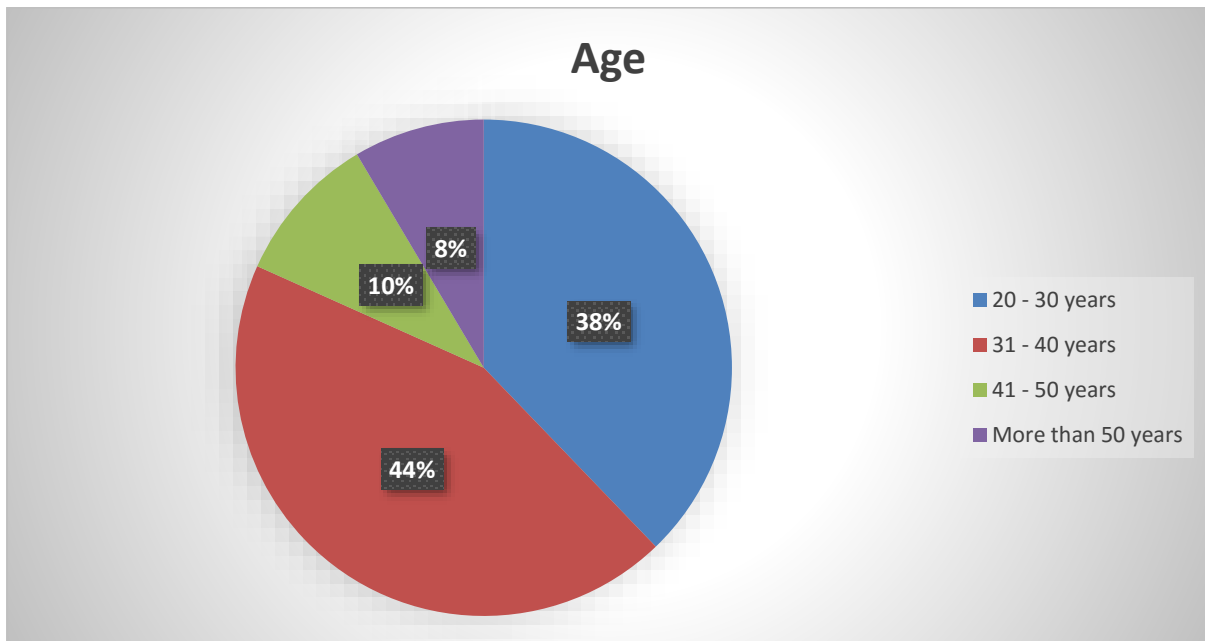


Age groups of respondents

Figure 2 presents the age groups of the respondents. Among the 82 respondents, 44% were aged 31–40 years, while 38% were aged 20–30 years. The results show that the majority of employees were in their early and mid-thirties, because MGC sought to recruit experienced employees. The objective of MGC was to pursue the age group less likely to seek employment elsewhere, as they were slightly more stable in their jobs than the ones in the age group of 20–30. The results correspond with the theory that younger employees are less likely to grow with an organisation, because they aspire to move up the corporate ladder.

FIGURE 2:

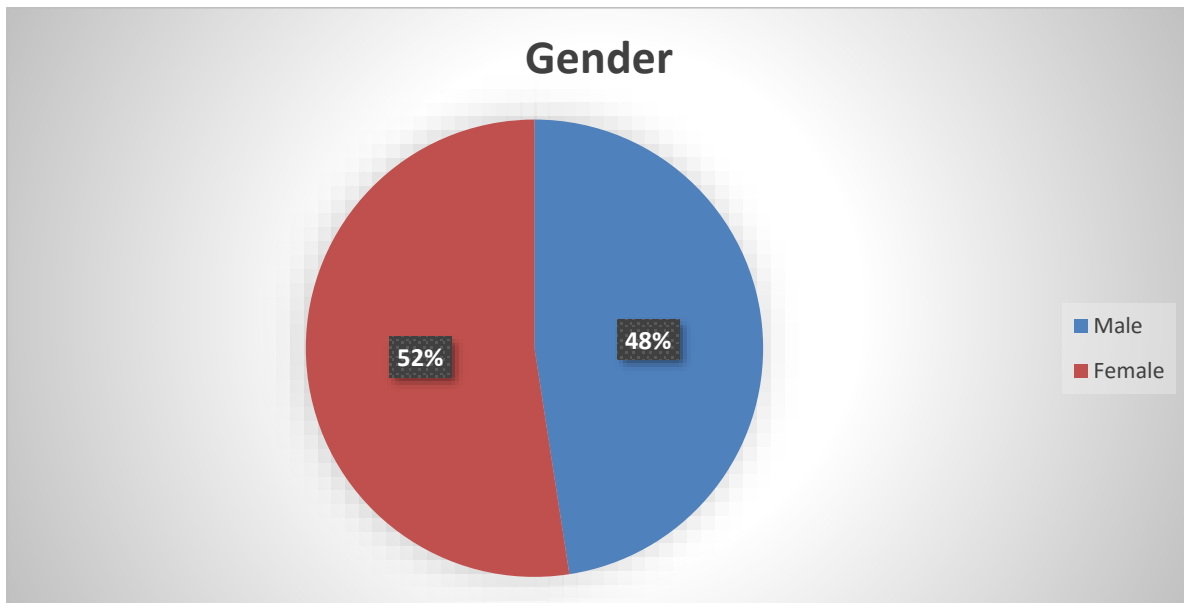
Age group distributions of respondents



Gender of the respondents

Figure 3 shows the gender of the respondents, with 52% being female and 48% male. The percentage of females within MGC was higher because more women were employed as administrative staff at the senior, middle and low-level positions. For example, the financial manager, financial and senior accountant, human resources managers (2), marketing officers (2), receptionist, office assistants (4), and the executive secretary were all female. The environment at MGC was female-oriented, which presented a good image of MGC and empowered women in MGC to feel valued. Theoretically, females are perceived as having strong emotional and cognitive abilities, and tending to be resilient in difficult times; the strong female presence in MGC is therefore a good indication.

FIGURE 3:
Gender of respondents



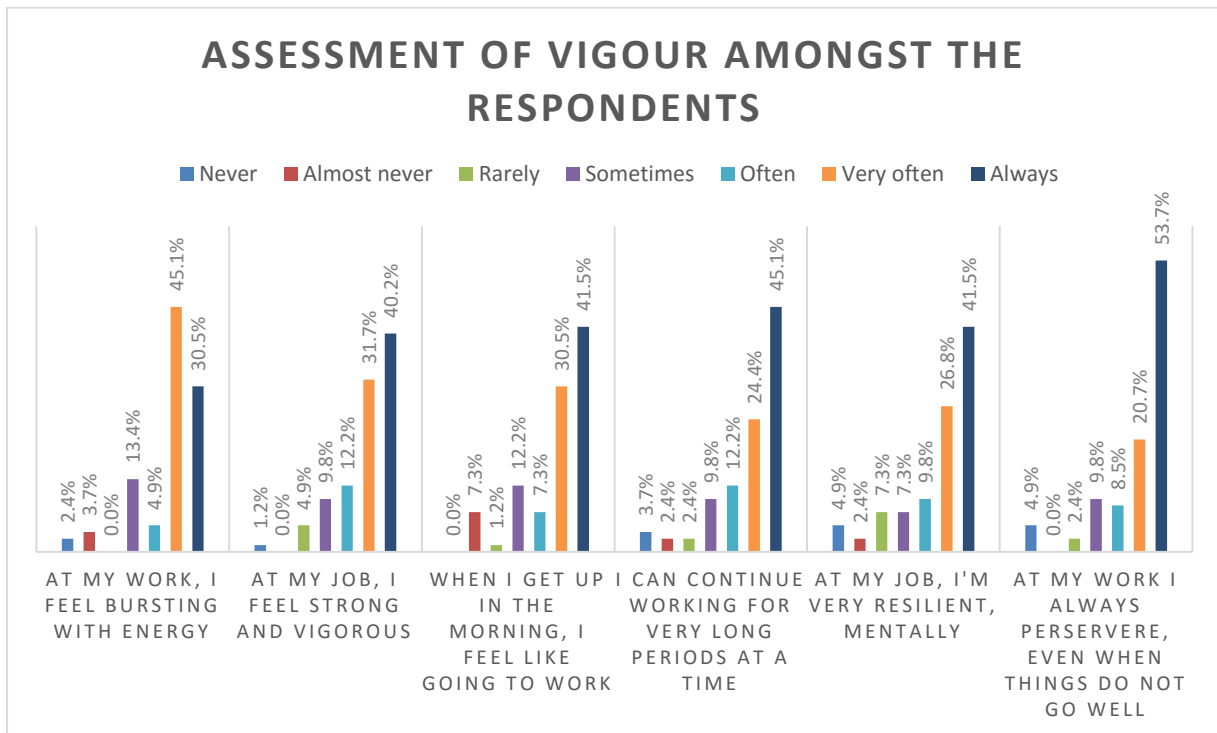
Analysis of the work and well-being survey

The UWES questionnaire was used to measure the three dimensions of employee engagement and to analyse the relationship between employee engagement and the biographical attributes of gender, age and tenure. Vigour reflects the level of energy and mental resilience and a willingness to invest effort despite facing difficulties. Dedication reflects a sense of involvement at work, and high levels of dedication are associated with strong feelings of pride, significance, inspiration, and challenge. Absorption is characterised by being fully focused on and engrossed in one's work, such employees are often immersed in their work that they lose all track of time and have a difficult time detaching from their job.

Vigour

Figure 4 outlines the level of vigour at MGC. The assessment is based upon the willingness to invest effort, not being easily fatigued and being persistent in the face of difficulties. Of the respondents, 53.7% indicated that at their work, they always persevered even when things did not go well. Almost half of the respondents (45.1%) stated that they were bursting with energy and could continue to work for very long periods. A significant number (41.5%) of the respondents were mentally resilient and felt like going to work when they got up in the morning.

FIGURE 4:
Vigour



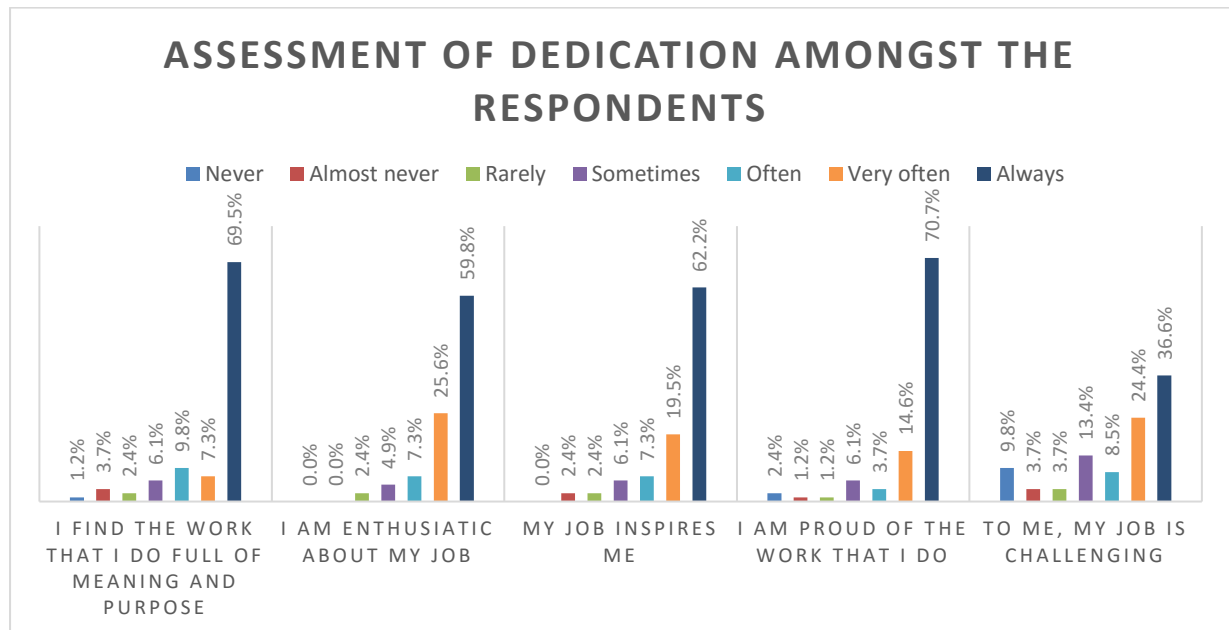
Those who scored high on vigour usually had considerable energy, zest and stamina when working, whereas those who scored low on vigour had less energy, zest and stamina as far as their work was concerned. Therefore, since the respondents indicated on every item or question that they were always engaged, it means vigour levels at MGC were high and that employees had strong mental resilience even in the face of difficulty.

Dedication

The five aspects of dedication refer to employees deriving a sense of significance from their work, feeling enthusiastic and proud about their job, and feeling inspired and challenged by it. Figure 5 indicates that 70.7% of the respondents were proud of the work they did, while 69.5% found their work fulfilling, meaningful and full of purpose. Furthermore, 62.2% and 59.8% respectively were inspired and enthusiastic about their jobs.

The highest score on dedication indicates that the employees strongly identified with their work because they experienced it as meaningful, inspiring and challenging. They reported that they usually felt enthusiastic about and proud of their work. Those who scored low did not identify with their work, because they did not experience it to be meaningful, inspiring or challenging; moreover, they felt neither enthusiastic nor proud about their work. Figure 5 indicates that a greater number of employees were always dedicated. The high score for dedication as one of the dimensions of employee engagement signifies that the level of employee engagement was always high.

FIGURE 5:
Dedication



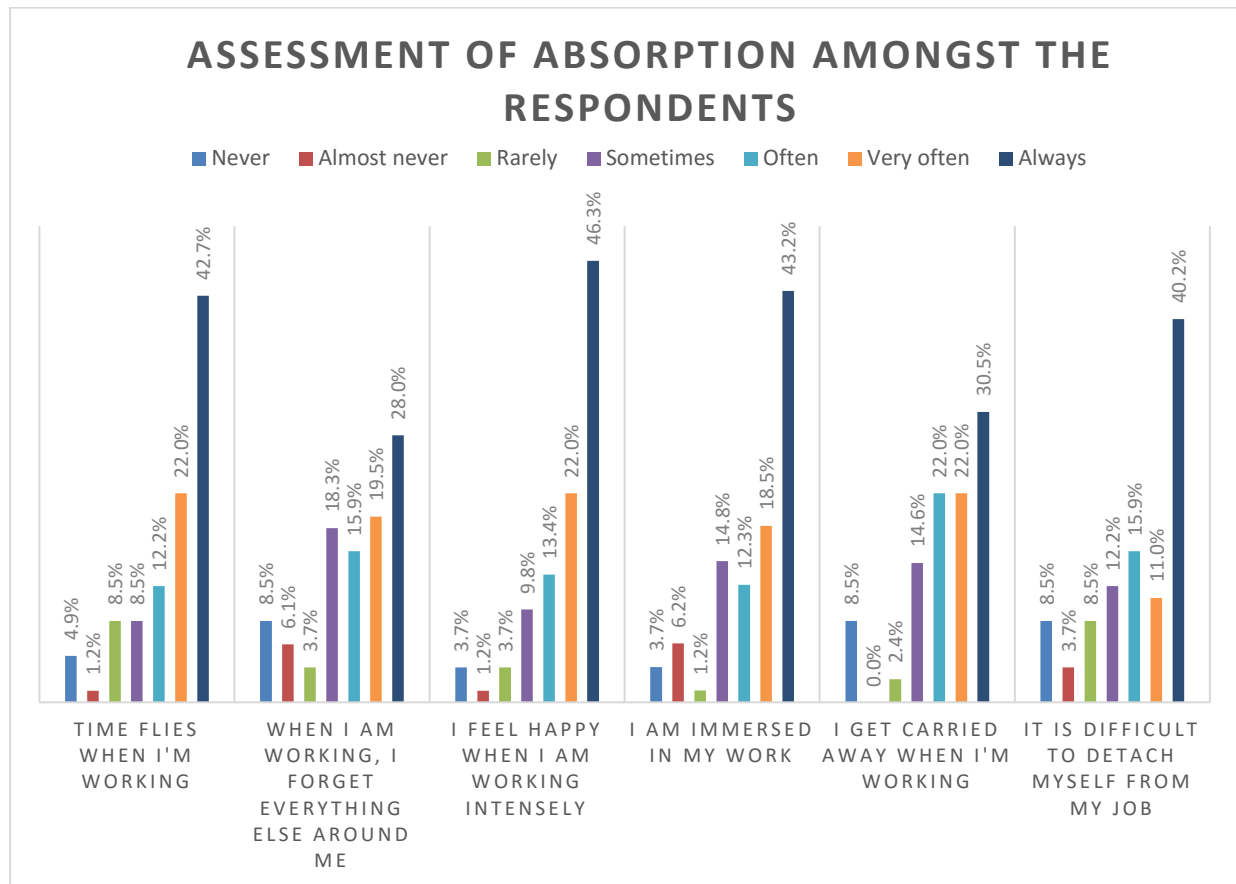
Absorption

The dimension of absorption refers to being totally and happily immersed in one’s work and having difficulties detaching oneself, so that time passes by quickly and one forgets everything else (Figure 6). Most of the respondents (46.3%) reported that they felt happy when working intensely. Another 43.2% stated that they were immersed in their work, 42.7% felt that time flew when they were working, and lastly, 40.2% found it difficult to detach themselves from their jobs.

High scorers on absorption feel that they usually are happily engrossed in their work, they feel immersed by their work and have difficulties detaching from it because it carries them away. As a result, everything else is forgotten and time seems to fly. Those who score low on absorption do not feel engrossed or immersed in their work, they also do not have difficulties detaching from it, nor do they forget everything around them, including time.

The overall study has indicated that there was a marginally high prevalence of employee engagement in MGC, as the scores of the three dimensions of employee engagement, namely vigour (44.5%), dedication (59.8%) and absorption (38.4%) were below average. This means the employees were partly engaged in their work. The high levels of engagement at MGC indicate that employees were proactive enough; they showed initiative and were responsible for their own personal development. The result of the high levels of engagement in MGC was that employees were not at risk of job burnout, possessed high levels of extraversion and exhibited incredible mental and physical health.

FIGURE 6:
Absorption



Mean differences between biographical attributes and employee engagement

To determine the mean differences between the biographical attributes and employee engagement, a Mann-Whitney U-test was applied. The Mann-Whitney U-test is a non-parametric version of the T-test and is used when variables are not normally distributed and the size of two groups differs significantly. The purpose of this test was to test whether vigour, absorption, dedication, and engagement were the same across all categories of tenure (how long a respondent has been working for the company), gender and age.

Table 1 indicates the differences between a tenure of 1–5 years and a tenure of more than 5 years in respect of vigour, absorption and dedication as dimensions of employee engagement.

TABLE 1:**Tenure**

Variables	Tenure	N	Mean	Std. Deviation	Mean Difference	<i>p</i> -value
Vigour	1–5 years	59	28.00	5.63	–2.48	0.016
	More than 5 years	23	30.48	6.78		
Absorption	1–5 years	59	25.88	7.48	–1.51	0.270
	More than 5 years	23	27.39	8.76		
Dedication	1–5 years	59	24.64	5.52	–2.75	0.016
	More than 5 years	23	27.39	4.10		
Engagement	1–5 years	59	78.53	16.63	–6.74	0.040
	More than 5 years	23	85.26	18.35		

To conclude whether the variables are different or not, the *p*-value is compared to a value of 0.05/0.1. If the two averages are different from each other, the *p*-value will be less than 0.05/0.1. If the two averages are not different from each other, the *p*-value will be more than 0.05/0.1. Tenure and vigour have a score of 0.016, which is less than 0.05/0.1, meaning that the two variables are different from each other.

The second variables are tenure and absorption with a score of 0.270. This means that the two variables are not different from each other.

The third variables are tenure and dedication with a score of 0.016. This is less than the value of 0.05/0.1, meaning that tenure and dedication are different from each other.

Lastly, engagement and tenure have a score of 0.040. This is less than the value of 0.05/0.1, which means engagement and tenure are different from each other. The results indicate strongly that the experience of work can have both affirmative and deleterious effects on the vigour and well-being of individual employees. Therefore, it is important to constantly engage employees who have the longest number of years within the organisation, as the culture of engagement will naturally flow to recent employees.

The study has indicated that employees with more than five years' experience in the organisation are more engaged than the employees with 1–5 years, with the mean difference of –6.735. In terms of vigour, employees who have more than five years have a higher score of 30.478 than those with 1–5 years, whose mean score is 28. This means employees who have a longer tenure have higher levels of energy and mental resiliency than those who were recently employed. In terms of both dedication and absorption, the score for employees who were employed for more than 5 years is 27.391. This score is greater than for those who have a shorter tenure at MGC. Employees with a longer tenure therefore derive a sense of significance from their work, feel enthusiastic and proud about their job, and feel inspired and challenged by their work. They are also totally and happily immersed in their work and have difficulties detaching from work, so that time passes by quickly and they forget everything else around them. According to Akinbode and Fagbohunge (2011), motivational, cognitive and behavioural engagement is higher among employees whose tenure is longer than 5 years.

Table 2 tests whether vigour, absorption, dedication, and engagement differ between males and females. According to Table 2, the two variables, gender and vigour, have a score of 0.002, which is less than the value of 0.05/0.1, meaning that the two variables are different from each other. Gender and absorption have a score of 0.040, which is also less than 0.05/0.1, meaning that the two variables are different from each other. Gender and dedication reflect a score of 0.020, below 0.05/0.1, meaning that these variables are different from each other. Lastly, gender and engagement have a score of 0.01, less than the value of 0.05/0.1, meaning that gender and engagement are different from each other.

TABLE 2:**Gender**

Variables	Gender	N	Mean	Std. Deviation	Mean Difference	p-value
Vigour	Male	39	30.87	4.73	4.15	0.002
	Female	43	26.72	6.46		
Absorption	Male	39	27.92	7.75	3.09	0.040
	Female	43	24.84	7.71		
Dedication	Male	39	26.51	4.63	2.09	0.020
	Female	43	24.42	5.69		
Engagement	Male	39	85.31	15.39	9.33	0.010
	Female	43	75.98	17.87		

The findings of the research indicate that males are more engaged than females, with the highest mean difference of 9.331. In terms of vigour, males score the highest with the mean of 30.872, while females score the lowest with the mean of 26.721. The absorption score of males is 27.923, which is greater than that of females at 24.837. Lastly, more males are more dedicated in their work than females, with the score of 26.513 for males and 24.419 for females. The results are supported by the theory that females are less engaged than their male counterparts as they experience higher stress levels and lack of satisfaction in the workplace. Female employees are also prone to emotional exhaustion and lack the psychological coping mechanisms to deal with it.

Table 3 tests whether vigour, absorption, dedication and engagement differ between different age groups.

TABLE 3:**Age**

Variable	Age	N	Mean	Std. Deviation	p-value
Vigour	20 – 30 years	31	28.032	5.671	0.001
	31 – 40 years	36	27.694	5.497	
	More than 40 years	15	32.467	6.906	
Absorption	20 – 30 years	31	26.065	7.398	0.007
	31 – 40 years	36	24.722	7.078	
	More than 40 years	15	30.600	9.295	
Dedication	20 – 30 years	31	24.903	4.214	0.001
	31 – 40 years	36	24.583	6.087	
	More than 40 years	15	28.467	4.324	
Engagement	20 – 30 years	31	79.000	15.115	0.001
	31 – 40 years	36	77.000	16.903	
	More than 40 years	15	91.533	18.920	

Table 3 test whether vigour, absorption, dedication and engagement are the same across all categories of age. The purpose of the Kruskal-Wallis test is to see if the group means of interval variables differ from one another and it is used when there are more than two. It gives an indication that there are significant differences between age groups and vigour, absorption, dedication and engagement. The score between age and vigour is 0.001, the score between absorption and age is 0.007, the score between dedication and age is 0.001 and lastly, the score between engagement and age is 0.001. The scores above are all below the 0.05/0.1

score, which means vigour, absorption, dedication and engagement are all significantly different from the age groups.

The research findings also indicate that employee engagement levels are different among different age groups in the organisation. In terms of vigour, there are higher scores of 32.467 for those who are aged more than 40 years, while those who are 31–40 years of age have a lower score of 27.694. Absorption has a score of 30.6 for those who are aged more than 40 years, being the highest, while those who are 31–40 years of age score the lowest in terms of absorption. As for dedication among the different age groups, those who are more than 40 years score the highest with the score of 28.467. Overall, employees who are aged more than 40 years have the highest score of 91.533 on employee engagement, more than the rest of the age groups. The results correspond to the theory that that older people are typically more engaged, optimistic and focus more on personal development (Schaufeli *et al.*, 2002). However, the youth also play a critical role within the organisation as they have more patience to start a new venture at an organisation than an older workforce. They are also willing to learn more while the older generation may not see the need to, as they believe they have enough knowledge and experience.

PRACTICAL MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

To strengthen employee engagement within an organisation that is diversified in terms of biographical attributes, the study's results have indicated some suitable job resources.

Organisations should provide proper training for their employees in order for them to excel in their careers as this enables employees to complete tasks timeously and accurately. Employees should also know what is expected of them, their duties and responsibilities, as this leads to higher levels of performance and commitment to the organisation. A range of job level training and development modules aligned with the different biographical attributes of employees is critical.

The youth score high on vigour, which means they have high levels of energy and mental resilience. Developing the skills of the younger generation of employees enables the ability to retain employees, and provides a better image of the company. Furthermore, engaged youth are likely to speak well of the organisation. Organisations may attract and retain the youth through tuition fee reimbursement for educational courses and leadership development programmes.

Employees with a longer tenure strive for work-life balance; this promotes positive emotions, joy and enthusiasm. Work-life balance also improves the employee's well-being and reduces stress levels. Organisations must acknowledge that an employee has a personal and a professional life by creating a supportive culture; the policies that are developed should therefore strike a balance between employees' professional and their personal lives.

Organisations should strive to achieve an inclusive culture that enables participation in the decision-making of the organisation through consensus. Management should actively engage employees in decision-making through employee representatives when work-related issues are discussed. Performance standards must be clearly defined so that all employees with different biographical attributes know what is expected of them.

The study is limited to a single company in Lesotho; comparative studies of other companies in the regional could be considered in future. The research should also focus on the ways in which employee behaviours translate into employee engagement and organisational goals.

CONCLUSION

This study revealed that biographical attributes play a role in a developing context. By creating awareness of the influence of biographical attributes on employee engagement, proactive strategies can be put in place to ensure an engaged workforce that contributes to the goals of the organisation.

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Knowledge-sharing intention in knowledge-intensive businesses: the role of demographic variables

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ABSTRACT

It is well documented that knowledge sharing among individuals could render knowledge-intensive businesses a competitive advantage, but also that individuals are sometimes reluctant to share knowledge. Diversity and heterogeneity, in terms of individuals' demographic characteristics, may contribute to this reluctance. Unfortunately, only limited research has been conducted regarding the impact of demographic factors on knowledge sharing; the available studies on this topic provide inconclusive and inconsistent results. The objective of this paper was to investigate the influence of selected demographic variables on the *Knowledge-sharing intention* of individual employees in knowledge-intensive businesses. A structured questionnaire was sent to respondents who were identified by means of the convenience sampling technique and the data collected from 597 usable questionnaires was subjected to various statistical analyses, including general linear modelling.

The findings of the study indicate that the demographic variables *Age*, *Ethnic background* and *Organisational tenure* have a significant influence on *Knowledge-sharing intention*. Understanding and managing these demographic factors could enhance knowledge sharing among employees, and as a result, render knowledge-intensive businesses a competitive advantage.

INTRODUCTION

By managing knowledge, businesses are able to compete effectively in today's competitive knowledge-based economy. In fact, apart from land, labour and capital, knowledge has increasingly been realised as an important factor of production for wealth creation in businesses (Ibrahim and Heng, 2015: 230-231). In knowledge management, knowledge sharing is recognised as one of the most significant capabilities that could ultimately enhance

a business's performance (Ibrahim and Heng, 2015: 231) and render them a competitive advantage (Eidizadeh, Salehzadeh and Esfahani, 2016: 250).

Although knowledge sharing is fundamental to all businesses, it is of particular significance for knowledge-intensive businesses to capitalise on their intellectual capital and to be competitive in the marketplace (Lawal, Oriogu and Ogbuiyi, 2017: 64; Torres, 2015: 18). Knowledge-intensive businesses are those businesses in which a large proportion of the staff are qualified employees (knowledge workers), and which are characterised by the ability to solve complex problems by creating advanced solutions (knowledge work) (Torres, 2015: 14).

PROBLEM STATEMENT AND OBJECTIVE OF STUDY

Even though knowledge sharing is regarded as one of the key tasks in the knowledge-management process and vital for an organisation to realise a competitive advantage, some individuals in knowledge-intensive businesses are still likely to be hesitant to share knowledge, as they perceive it as a source of power within the business and that they might benefit more from retaining their knowledge than they would from sharing it (Mararo, 2013: 10-11).

A better understanding and management of demographic variables that have an influence on individuals' knowledge sharing, could enhance individuals' knowledge sharing in knowledge-intensive businesses and subsequently enable them to compete more effectively. Regrettably, limited research has been conducted regarding the impact of demographic factors on knowledge sharing (Analoui, 2015: 81; Boateng, Dzandu and Agyemang, 2015: 217; Balogun, 2014: 42; Nagamani and Katyayani, 2013: 114; Luring and Selmer, 2012: 90) and the available studies on this topic provide inconclusive and inconsistent results (Tan and Trang, 2017: 113; Marouf, 2015: 107; Boateng *et al.*, 2015: 217; Balogun, 2014: 43), which presents a gap in the body of knowledge management literature in general, and in knowledge-sharing literature in particular. As such, the role of demographic factors on individuals' knowledge-sharing behaviour is not clear from an empirical perspective (Marouf, 2015: 107), which calls for further empirical investigation.

Against this background, the objective of this paper was to investigate the influence of selected demographic variables on the *Knowledge-sharing intention* of individual employees in knowledge-intensive businesses. The understanding and management of such factors by managers who find themselves in diverse knowledge-intensive businesses, could contribute to an increase in knowledge sharing among employees, which could enhance the effectiveness and competitive advantage of these businesses.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Knowledge-sharing intention

The focus point of this study is the *Knowledge-sharing intention* of individuals. *Knowledge-sharing intention*, for the purpose of this study, refers to individuals' willingness and intention to share tacit knowledge, which includes personal insights, know-how, experience and expertise. The concept of intention is considered central to understanding knowledge sharing among individuals in knowledge-intensive businesses, as knowledge-sharing intention has often been used as an alternative to indicate or measure actual knowledge-sharing behaviour. In this regard, and as confirmed by the theory of reasoned action, actual behaviour is a function of attitude and intention towards a specific behaviour (Razak, Pangil, Zin, Yunus and Asnawi, 2016: 549). The theory of reasoned action posits that the intention to engage in a specific behaviour is influenced by the attitudes towards that behaviour, along with the awareness of social norms. Attitudes are determined by beliefs about the outcomes of the behaviour as well as the assessment of these outcomes, while subjective norms relate to beliefs about the presence of social expectations of behaviour (Cabrera and Cabrera, 2005: 721). With respect

to knowledge sharing, a relationship therefore exists between the attitudes to knowledge sharing, intentions to share knowledge, and actual sharing of knowledge. For example, if an individual's attitude towards a specific behaviour is changed, it could in turn influence his or her intention towards that behaviour and ultimately his or her actual behaviour (Cheng, 2017: 3).

The following demographic variables influencing *Knowledge-sharing intention*, namely *Gender, Job tenure, Organisational tenure, Education, Age, Ethnic background* and *Language* of the respondent, are included in this study.

Demographic variables

Gender

In terms of gender, males and females may have different intentions towards knowledge sharing. For example, Balogun (2014: 42) in his study on demographic variables influencing employees' willingness to share tacit knowledge, found that females were more willing to share tacit knowledge than male employees. Lawal *et al.* (2017: 72-73) also found that gender is significantly related to knowledge-sharing behaviour. These authors did not, however, elaborate whether males or females were more likely to share knowledge. In addition, Grubic-Nesic, Matic and Mitrovic (2015: 1008) found that gender differences have a significant influence on explicit knowledge-sharing behaviour. When empirically investigating the influence of gender on knowledge sharing, Bordia, Irmer and Abusah (2006: 276) took two contexts into consideration, namely when sharing occurs directly between individuals, and when sharing takes place through contributions to an electronic knowledge management system. Their findings showed that females have higher perceptions of the benefits of knowledge sharing than do their male counterparts. On the other hand, Tan and Trang's (2017: 112) findings suggested that, compared to females, men share more knowledge. In another study, Boateng *et al.* (2015: 221) found that female teachers did not share their knowledge as often as their male colleagues did. Pangil and Nasurdin's (2008: 5) empirical findings similarly showed that men share more tacit knowledge than women. Various other findings (Chai, Das and Rao, 2012: 309-310; Lin, 2006: 236-238) suggest that gender may have an influence on knowledge sharing, while Analoui (2015: 126), Nagamani and Katyayani (2013: 120) and Mogotsi, Boon and Fletcher (2011: 5) found that gender had no significant influence on knowledge sharing.

Tenure

Tenure, in terms of how long an individual has worked in an organisation or in a specific role or job, is another demographic variable that influences knowledge sharing. For example, Olowodunoye (2015: 262) found a significant and positive relationship between organisational tenure and knowledge-sharing behaviour. Grubic-Nesic *et al.* (2015: 1008) also found that organisational tenure has a significant influence on respondents' attitudes towards knowledge sharing. Similarly, Bakker, Leenders, Gabbay, Kratzer and Van Engelen (2006: 602) reported a positive relationship between tenure and knowledge sharing. These authors claim that the longer team members have been together, the more likely they are to share knowledge among themselves. Similarly, Bordia *et al.* (2006: 270) found empirical evidence that organisational tenure was related to interpersonal knowledge sharing. In line with these findings, Watson and Hewitt (2006: 150) argue that as organisational tenure increases, trust and commitment to the business also improve; therefore, tenure is positively linked to knowledge sharing. Consistent with these findings, Pangil and Nasurdin (2008: 2) propose that organisational tenure could be important in encouraging knowledge-sharing behaviour, because the longer an individual works for a certain business, the more knowledge he or she acquires and therefore feels more indebted towards the business with respect to sharing knowledge in the business. Apart from organisational tenure, job tenure is also regarded as significant in knowledge sharing. For

instance, the findings of Balogun (2014: 42) show that employees with longer job tenure are more willing to share tacit knowledge than employees with short job tenure. The longer an individual has been working in a specific position, the more comfortable that individual is regarding the knowledge he or she possesses relating to that specific job. Therefore, the individual will be more able to share knowledge with colleagues (Pangil and Nasurdin, 2008: 2).

Education

Referring to education as a demographic factor, a possible relationship exists between an individual's formal qualification and his or her intention to share knowledge. Balogun (2014: 42) reports that employees' willingness to share tacit knowledge increases as their level of education increases. Likewise, Lee and Hong's (2014: 152) findings revealed a positive relationship between respondents' educational level and their knowledge-sharing intention. Keyes' (2008: 45) research also demonstrated that education, to some degree, has an impact on knowledge sharing. In this instance, some of the participants were of the opinion that the higher the educational level, the more probable it was that the person would share knowledge. Accordingly, the lower the educational level, the less likely individuals would be to share knowledge. In addition, the empirical findings of Nagamani and Katyayani (2013: 121) indicate that respondents with a doctoral qualification contributed more to knowledge-sharing behaviour than others with postgraduate qualifications. Individuals with doctorates might have acquired more knowledge through more advanced education and research activities compared to individuals with lower qualifications, therefore making the former more willing to be involved in knowledge-sharing activities (Nagamani and Katyayani, 2013: 121). This finding is in line with results from another empirical study of knowledge-sharing behaviour (Lou, Yang, Shih and Tseng, 2007: 146), which revealed that instructors with doctorates may be more willing to share their knowledge with others than instructors with masters degrees. Contrary to this finding, however, Grubic-Nesic *et al.* (2015: 1008) found that respondents with higher levels of education reported lower scores on a scale of intention to share tacit knowledge, while Lawal *et al.* (2017: 72) did not find a significant relationship between respondents' educational level and their knowledge-sharing behaviour. Abili, Thani, Mokhtarian and Rashidi (2011: 1705) also found that educational level does not have an effect on knowledge sharing. Similarly MacCurtain, Flood, Ramamoorthy, West and Dawson (2010: 219) indicated that educational level does not have any direct effect on knowledge sharing.

Age

The age of an individual is another demographic variable that could influence his or her knowledge-sharing intention. Balogun (2014: 42) found that employees' willingness to share tacit knowledge increases with their age. Tan and Trang (2017: 112) similarly found that respondents aged 31–45 years tend to share their knowledge more often than respondents aged 20–30 years. Conversely, Keyes (2008: 46) concluded that senior workers who are more mature in years may feel threatened by younger workers and therefore do not share knowledge with them. A further interesting finding of Keyes' empirical study (2008: 46) was that younger people were likely to be more technologically skilled than older employees, who prefer to use face-to-face and email communication in order to share knowledge. In line with this sentiment, Lou *et al.*'s (2007: 148) empirical results indicated that respondents aged 30–39 years tended to be more willing to share knowledge than respondents who were aged 40–49 years. In Nagamani and Katyayani's (2013: 121) research, the respondents in the 25–30 year age group demonstrated less knowledge-sharing behaviour than respondents in higher age groups. Mogotsi *et al.*'s (2011: 5) empirical findings showed that age was not statistically significantly related to knowledge-sharing behaviour. Similarly, Lawal *et al.* (2017: 72), Grubic-Nesic *et al.* (2015: 1008) and Boateng *et al.* (2015: 222) found no significant relationship between the age of respondents and their knowledge-sharing behaviour.

Race/ethnicity

The cultural background of an individual plays an important role in his or her knowledge-sharing intention. For instance, in their study of the influence of demographic factors on knowledge sharing among researchers, Lawal *et al.* (2017: 72-73) found that cultural background was the most significant predictor of knowledge-sharing behaviour. Similarly, respondents in Keyes' study (2008: 42-46) reported that it is difficult to find common ground with diverse ethnicities and it is therefore challenging to share knowledge with individuals from different ethnicities. The skill to comprehend what is being communicated as well as cultural mores relating to the way diverse groups communicate, both play an important role in knowledge sharing (Keyes, 2008: 46). Other empirical research (Ziaei, Walczak and Nor, 2014: 246; Pangil and Nasurdin, 2008: 4) also suggests that race/ethnicity may have an influence on knowledge-sharing behaviour. Pangil and Nasurdin (2008: 4), for example, found that Malay employees share more tacit knowledge than do Chinese employees.

Language

As a demographic factor, a shared language provides an opportunity for individuals to understand each other, which could enhance efficient communication and knowledge sharing. Ahmad (2017: 251), for example, investigated knowledge sharing among non-native English speakers in an organisation where the official language was English. This author found that knowledge sharing among these non-native English-speaking employees was a challenge (Ahmad, 2017: 257-258). Luring and Selmar (2011: 328) similarly contend that speaking a commonly shared language (such as English) is of particular importance when it comes to the sharing of tacit knowledge. These authors found that the consistent use of English as a common language has a positive relationship to knowledge sharing (Luring and Selmar, 2011: 337). These findings are supported by Wilkesmann, Fischer, and Wilkesmann (2009: 472) who found that poor English skills could be a barrier to knowledge sharing in a business as employees might fear being humiliated when sharing knowledge. Many other findings (Omotayo and Babalola, 2016: 148; Amin and Shahid, 2013: 38; Isa, Abdullah and Senik, 2010: 82; Chiu, Hsu and Wang, 2006: 1883) point towards a positive relationship between a shared language and knowledge sharing. On the other hand, Lawal *et al.* (2017: 72) did not find a significant relationship between the language of respondents and their knowledge-sharing behaviour.

Although the results pertaining to the relationship between demographic variables and knowledge sharing are inconclusive and inconsistent, there is nonetheless strong evidence in the preceding sections to suggest that demographic variables could influence *Knowledge-sharing intention*. The following hypotheses arose from the need for more research in this area. In all cases, the null hypothesis (H_0) states that there is no relationship between the variables tested.

- H¹: There is a relationship between *Gender* and *Knowledge-sharing intention*.
- H²: There is a relationship between *Organisational tenure* and *Knowledge-sharing intention*.
- H³: There is a relationship between *Job tenure* and *Knowledge-sharing intention*.
- H⁴: There is a relationship between *Education* and *Knowledge-sharing intention*.
- H⁵: There is a relationship between *Age* and *Knowledge-sharing intention*.

H⁶: There is a relationship between *Ethnic background* and *Knowledge-sharing intention*.

H⁷: There is a relationship between *Language* and *Knowledge-sharing intention*.

RESEARCH DESIGN

Sampling and measuring instrument

The population for the present study comprised all employees in knowledge-intensive businesses that are based in South Africa. Knowledge-intensive businesses are those in which a large proportion of the staff are qualified employees, and which are characterised by the ability to solve complex problems by creating advanced solutions. Although knowledge-intensive businesses are widely distributed all over the country, a complete database of such businesses is not available. As such, a convenience sampling technique was used; respondents working in knowledge-intensive businesses in South Africa who were available and willing to participate in the research, constituted the sample in the present study.

An alumni list from a leading higher education institution was obtained with contact details of professional individuals working in knowledge-intensive businesses. Through the human resources director of this institution, the researcher verified that the alumni list contained contact details of well-educated and qualified individuals, whose work was largely intellectual in nature, which is a characteristic of employees of a knowledge-intensive business.

An electronic link to the final questionnaire was e-mailed to 4820 respondents identified via the convenience sampling technique. Of these, 445 were returned to the sender as invalid, resulting in an effective population of 4375 respondents. The respondents were assured of their confidentiality and were given clear instructions on how to respond to the statements. In total, 597 usable questionnaires were received from respondents, resulting in a 13.65% response rate.

A six-item, seven-point Likert-type scale (1 = Strongly disagree and 7 = Strongly agree) was developed to measure the dependent variable *Knowledge-sharing intention*. The measuring instrument was based on the scales of previous empirical studies that returned reliable and valid results (Gu and Wang, 2013: 85; Evans, 2012: 288; Olatokun and Nwafor, 2012: 231; Chatzoglou and Vraimaki, 2009: 265; Chow and Chan, 2008: 464; Lin, 2007: 142; Chennamaneni, 2006: 114; Lee, 2001: 330). The wording of the items of previous scales was slightly adjusted to make the items more suitable for the present study. The items relating to the demographic variables influencing *Knowledge-sharing intention* were based on previous research (see Evans, 2012; Keyes, 2008; Chennamaneni, 2006). Each demographic variable was partitioned into unique categories. More specifically, the demographic variables were captured using a standard questionnaire format that ensured unique categories. Prior to inferential assessment, categories were grouped into approximate balanced groupings using descriptive summaries. In total, 597 usable questionnaires were returned.

Data analysis

An exploratory factor analysis (EFA) was conducted to confirm the unique factors present in the data, and Cronbach-alpha coefficients were calculated to confirm the reliability of the measuring instrument. A subset of structural equation modelling, namely general linear modelling, was used to determine the influence of selected demographic variables on *Knowledge-sharing intention*.

EMPIRICAL RESULTS

Demographic profile of respondents

The majority of respondents in this study were between 31 and 40 years of age, while the gender of the respondents was more or less evenly spread between males and females. The majority of the respondents were English-speaking and held a bachelors or honours degree. With respect to ethnic background, the majority of the respondents were white. In addition, most respondents had worked in their organisations and current positions for between three and five years.

Discriminant validity and reliability of the knowledge-sharing intention scale

An EFA was conducted, confirming the discriminant validity of the measuring instrument used. Bartlett's test of sphericity was performed to determine the factor-analysability of the data. Principal component extraction with varimax raw rotation was specified as the extraction and rotation method. The percentage of variance explained and the individual factor loadings were considered to identify the factors to extract for the model. For the purpose of this study, only items with a factor loading of 0.6 or higher that loaded onto one factor were considered significant. In addition, no restriction on the number of factors was specified and Kaiser's rule was used to establish the number of factors (Eigen values greater than one) (Ledesma and Valero-Mora, 2007: 2). The software program Statistica (Dell Statistica Version 13) was used for the purpose of the EFA.

As expected, all six items that measured *Knowledge-sharing intention* loaded onto one factor. The factor loadings ranged from 0.71 to 0.89 and sufficient evidence of discriminant validity was therefore provided for the measuring scale. The *Knowledge-sharing intention* scale used in the present study is shown in Table 1.

The widely accepted Cronbach-alpha coefficient was used in this study as a reliability estimate of internal consistency. The measuring instrument reported a high coefficient of 0.90, indicating scale reliability (Nunnally, 1978).

TABLE 1:

Knowledge-sharing intention scale

Item	Statement
KI1	I would willingly share work experiences with my co-workers
KI2	I would share work know-how with my co-workers
KI3	I would willingly share insights that I have learned from work with my co-workers
KI4	I would willingly share business knowledge with my co-workers
KI5	I would willingly share my work expertise with my co-workers
KI6	I would intentionally share my knowledge with my co-workers if they ask

General linear modelling analysis results

To address the objective of the study, a subset of structural equation modelling, namely general linear modelling, was performed to assess the influence of selected demographic variables (*Gender, Job tenure, Organisational tenure, Education, Age, Ethnic background and Language*) on *Knowledge-sharing intention*. A variable reduction technique was applied to test the various hypotheses.

A backwards sequential variable reduction technique revealed that the following demographic variables were not significantly related to *Knowledge-sharing intention*: *Gender, Language, Education* and *Job tenure*. From the analyses it was concluded that only the demographic variables *Organisational tenure* ($F = 2.24$; $p < 0.10$), *Age* ($F = 2.32$; $p < 0.10$) and *Ethnic*

background of the respondent ($F = 3.50$; $p < 0.05$) have a significant influence on *Knowledge-sharing intention* (see Table 2). As such, hypotheses H^2 , H^5 and H^6 can be supported.

TABLE 2:

General linear modelling results: demographic variables

Demographic variables	F-value	Sig.(p)
Age	2.32	0.05**
Gender	1.03	0.31
Language	0.59	0.55
Education	0.69	0.55
Ethnic background	3.50	0.03*
Job tenure	0.67	0.61
Organisational tenure	2.24	0.06**

(* $p < 0.05$; ** $p < 0.10$)

DISCUSSION OF FINDINGS AND MANAGERIAL IMPLICATIONS

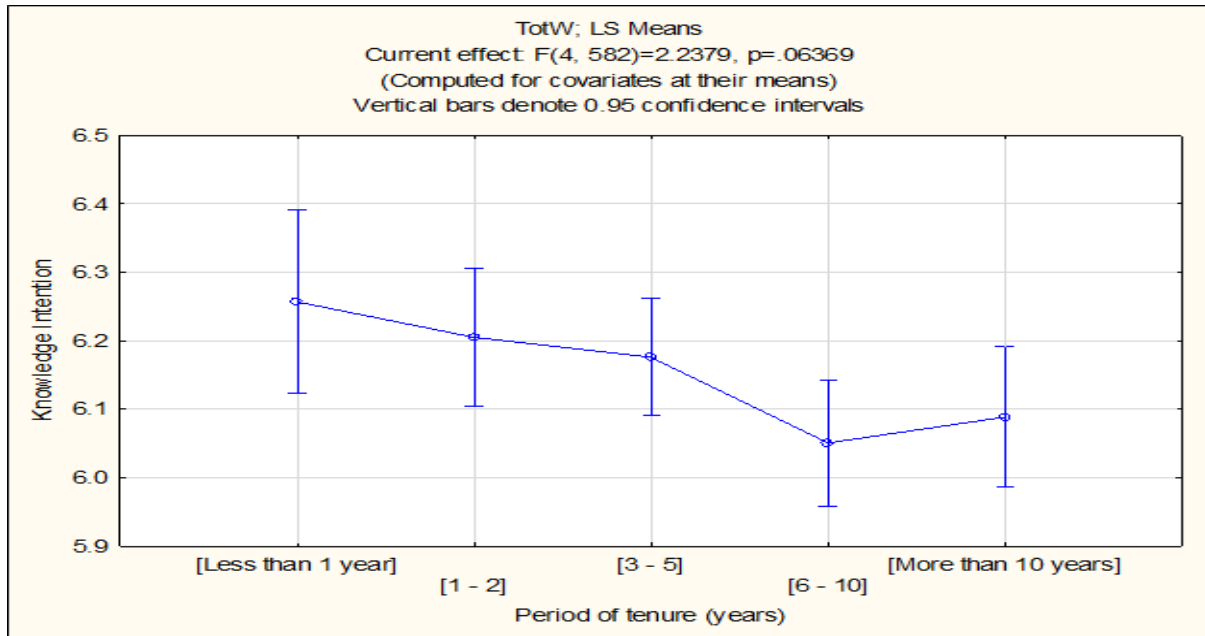
The objective of this study was to investigate the influence of selected demographic variables on the *Knowledge-sharing intention* of individual employees in knowledge-intensive businesses. Satisfactory evidence of construct validity and reliability was established for the *Knowledge-sharing intention* scale.

The results of general linear modelling analysis revealed a significant relationship between *Organisational tenure* and *Knowledge-sharing intention*. More specifically, as respondents' organisational tenure increased (organisational tenure up to 10 years) they tended to be less willing to share their tacit knowledge (see Figure 1). A possible explanation for this result may be that as respondents' organisational tenure increases, they believe that they might benefit more from hoarding knowledge than from sharing it with others. This interpretation is in line with the views of Mararo (2013: 10-11) who suggests that some individuals may be hesitant to share knowledge, as they perceive it as a source of power within the business and that they might benefit more from retaining their knowledge than from sharing it. Further analysis of Figure 1 indicates that respondents in group 5 (working in the organisation more than 10 years) tend to be more willing to share their tacit knowledge compared to respondents in group 4 (organisational tenure between 6 and 10 years). This marginal increase in respondents' willingness to share knowledge could suggest that at some point in their organisational tenure (more than 10 years), they trust their colleagues more and become more committed to the business; subsequently, they tend to be more willing to share their knowledge. At this stage in a career it is also possible that an individual has a more senior position in the organisation and therefore better understands the value of knowledge sharing for the business. This sentiment is in line with views of Watson and Hewitt (2006:150) who argue that as organisational tenure increases, trust in and commitment to the business also improve; therefore, tenure would be positively related to knowledge sharing. In fact, trust has been found to be an important predictor of knowledge sharing between employees (see Asrar-ul-Haq and Anwar, 2016: 7). Therefore, management should create an organisational culture characterised by trust and open communication among employees. Trust among employees – and therefore the confidence between employees that knowledge sharing will not bring bad results to either party – could facilitate interaction which, in turn, is favourable for employees to share their knowledge. Trust-building workshops, where employees can openly communicate and share ideas, can be a good starting point for employees to nurture their trust in one another and where the value of knowledge-sharing can be emphasised. Given the general downward trend in knowledge-sharing intention as organisation tenure increases, these workshops should focus especially on employees who are still fairly new in the organisation (organisational tenure less than one year). Subsequently, trust and commitment towards the business could be instilled at an early stage of an employee's career with the

organisation and increase their likelihood of sharing knowledge as their organisational tenure increases (upward trend).

FIGURE 1:

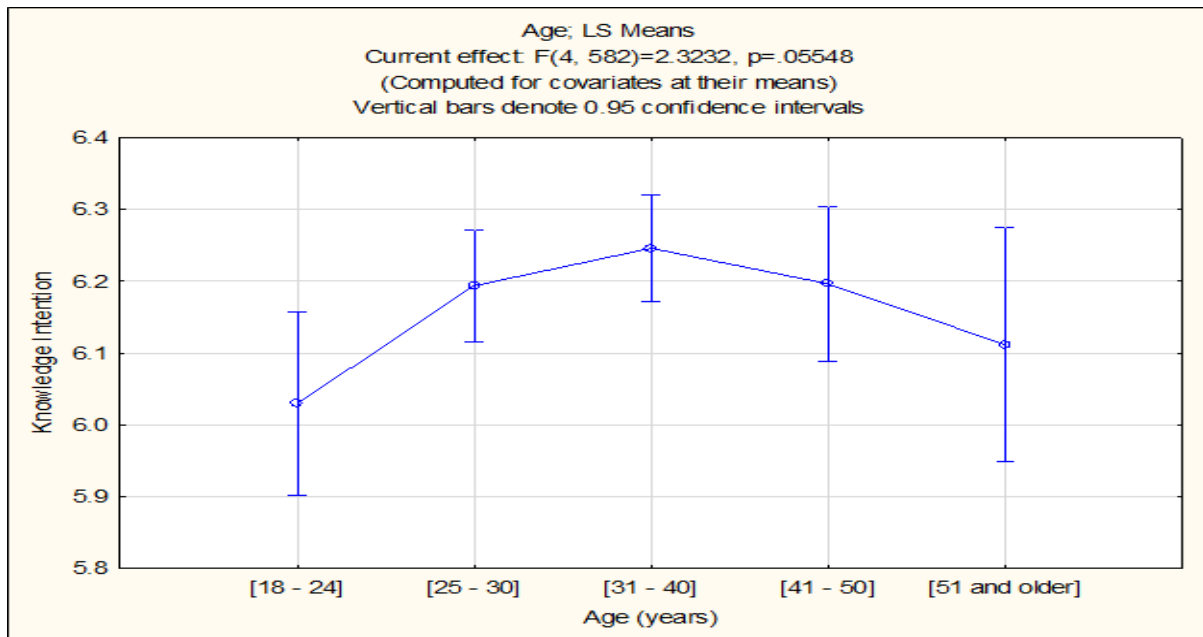
General linear modelling results: Organisational tenure



With reference to the relationship between *Age* and *Knowledge-sharing intention* (see Figure 2), the results showed that respondents between 18 and 24 years of age tend to be least willing to share their tacit knowledge with co-workers compared to individuals in other age categories. An interesting finding is that respondents in the young adult category (25–40 years) tend to be more willing to share their tacit knowledge with co-workers. This intention to share tacit knowledge, however, decreases with middle-aged respondents and those older than 40 years of age.

FIGURE 2:

General linear modelling results: Age



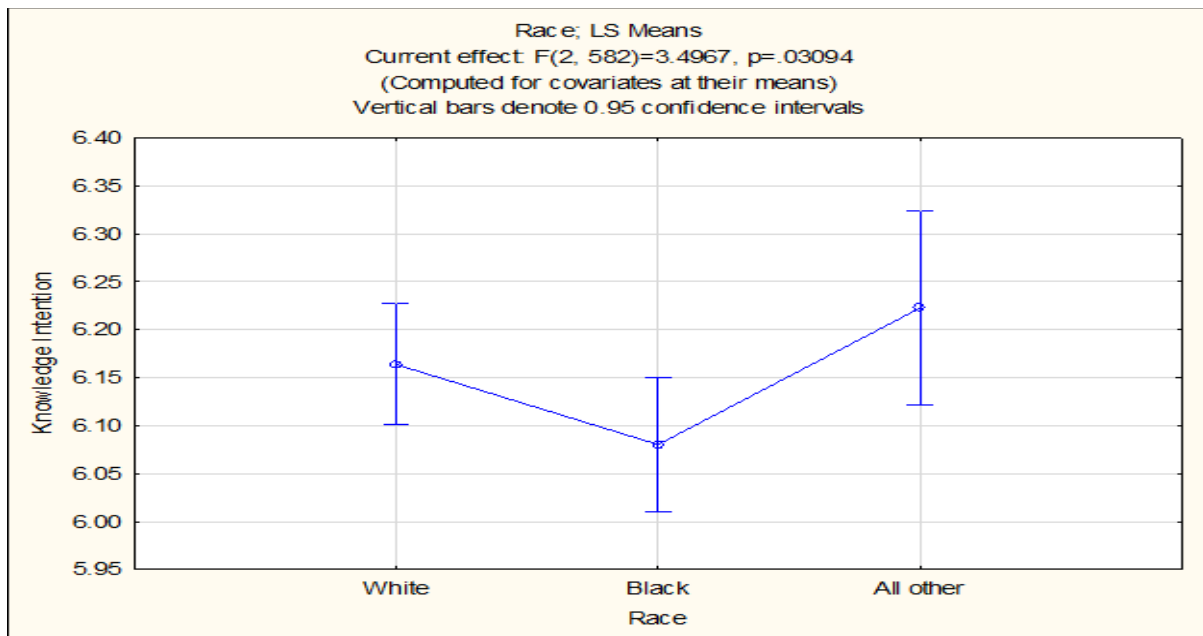
A possible explanation for this finding is that young employees (18–24 years) do not always have the confidence that their knowledge could be valuable to others given their limited work-related experiences, insights, know-how and expertise. As a result, these individuals are less willing to share tacit knowledge with co-workers. As employees' careers develop over time and they gain more tacit knowledge, they become more confident to willingly share their knowledge with co-workers (25–40 years). At a specific point in their career (older than 40 years), when it becomes increasingly more difficult to find a new career, individuals allocate more value to their tacit knowledge as they now consider it to be their power and competitive advantage (especially in a South African context). As such, they tend to be less willing to share their experiences, insights, know-how and expertise with co-workers. This finding is consistent with the views of Keyes (2008: 46) who found that senior workers who are more mature in years may feel threatened by younger workers and therefore do not share knowledge with them. Similarly, Lou *et al.*'s (2007: 148) empirical results indicate that respondents aged 30–39 years tend to be more willing to share knowledge than respondents aged 40–49 years.

In the light of these findings concerning respondents' *Age* and their *Knowledge-sharing intention*, it is suggested that management should pay specific attention to increasing young employees' confidence that the knowledge they share is useful and valuable to others in the business. Management should therefore provide positive feedback on young employees' knowledge-sharing efforts. Furthermore, management should regularly communicate the importance of knowledge sharing to older employees in particular. In this instance, management should highlight to older employees that the old paradigm "knowledge is power" has shifted to "knowledge-sharing is power".

Concerning the relationship between respondents' *Ethnic background* and their *Knowledge-sharing intention*, the results show that Black respondents are least willing to share their tacit knowledge compared to White and other ethnic groups (such as Asian, Coloured and Indian) (see Figure 3). A possible explanation for this finding might be linked to the history of South Africa. More specifically, certain Black respondents may still experience the lasting effects of racial segregation and inequality that was rife during the apartheid regime. Subsequently, certain Black respondents may still be too sceptical and lack confidence to share their knowledge, and therefore prefer to retain their own insights and knowledge, which they regard

as a valuable competitive advantage in a knowledge-intensive environment. The researcher acknowledges that this is a sensitive issue, and is merely expressing his opinion based on the results obtained in the present study. The researcher's opinion is, however, in line with the sentiments of Dube and Ngulube (2012: 69) who maintain that South Africa's apartheid policies established heterogeneity and division. In this regard, fundamental inequalities lead to or shape distinct knowledge-sharing behaviours. For example, in South Africa, knowledge sharing has developed along different paths. On one hand are those who want to preserve apartheid, while on the other hand are those who try to overcome it. Apart from such viewpoints that invade the social and political landscape, these trajectories also cause the evolution of diversity and heterogeneity within organisations that could generate a lack of trust and scepticism, and as a result, resentment of knowledge sharing (Dube and Ngulube, 2012: 70). A climate which creates a lack of trust and scepticism might be a possible reason why Black individuals are inclined to be less willing to share their tacit knowledge than other ethnic groups in the present study.

FIGURE 3:
General linear modelling results: Ethnic background



Management should clearly communicate and institutionalise workplace equity and anti-discrimination policies and programmes to create an organisational culture in which employees do not feel excluded, and where they believe they can reach their full potential without prejudice and discrimination.

Apart from the managerial contributions of this study, as evidenced in the preceding sections, this study also has several theoretical contributions. The need for empirical investigation into the influence of selected demographic variables on the *Knowledge-sharing intention* of individual employees in knowledge-intensive businesses was well justified in the paper, given the lack of research in this regard. As such, the findings presented in this paper address this gap in knowledge-sharing literature. As a result, a further theoretical contribution of this study is the development of a reliable instrument that measures the relationship between selected demographic variables and *Knowledge-sharing intention* of individual employees in knowledge-intensive businesses.

Furthermore, from an empirical perspective, the use of an advanced statistical technique such as general linear modelling analysis to analyse the proposed relationships, makes a valuable contribution to the body of knowledge-sharing literature.

LIMITATIONS AND FUTURE RESEARCH

As with all empirical studies, certain limitations should be considered when interpreting, concluding and generalising the findings of this study.

Although the sample of the quantitative study is thought to be a good representation of the population as a whole, the extent to which a non-probability sample represents the population, can be questioned (Leedy and Ormrod, 2013: 214). Nonetheless, the researcher believes that the findings of the study can be generalised to some extent as the empirical analysis of the data was based on a relatively large sample of 597 respondents.

The quantitative data presented in the study was subject to the self-report of respondents. This could lead to response bias. For example, the items in the quantitative questionnaire measuring *Knowledge-sharing intention* could have been answered with a degree of response bias. Future studies could limit response bias by employing both procedural and statistical remedies to control common method bias. It should also be acknowledged that non-response bias may be another potential limitation, especially given the relatively small response rate.

Despite the limitations identified, the results of this study make a valuable contribution to the field of knowledge management in general and to knowledge sharing in particular. In light of the above, numerous ideas can be proposed for future studies. The present study could be extended to a comparative study that includes knowledge-intensive businesses outside South Africa. It would be worth investigating whether cultural differences play a role in the willingness of individuals to share tacit knowledge.

This study explored *Knowledge-sharing intention*, with a specific focus on tacit knowledge. Another study could focus on both explicit and tacit knowledge. In this respect, it would be worth investigating whether the intention to share different types of knowledge is influenced by different demographic factors (or other individual-related factors such as personality).

The implementation of the recommendations put forward in this study pertaining to the demographic factors influencing *Knowledge-sharing intention* also warrants further research.

CONCLUSIONS

The present study attempted to make an important contribution to the body of knowledge management literature in general, and to knowledge sharing in particular, by investigating the demographic variables influencing the *Knowledge-sharing intention* of employees working in knowledge-intensive businesses. From the findings it is evident that the *Age*, *Ethnic background* and *Organisational tenure* of employees working in knowledge-intensive businesses play an important role concerning their *Knowledge-sharing intention*. Knowledge-intensive businesses should carefully manage these variables as proposed in the preceding sections, because such management could potentially enhance knowledge sharing among employees and render knowledge-intensive businesses a competitive advantage.

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What employers seek from graduates? Careeredge employability model: an employers perspective

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ABSTRACT

There has been little empirical research conducted with relation to graduate employability from the perspective of employers. The aim of this study is to contribute to research by identifying the skills and competencies employers deem valuable when searching for recent graduates, using the CareerEDGE model of employability as a guide. The non-probability sample of 71 employers, involved in the recruitment of graduates in their companies, completed a Likert scale questionnaire developed from the elements of the CareerEDGE model. The results of the study show that generic skills - communication and teamwork in particular - are the competencies most valued by employers when searching for graduates. In addition, skills such as assuming responsibility, autonomous working as well as creativity were identified from this study. Furthermore, the findings of the study provide guidance for future employability studies and aids researchers in deciding which constructs are the most valuable.

INTRODUCTION

The skills and competencies required when entering a graduate level job have evolved dramatically over recent years. The term employability was developed to illustrate the ability of a graduate to obtain employment and is described as the extent of attributes, skills and competencies an individual holds in order to gain and maintain employment in a trade (Lowden, Hall, Elliot & Lewin, 2011). Employers are searching for more acquired skills than ever before searching for criteria such as interpersonal skills, personal attributes and motivation as stated by Roux and Jager (2016). Other competencies such as work and life experience, degree subject knowledge, career development and learning as well as emotional intelligence are also becoming increasingly valued when assessing the employability of a graduate (Dacre Pool, Qualter & Sewell, 2014). Education and training courses are sought after by students, in particular to increase their employability (Bernstein & Osman, 2012), as these qualifications have been

promised to increase the likelihood of undergraduates getting a relatively “good” job after obtaining their degree (Roux & Jager, 2016).

Universities have attempted to keep up with the trends of these requirements by continuously changing curriculums and trying to incorporate both a theoretical and practical experience for undergraduates, in the hope that these attempts may aid in requirements for a job and succeeding in the work place. One of the factors of success of a Higher Education Institution (HEI) is the high demand of its graduates (Saeed, 2015). One factor that differentiates universities with high rankings from regular universities is their ability to consistently produce graduates that are capable and well qualified. However, it has been found that a degree is just not enough (Tomlinson, 2008).

Much literature has been dedicated to both the perspective of what students believe is important to encompass when looking for employment as well as the perspective of what employers value and require when hiring newly graduated employees. It is clear that certain skills and abilities such as communication and teamwork overlap into both students and employers perspectives.

Despite the efforts of HEI departments to continuously increase the employability of their graduates, therein still remains a gap of competencies learned in educational curriculums causing fewer possibility of producing employable graduates. Through a better understanding of the skills and knowledge required by employers in the corporate sector, tertiary educational institutions will achieve their aim of producing successful and more employable graduates. This study is used to explore what skills and competencies employers consider being essential and key to students succeeding in the work place at entry-level. Failure to identify the skills and competencies required by employers could result in students being taught a stagnant curriculum which adds no value to their employability and could possibly affect their future employment opportunities detrimentally.

The CareerEDGE model, used/applied in the study, was developed by Dacre Pool and Sewell (2007) to outline the important elements students should learn and demonstrate during their tertiary education in order to develop their employability skills. This model consists of five constructs namely degree subject knowledge, understanding and skills; generic skills, emotional intelligence, career development learning and both work and life experience. These five elements together provide an integrated and comprehensive outline on the subject of employability and provide a clear guideline of the skills and competencies employers expect to be demonstrated by students.

Although the CareerEDGE model has been researched on students in previous studies, the gap in the literature based on the employers perception of what makes students employable still remains. This study aims to identify the skills and competencies employers’ value, thus adding to existing literature.

PERSPECTIVES FROM LITERATURE

Much literature has been dedicated to the topic of the employability of graduates. There are many parallel views on what defines employability as well as what factors make graduates employable. Serim and Demirba (2014) describe the term employability as the extent of attributes, skills and competencies an individual holds in order to gain and maintain employment in a trade. It proceeds to explain how education and training courses are sought after by students in particular to increase their employability. Another explanation supports Serim and Demirba (2014), by referring to student employability as a set of achievements – skills, personal attributes and understandings;

which increase the likelihood of graduates to gain employment and be successful in their chosen field of work (Ferraris, Giacosa & Bresciani, 2016).

Although an employable graduate requires some form of education, it is questioned whether the students develop the correct skills in HEI's. According to the critical cross-field outcomes (CCFO's) developed by the South African Qualifications Authority (SAQA), students should inhabit skills such as problem solving, ethical decision making, good teamwork, organisation and planning skills as well as good communication skills, upon degree completion (South African Qualifications Authority, 2011). It is assumed that HEI's would like their graduates to exhibit certain characteristics and qualities that could differentiate them from graduates from other institutions. Coetzee's (2014) work recognizes that the majority of HEI has wish to generate students who display competencies and skills that are pursued by employees. These HEI's aim to produce students to develop their careers, become employers if they so desire; as well as to make a positive contribution to the workforce, the community and the economy, by using their education (Ferraris *et al.* 2016). This concept can be referred to as student employability. Wellman (2010) describes student employability as a set of achievements which increases the likelihood of graduates gaining employment and succeeding in their preferred occupations.

There are many definitions that refer to what employability truly means however the core meaning of employability orbits around the skills, education and competencies an individual can learn and possesses in order to improve the likelihood of that individual finding employment in their chosen field.

From an international perspective, Singh, Thambusamy and Mohd (2014) conducted a Malaysian study on the perceptions of generic skills graduates should possess upon leaving university. These perceptions are of both instructors at universities as well as employers in multinational and local organisations. Priority was given to top-level management (strategic) and focused mainly on targeting the Human Resources Department. The findings revealed communication skills, integrity and professional ethics, lifelong learning and information management, teamwork as well as problem solving and critical thinking as the top ranked skills employers perceived graduates to encompass. In accordance to the employers, the top two ranked skills by instructors concur with those of the employers. These skills were listed as vital attributes required in their employees. It is also mentionable that both instructors and employees noted leadership and entrepreneurship as the two generic skills of least importance. Similarly in a Romanian study conducted by Stanciu and Banciu (2012) on the quality of HE, the most important aspects employers require from new hired graduates included communication skills; between customers and co-workers, teamwork, punctuality, ability to organise work and morality. These skills were acknowledged to having little connection with the academic studies of graduates. It was also negatively perceived that graduates retain better training in theory than in practise.

Azevedo, Apfelthaler and Hurst (2012) focused on a cluster of eight key generic competencies in business education. This multi-country study included Austria, Romania, Slovenia and the United Kingdom. The eight key competencies included namely influencing and persuading, teamwork and relationship building, self and time management, leadership, ability to see the bigger picture, presentation and communication. It was confirmed; through the survey, that the key competencies stated by the researchers were both important for the current job performance of business graduates as well as applicable for career development in the future. Competency rating across the four countries included communication, self and time management as well teamwork and relationship building. As seen in previous studies discussed above, leadership, in all four countries, was not perceived as critical as others competencies with regards to junior or entry-

level positions. Presentation was also distinguished to be of low significance in three out of four countries.

Wellman (2010) researched comparable findings in a study based in the United Kingdom. A sample size of 250 e-advertised career posts for early career and entry-level posts were examined. Common requirements were organised and grouped into clusters. The clusters identified included communication, planning, information and communications technology, problem solving, self-management and interpersonal relationships. Interestingly enough, it was identified that while more than 50% of the posts demanded a degree, only 20% insisted it to be a specific degree. Another finding of great significance, was even when qualifications were required, 75% of observed entry-level experience required work experience additionally. A raise of major concern regarding the credibility and status of qualifications was raised due to both above factors.

Cai (2013) conducted a study on employers' perspectives with regards to marketing graduates, regarding the top sought out skill to be communication. Similarly, Andrews and Higson (2008) identify skills such as communication, teamwork, professional ethics and problem solving abilities to be of highest importance when searching for potential graduates.

From a national perspective, Griesel and Parker (2009) conducted a baseline study on South African graduates from the employer's perspective. They analysed the employer's perspective of the performance of recent graduates as well as their expectations –thus, rating the attributes. It was found that employers valued the approach to knowledge, conceptual foundation and intellectual approach to tasks produced by HEI. It was identified that more of a common language may potentially exist between employers and HEI, than what is perceived generally. Employers noted integrity, critical thinking and time management as important when searching for a good graduate candidate.

CareerEDGE Model of Employability

The CareerEDGE model is an employability model that has been used to try and help students identify areas for further self-development. This model suggests that if students seek to develop their employability while enrolled in a HEI, they should be given opportunities to access and develop the five elements of the lower level of the model. The five elements, which was also identified by other researchers, are Element 1: Degree subject knowledge, understanding and skills (also identified by Morrison, 2014); Element 2: Generic skills (also identified by Jackson, 2013; Wellman, 2010 and Knight & Yorke, 2003); Element 3: Emotional intelligence (Coetzee & Schreuder, 2011), and Element 4: Career development learning as well as Element 5: Experience – work and life (Dacre Pool & Sewell, 2007) (see figure 1). Each component in this model is deemed essential and one missing element could reduce the employability of a graduate considerably. Each element may not be direct as it seems as there are areas where these elements overlap. For example, a student could have a part-time job. This job could serve as work experience on their resume, which is essential in the element of career development learning. In addition, through this part-time job, the student could develop valuable skills such as working in a team and communication which could then increase and/or improve the generic skills they encompass. This study makes use of the CareerEDGE model as it provides a holistic outline of what employability entails and the factors that influence employability. The model developed by Dacre Pool and Sewell (2007) also suggest the direction of relations. The relations of employability skills is agreed upon by Bernstein and Osman (2012), who suggest the overlapping of employability skills.

FIGURE 1

CareerEDGE Model (Dacre Pool *et al.* 2014)



The model includes five components that interlink. These five components are explored in more detail below.

Degree subject knowledge, understanding and skills

Degree subject knowledge, understanding and skills is seen as the model's central concept and reiterates the definition of employability as the attributes and skills needed to get a job and progress in a chosen field (Oluwajodu, Blaauw, Greyling & Kleynhans, 2015). Better qualified prospects have far greater employment opportunities than those less qualified. It is important to be aware of the fact that graduates will be judged by employers based on how successfully they have completed their degree. This is usually the case when the studied degree has direct relevance to the job being offered. Although degree subject knowledge, understanding and skills are imperative in most cases, these alone are not enough to secure a job in which a graduate can be satisfied and successful.

Generic skills

Generic skills represent broad skills that can be used to study any discipline and which can potentially be transferred into the context of HE as well as in the workplace. In addition to the first element of the CareerEDGE model (Degree subject knowledge, understanding and skills), employers are looking for generic skills that are well developed in a number of areas.

The Pedagogy for Employment Group provided a list of generic skills that employers expect to have been developed in graduates, they are namely;

- Working in a team – refers to the ability to contribute and function within an encouraging, considerate and cooperative group atmosphere (Jackson, 2013b).
- Autonomy/independent working – the ability to work on and complete tasks without the input of others.
- Willingness to learn – is the process of acquiring new skills, knowledge and abilities throughout a graduate’s career, due to the changing performance standard and technology development (Coetzee, 2014).
- Creativity/imagination – refers to the ability to surpass traditional regulations, moulds, ideas or associations and in turn produce new meaningful forms, systems, ideas and analysis (Coetzee, 2014).
- Ability to manage others – refers to an individual’s ability to supervise, motivate and organise tasks of other individuals in an organisation.
- Good oral communication - refers to class participation as well as the ability to perform verbal presentations well (Alpert, Heany & Kuhn, 2009).
- Ability to work under pressure – refers to the ability of an individual to utilize coping approaches successfully to reduce pressure in order to continue carry out ones tasks (Griffith & Hoppner, 2013).
- Numeracy – is the ability to calculate figures and statistics and use these values to make use of opportunities or to solve business problems (Bernstein & Osman, 2012).
- Communication in writing – the ability to present knowledge in an ordered, clear and professional approach using an array of written layouts (Jackson, 2014).
- Good time management – the ability to manage their work and allocate priority to tasks to meet deadlines (Coetzee, 2012).
- Planning, coordinating and organizing ability – refers to the ability to set goals, identify resources needed , set actions to necessary to complete these goals as well as develop a plan of when to achieve these goals. Thereafter monitoring performance deadlines (Coetzee, 2014).
- Attention to detail – refers to precision and meticulousness when completing a task (Pond & Harrington, 2014).
- Assumption of responsibility and for making decisions – refers to the ability to solve problems and make decisions on one’s own or in a time of haste (Pond *et al.* 2014).
- Ability to use new technologies – the skill of having the knowledge and capability of learning and using new technologies.

Entrepreneurial and enterprise skills found in graduates would be seen as a valuable addition in any organisation. However, these skills are not deemed as an essential skill and have therefore not been included in the model.

Emotional intelligence

Emotional intelligence can be described as enhanced thinking through reasoning about and of emotions (Coetzee & Schreuder, 2011). Perceiving emotions accurately, understanding emotions as well as the ability to reflectively regulate emotions – to promote growth both intellectually and emotionally are included (Coetzee & Beukes, 2010).

It is important for a graduate to develop emotional intelligence competencies as research has shown that people with emotional intelligence at higher levels are able to motivate not only themselves to achieve more, but others as well (Roux & Jager, 2016). They also build stronger relationships, enjoy better health and enjoy more career success.

Emotional intelligence is not only developed in childhood stages nor genetically fixed, but is something that people can learn, thus suggesting that it can be taught (Dacre Pool *et al.* 2014).

Career development learning

Career development learning has not always been strongly represented in the employability strategies of HEI's but is essential for a graduate to stand the best chance of securing jobs in which they can be successful and fulfilled (Dacre Pool *et al.*, 2007). This element should include activities that enable students to becoming self-aware, give consideration to things they enjoy doing, find interest in, are motivated by and that suit their personalities (Coetzee, Ferreira & Potgieter, 2015).

Graduates also require guidance in how best to explain their achievements and the benefits of them to potential employers, through CV's, application forms and interview activities (Dacre Pool *et al.*, 2014).

Experience – work and life

This element is greatly valued in graduates by prospective employers (Wellman, 2010). It is seen to guide graduates to develop their key skills and competencies as well as enabling them to reflect on that experience and communicate and apply what they have learnt. Graduates with work experience are more likely to secure employment than those who do not. Students should therefore be given guidance about how their work and life experiences can be used to their advantage to enhance their employability levels (Stanciu & Banciu, 2012).

Reflection and evaluation

Reflection and evaluation are not a construct used in this study due to the study's scope and purpose however, reflection and evaluation are profoundly needed in order for students to take into account how far they have come in developing their employability as well as what they can do to improve and develop their employability further.

Reflection and evaluation is key to the development of self-efficacy, self-confidence and self-esteem also known as the three S's (Dacre Pool *et al.* 2014). These S's provide a crucial link between knowledge, understanding, skills, person attributes, employability and experience can be described as follows:

- Self-efficacy – is the belief in one's capability to bring together and execute actions that are needed to manage situations. It influences how people feel, think, act and motivate themselves.
- Self-confidence – can be seen through the manner in which someone presents themselves as well as the manner in which they behave. It can be seen as a trait that is relatively stable and isn't likely to change overtime. However, it is now suggested that students are possibly able to increase their self-confidence levels for any given situation (Dacre Pool & Sewell, 2007).
- Self-esteem – People with self-esteem have a feeling of worthiness as well as self-respect but evaluate themselves realistically. This realism is crucial to lifelong learning, as without it, a person would be unlikely to reflect on areas that need improvement. Much research shows evidence which identifies a positive correlation between achievement and self-esteem. The belief in one's ability to succeed is important as well as the ability to project this belief externally.

No one is ever the perfect example of employability, resulting in employability being a lifelong issue. There will always be parts of one's employability that could benefit from development and enhancement. This study will be based on the CareerEDGE model as it demonstrates a simplistic way of aiding students in identifying ways to further self development. Furthermore, this model clarifies the theme of employability and the employability skills that are required of graduates (Dacre Pool et al., 2014).

METHODOLOGY

This study adopted a quantitative approach, which involves the collection of numerical data by the means of a questionnaire survey design. The questionnaire contained questions with reference to respondents demographics as well as questions testing the constructs identified in the CareerEDGE model, namely; Career Development and Learning, Experience - Work and Life, Generic Skills, Degree and Subject Knowledge and lastly, Emotional Intelligence (Dacre Pool & Sewell, 2007).

For the purpose of this study the convenience sampling method was chosen. The basis for this decision is that respondents can be easily reached; it is the cheapest and most time convenient method (Kothari, 2004). With very limited access to employers who are in charge of or involved in the recruitment of graduates, convenience sampling was deemed the most appropriate approach to capturing our test data.

Printed copies of the questionnaire was distributed to employment organisations in the Bloemfontein and Gauteng area. A direct face to face or one-to-one distribution approach employed. Furthermore an online version of the questionnaire drawn up on Survey Monkey was distributed through social networks and digital channels such as Email, LinkedIn, Facebook and Whatsapp in order to reach our population sample at their convenience.

Statistical Package for Social Sciences (SPSS) software and Microsoft Excel was used to analyse all data collected in terms of respondent's perceptual scores and demographics of constructs. The descriptive statistics of each construct is analysed. Additionally, the reliability of the data was measured using Cronbach's Alpha.

There were 300 respondents from the target subgroup targeted for this study. Of the 300 questionnaires sent out, 82 respondents completed the questionnaire. Of these 82 returned, 11 questionnaires were incomplete to the point of being invalid and were removed from the data set during the analysis. Therefore, 71 responses from employers were captured and used in the data analysis.

RESULTS

The reliability test was run to test the internal consistency of Career Development and Learning, Experience - Work and Life, Degree Subject Knowledge, Generic Skills and Emotional Intelligence constructs. The Cronbach's Alpha value determines the extent to which the components consistently and reliably measure the factor/construct being tested. Table 1 shows the variables calculated using SPSS, and reliably and consistently measure Career Development Learning (Cronbach's Alpha = 0.874), Experience - Work and Life (Cronbach's Alpha = 0.718), Degree Subject Knowledge (Cronbach's Alpha = 0.802), Generic Skills (Cronbach's Alpha = 0.836) and Emotional Intelligence (Cronbach's Alpha = 0.897). All Cronbach's Alpha scores are reliable as they are more than the lowest accepted score for reliability, which is 0.7.

TABLE 1:
Reliability Tests

Factor	Cronbach's Alpha	Number of items
Career Development and Learning	0.874	5
Experience - Work and Life	0.718	8
Degree Subject Knowledge	0.802	6
Generic Skills	0.836	22
Emotional Intelligence	0.897	6

Table 2 depicts/displays the mean scores for all statements relevant to Career Development and Learning, Experience – Work and Life, Degree Subject Knowledge, Generic Skills and Emotional Intelligence in the study. The table show the minimum is 1 (Strongly Disagree) and the maximum is 5 (Strongly Agree). The mean score for Career Development Learning is 3.24 indicating that respondents had a slightly positive attitude towards education being the best chance a graduates can secure a job which fulfils them (Paadi, 2014). It is also clear that there is still space for improvement to shift the attitudes of respondents away from neutral and to become more positive. The mean score for Experience - Work and Life, is 3.41. This indicates that there is a need for improvement to get employers more positive about the work and life experience graduates have. The third construct, Degree Subject Knowledge shows a mean score of 3.31. Although in literature it is stated that better qualified graduates have greater employment opportunities, the respondents did not place too much emphasis on this construct and showed only a slight positive attitude towards it. Generic skills has a mean of 4.06, indicating the high importance and value of this construct to employers when choosing graduate employees. A mean of 3.18 for Emotional Intelligence. This indicates a slightly positive attitude from the employer towards the character/personality of the graduates they wish to employ in the future.

TABLE 2:**Mean score of statements regarding CareerEDGE Model constructs**

	Minimum	Maximum	Mean	Rank
Generic Skills	1	5	4.06	1
Experience – Work and Life	1	5	3.41	2
Degree Subject Knowledge	1	5	3.31	3
Career Development Learning	1	5	3.24	4
Emotional Intelligence	1	5	3.18	5

The statements in Table 3 below measure the employers view on the importance of Career Development Learning a new graduate may encompass. A five point Likert scale was used in the questionnaire and ranged from (1) Strongly Disagree, (2) Disagree, (3) Neutral, (4) Agree and (5) Strongly Agree. In general, the respondents had a slightly positive attitude towards the Career Development Learning statements as their means range from 3.04 – 3.51. These statements included knowing the kinds of tasks that would suit the graduates' personality after the interview, knowing what graduates want from their working life, knowing what kind of graduates employers would want to work for them and how to successfully secure graduates employers seek. However, knowing where to find graduates that would best fit an employer's company was of lesser importance with a mean of 2.97. This indicates that respondents are seemingly uncertain where and how to find the right graduates for their company.

TABLE 3:**Mean scores of statements regarding Career Development Learning (N=71)**

Statements (ranked)	N	Mean	Rank
I know what kind of graduates I want to work for me.	71	3.51	1
I know the kinds of tasks that would suit a graduate's personality after an interview.	71	3.44	2
I know what is required for me to successfully secure the sort of graduates I want to work for me.	71	3.24	3
Apart from money, I know what graduates want from their working life.	71	3.04	4
I know where to find graduates that would best fit my company	71	2.97	5
Valid N	71		

Respondents generally agree with the Experience in work and life statements overall shown in table 4 below. These values range from 3.07-3.96. The statement with the lowest mean score is "I consider positions held in residence committees and associations as work experience" with a score of 2.86. This indicates that residence committees and associations are not seen as work experience in the eyes of the employer.

TABLE 4:**Mean scores of statements regarding Experience Work and Life**

	N	Mean	Rank
I can explain the value and relevance of work experience to a graduate during an interview.	71	3.96	1
I look for graduates that have experience of working in a team environment.	71	3.86	2
I look for graduates that have a lot of work-relevant experience.	71	3.46	3
I want graduates that have in-depth industry knowledge	71	3.39	4
I look for graduates that have relevant work experience.	71	3.38	5
Internship and mentorship programs are a pre-requisite I consider on a graduates' CV	71	3.34	6
I consider leadership positions held in Higher Education institutions as relevant work experience.	71	3.07	7
I consider positions held in residence committees and associations as work experience.	71	2.86	8
Valid N	71		

Overall the responses for Degree Subject Knowledge were slightly positive. Employer see academic achievements as something of value (mean=3.75) but the performance and high marks is not the most important (3.20). These statements mean values ranged from 3.15-3.75 (Table 5). Statements regarding academic performances being an important indicator of ability to perform the job and the importance of high academic averages were included. However, the statement, "I believe graduates with a degree are better prepared for the working world than those who do not have HE training" had the lowest score with 2.89 indicating that employers are not convinced that a degree prepares new employees more than employees who do not have HE training.

TABLE 5:**Mean scores of statements regarding Degree Subject Knowledge**

	N	Mean	Rank
I consider a graduates academic performance as an important indicator of ability to complete the job.	71	3.75	1
I place value on industry related degree/modules than those that are not related to my industry.	71	3.56	2
I believe graduates who perform well academically will be invaluable employees	71	3.34	3
I consciously look for graduates with high academic averages.	71	3.20	4
Graduates academic training is in line with industry requirements.	71	3.15	5
I believe graduates with a degree are better prepared for the working world than those who do not have higher education training.	71	2.89	6
Valid N	71		

The Generic Skills construct values (Table 6) showed an overall positive response from respondents with more than half of the means ranging above 4 from 4.03-4.37. The statements

with the highest ranked means include employers seeking graduates with good time management, planning and organisational skills; as well as graduates that are prepared to be accountable for the decisions they make and being graduates able to easily adapt to new situations. Statements measuring skills such as good time management; planning, coordination and organising ability; assumption of responsibility; autonomous working; good teamwork; communication skills both oral and written; creativity and working under pressure were ranked high. The remainder of the statements have a mean score ranging from 3.20-3.99. These included skills such presentation skills, ability to use new technology, numeracy and ability to manage. Although these skills are not as highly ranked by employers than the previous skills mentioned, they also remain important to employers.

TABLE 6:
Mean scores of statements regarding Generic Skills

	N	Mean	Rank
I look for graduates that manage time effectively.	71	4.37	1
I look for graduates that have good planning and organisation skills.	71	4.31	2
I favour graduates that are prepared to accept responsibility for their decisions.	71	4.31	3
I prefer graduates that are able to adapt easily to new situations.	711	4.27	4
I look for graduates that work well independently.	71	4.25	5
I look for graduates that are good at solving problems.	71	4.25	6
I look for graduates that pay attention to detail when necessary.	71	4.25	7
I look for graduates that are always open to new ideas.	71	4.24	8
I look for graduates that are good at coming up with new ideas.	71	4.18	9
I look for graduates that work well in a team.	71	4.17	10
I look for graduates that are good at understanding how businesses operate.	71	4.17	11
I look for graduates with good oral communication skills.	71	4.13	12
I prefer graduates who have the ability to work with team members who ask questions about information I provide.	71	4.08	13
Adverse events may be reduced by maintaining an information exchange with employer and their graduates.	71	4.04	14
Poor communication is the most common cause of reported errors by graduates.	71	4.03	15
I look for graduates who are confident about their written communication skills for various audiences.	71	4.03	16
Graduates as team members in the organization must express their opinions honestly and openly to each other.	71	3.99	17
I favour graduates that are confident users of information & communication technologies (ICT).	71	3.82	18
I am looking for graduates who are good at making presentations.	71	3.75	19
I place high emphasis to find graduates that are highly equipped with high levels of numeracy.	71	3.70	20

Graduates at all levels of this organisation openly talk about what is and isn't working.	71	3.66	21
It is nearly impossible to train graduates how to be better communicators.	71	3.20	22
Valid N	71		

Overall respondents generally agree with all the statements that relate to the importance of Emotional Intelligence within a graduate. These statements have a mean score ranging from 3.15-3.42 (Table 7). Respondents generally disagree with the statement, "I look for graduates that are good at working out what other people are feeling." with the lowest mean score of 2.99.

Table 7:

Mean scores of statements regarding Emotional Intelligence

	N	Mean	Rank
I favour graduates that are able to manage their emotions effectively.	71	3.42	1
I look for graduates that are good at knowing how they are feeling at a given time.	71	3.17	2
I find graduates who have low emotional IQ to be better suited to positions that involve less interaction with potential customer.	71	3.17	3
Emotional flexibility is a characteristic highly sought after in your industry.	71	3.17	4
I consider the emotional capacity of a graduate before employing them.	71	3.15	5
I look for graduates that are good at working out what other people are feeling.	71	2.99	6
Valid N	71		

MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS DISCUSSION OF RESULTS

Career Development and Learning, Work and Life Experience, Degree Subject Knowledge, Generic Skills and Emotional Intelligence all collectively form an integral role on the employability of a graduate. The reported views on which competencies are of most importance link with the empirical evidence found in this study. Important skills identified in the literature of this study from the perspectives of employers included integrity (morals, ethics), critical thinking skills as well as time management.

Bearing in mind that Career Development Learning; Work and Life Experience; Degree and subject knowledge as well as Emotional Intelligence are all constructs of the CareerEDGE model, the findings of Generic Skills construct are far more valuable and emphasis should be placed on making Generic Skills one of the main strategic focuses when looking at the employability of graduates.

Generic skills refer to broad skills that can be used in any field of work and which can be transferred into the HE context as well as the workplace. According to the literature, the well development of generic skills is highly sought out by employers. Generic skills boasted the highest mean score of the five constructs. It is clear that these skills are deemed highly important and valuable to employers seeking out graduates for their companies. Skills identified as highly

important such as good time management, communication skills (both oral and written), planning and organising, teamwork and critical thinking.

Andrews and Higson (2008) identified communication, teamwork and problem solving as top skills sought out by employers linking with the empirical findings of this study. Similarly, research conducted by Stanciu and Banciu (2012) as well as Azevedo et al. (2012), also recognized the importance of graduates encompassing communication skills as well as good teamwork skills from the employers perspective. Skills such as critical thinking (Singh et al. 2014), time management (Azevedo et al. 2012) along with organising (Stanciu & Banciu, 2012) were also amongst the top skills identified from existing literature linking to the findings of this study. This study however, has also identified other skills as being deemed important to employers. These skills include assuming responsibility as well as working independently. Respondents also valued graduates showing attention to detail along with creativity regarding being open to and creating new ideas. Understanding how the business operates and being able to adapt to new situations easily also ranked high.

These skills identified contribute to the study's significance as they acknowledge skills that are and are not highly valued in the existing research. The identification of these skills aids the student, lecturer as well as employer in identifying the skills important for a graduate to possess. Students may possibly benefit from this study by recognizing these skills of importance and taking active steps in their HE years aiming to develop these skills. Lecturers could also utilize the findings from the analysis in this study through planning activities in their curriculums which encourage the development of these skills. If steps are taken to incorporate these skills into curriculums and students actively seek to develop these skills during their HE, employers will benefit from the ability to recruit from a larger pool of graduates which will enable them to find the top possible graduate for the job.

Firstly, with relation to the content taught in HEI's. Universities should slowly evaluate the quality of the degrees they offer focusing on both the theoretical and practical knowledge students' gain through the education. Universities and lecturers should ensure that practical skills and abilities are equally emphasised to the weight of theory and that students who have completed their degree encompass the skills and abilities that are sought after in various fields of work.

Additionally, Generic skills have proven to be of high significance in the descriptive statistics analysis. This indicates that employers find generic skills of graduates to be of great importance when searching for a graduate for their company. This being said, it is clear that HEI's should place certain programmes in their curriculum which promote the development of these generic skills, in the hopes that students graduate with the knowledge and practically to apply these skills in the workplace.

Lastly, employers can use the findings of this study to inform HEI's on the skills that they seek in the graduates their respective company hires. This could be beneficial to the employer as it could ease the process of having to find graduates who encompass these skills as they should be taught them during their HE course.

STUDY LIMITATIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

This study made use of quantitative research design. However, this may have prohibited the researcher to gain in-depth information from the respondents. A qualitative research study could be suggested in order to gain more insight on the employer and their views on what makes graduates employable.

Furthermore, research can be done on the work experience construct as a whole. Throughout university, students are encouraged to take part in leadership positions in order to gain experience and include in their resumes. However, the empirical evidence of this study reveals that these positions are not valued as work experience by employers as previously thought. Research could be conducted to identify the importance of leadership experience to employers. Additionally, a study can be completed identifying which skills are learned in these leadership programmes precisely. These skills could then be compared to the skills employers deem as being most important when choosing a graduate; to identify if these positions held may actually hold significant value to what the employer is looking for.

In addition, highly valued generic skills such as teamwork and communication can be researched in depth to identify what these factors entail and how these factors can be learned and taught in HEI's.

CONCLUSION

In conclusion, the elements of the CareerEDGE model of employability are important from the perspective of the employer when appointing University graduates. Generic skills is still the most important skill, while employers see emotional intelligence as the least important of the five elements. The results of this study can contribute to the future HEI curriculums as it offers insight that is unique to improve the employability of graduates.

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Examining the impact of antecedents of student performance in South African Universities

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ABSTRACT

Student performance is one of the significant indicators for gauging the value of education and the superior performance of students who are the prospective frontrunners and going to be accountable for the social development and economic booming of the country. Student performance is a very important concept in higher education institutions (HEIs) in South Africa because one of the criteria for a high quality institution is based on its excellent record of academic achievements. High levels of trust, good communication and commitment between the students and the institutional staff is crucial. Sample data of 305 respondents was collected from four universities in the Gauteng province of South Africa, namely the Vaal University of Technology, Northwest University, University of Johannesburg and University of the Witwatersrand. Three hypotheses have been deduced from the study. However, the results indicate that trust, communication and commitment positively influence students' performance in universities in a substantial way.

INTRODUCTION

Student performance is one of the significant indicators for measuring the quality of education and the excellence of students, who are the future leaders and going to be accountable for the social and economic development of the country (Ayoub & Aljughaiman, 2016). Student performance is a crucial part in higher education institutions (HEIs) in South Africa because one of the criteria for a high quality institution is an HEIs excellent record of academic achievements and, as a result of this, student performance has come under unprecedented scrutiny in the society today.

In the institutions, student performance has been of great concern and research interest to the higher education managements, government, parents and other stakeholders because of the significance of education to the national development. For the students to perform excellently there must be high levels of trust, good communication and commitment between the students and the institution staff. Three factors (trust, communication and commitment) will be examined in this study to determine the level of influence each of these factors have on the student performance in South Africa. According to Park, Lee, Lee and Truex (2012), trust exists when one

party has confidence in the reliability and integrity of the other party. In the realm of institutions, building trust with the student assists to enhance student performance. Communication is considered as one of the vital mechanisms that has an influence on student performance. According to Zareie and Navimipour, (2016) commitment can be referred to as a level of involvement that students and employees have toward their duties and responsibility.

Given this background, this study work will be aimed at the influence that trust, communication and commitment have on the student performance in South Africa and also provides the research model and hypotheses, which covers data collection, analysis and result interpretation.

LITERATURE REVIEW

Trust

In every institution, trust is considered as vital for a modern society because it indicates how people interact and build positive relationships (Alzahrani, Al-Karaghoul, & Weerakkody, 2017:165). Trust can be referred to a readiness to depend on an unfamiliar trustee where the trustor does not have credible, meaningful information about or affective bonds with the trustee (Mcknight, Choudhury & Kacmar, 2002; Morrison, 2016; Ngouapegne & Chinomona, 2018). Trust can also be defined as the readiness of a party to be extremely susceptible to the actions of another party based on the anticipation that the other is willing to perform a specific action that is important to the trustor, irrespective of the ability to control or monitor the other party (Mayer, Davis, & Schoorman, 1995, Alzahrani *et al.*, 2017).

According to Schlte-Pelkum, Schweer and Pollak (2014), the importance of the concept of trust in the academic context has been increasingly recognised and a growing body of the literature supports the idea that trusting relationships between lecturers and the students are fundamentally essential for the students' ability to learn efficiently and effectively. When there is a trustful relationship, students feel encouraged to participate actively in learning without the fear of being compromised by the lecturers. Trust in the academic environment offers the students an opportunity to take the initiative in their learning (Qvortrup, 2006; Brown, & Skinner, 2007; VanderValk and De Vos, 2016). Where there is trust, it leads to students performing very well in class.

Communication

Communication is an integral part of our life. Communication is complex and socially constructed because it comprises language skills, context, culture and interaction. In communicating with the learners, it is important for the lecturers to be able to encode their message within the sociocultural context of the students in order for them to be able to decode the message and acquire knowledge through the teaching (Winska, 2010; Constantin & Baias, 2015; Henderson, Barker, & Mak, 2015). Generally, communication can be defined as a process of exchanging information, from the person giving the information through verbal and non-verbal methods, to the person receiving the information. Communication also involves the exchange of ideas, opinions and information with a specific objective in mind (Zanaton, Effendi, Tamby, Kamisah, Denise, Siti, & Pramela, 2012; Fenn, 2014).

Furthermore, communication, competency and language skills are essential in the academic environment because effective communication is very important to the success of both the learners and the educators (Duta, 2015). In the academic environment, learners and educators play a vital role in the communication process. According to Mehrabian (2014), communication

can be referred to as the process by which ideas, information, opinions, attitudes and feelings are conveyed from one person to another. It is essential that the process of communication is understood mutually by the lecturers and the students to make the teaching-learning process efficient and effective in order for the student to perform well; therefore, the better the communication, the better the students' performance.

Commitment

In recent years, several researches in the academic environment have indicated that students' level of commitment to their studies is influencing their performance. According to Saloua, (2015), commitment levels and persistence significantly contribute to the skills success. Chughtai and Zafar (2006), Lee, Zhang and Yin, (2011) and Zareie *et al.* (2016), referred to organisational commitment in terms of individual and group identification with the values and goals of an institute or organisation, readiness to exert effort on behalf of the institute and commitment to stay in the organisation. Lecturer commitment can be referred to as vital to a school's culture and can be demonstrated in the lecturers' enthusiasm for improvement and sense of loyalty to school (Nir, 2002 & Park, 2005).

Furthermore, lecturer commitment is significant to students' success in universities because universities' overall performance in improving students' learning achievement can only be fulfilled through the lecturers' active commitment in the lecture room. Haftkhavani, Faghiharam and Araghieh (2012) are of the opinion that the organisational commitment is crucial in HEIs and it has a calculated application. Thus, the commitment of the lecturer's skill, knowledge and experience contributes positively to the student performance in school.

Student performance

Students' performance is an integral part of education because one of the main criteria for a high quality institution is its excellent academic achievements (Bowden, Hart, King, Trigwell & Watts, 2000; Shahiria, Husain & Rashid, 2015). Based on previous researchers, there are numerous definitions on students' performance. According to Mat, Buniyamin, Arsad and Kassim (2013), students' performance can be obtained by measuring the learning assessment and co-curriculum. Mushtaq and Khan, (2012) state that measuring student performance in various ways has its receiving attention, as it has been recognised that student performance may be significantly affected by social, cognitive, psychological and personal factors and their influence on student performance may differ according to student's age, gender, social background, family income, parent marital status, culture and sponsor (Hodge & Mellin, 2010; Marquez-Vera, Romero & Ventura, 2011; Kuyoro, Awodele, Okolie, & Goga, 2013).

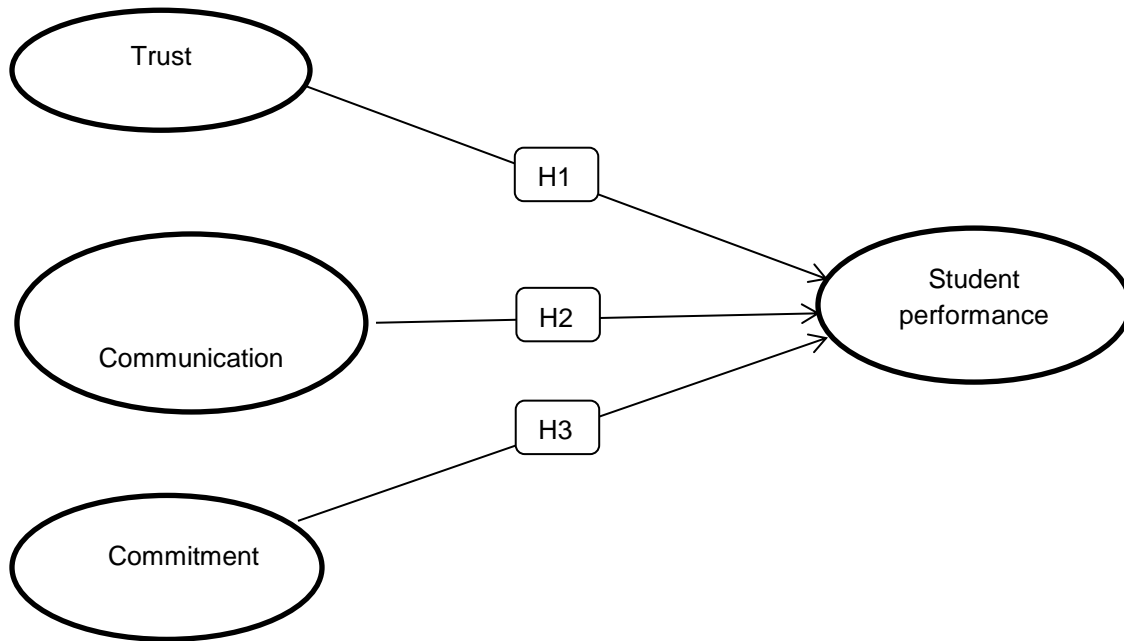
Hence, the students' performance in higher institutions is of great concern and of research interest to the higher education management, parents, government and stakeholders because of the importance of education to the country's development. According to Kaplan, Satterfield and Kington, (2012), Lievens, (2013) and Lievens and Sackett, (2012), the student performance has been increasingly considered at HEIs more broadly than traditional intellectual achievement. The concept of student performance includes soft skills, such as dealing with others and personal qualities, along with students' cognitive abilities.

CONCEPTUAL MODEL AND HYPOTHESIS DEVELOPMENT

Based on the literature review, the framework illustrated in Figure 1 was conceptualised. In this framework, trust, communication and commitment are the predictors, whilst student performance is the outcome variable. Figure 1 illustrates the framework of the study. Hypothesised relationships between research constructs are developed thereafter.

FIGURE 1:

Conceptual Model



Hypothesis statements

H1: There is a positive relationship between trust and student performance.

H2: There is a positive relationship between communication and student performance.

H3: There is a positive relationship between commitment and student performance.

RESEARCH METHOD

The research design for the study is a quantitative approach because it is aimed at scrutinising the relationships between trust, communication and commitment on student performance. The survey method was used. The study gathered data using a structured questionnaire. The instrument was adapted from instruments developed by previous researchers.

Sample and data collection

The target population for the study were registered students in four universities in South Africa in the Gauteng province, which are Vaal University of Technology (VUT), Northwest University

(NWU), University of Johannesburg (UJ) and University of the Witwatersrand (Wits). Self-administered questionnaires were used. This method has the advantage of speed, is less costly and the researcher has control over respondent type. Students from the Vaal University of Technology were recruited as research assistants to distribute and collect the questionnaires in the area. Of the 400 questionnaires distributed, 305 usable questionnaires were retrieved for the final data analysis, representing a valid response rate of 76 percent.

Measurement instrument and questionnaire

Research scales were operationalised on the basis of previous work. Proper modifications were made in order to fit the current research context and purpose. Trust used a five-item scale adapted from Stathopoulou and Balabanis (2016), while communication used a six-item scale adapted from Kim and Rhee (2011). Commitment used a five-item scale adapted from Aziz and Noor (2013). Finally, student performance was measured using a five-item scale adapted from Mushtaq and Khan (2012). All the measurement items were measured on a five-point Likert-type scale that was anchored by 1=strongly disagree to 5=strongly agree, to express the degree of agreement.

DATA ANALYSIS AND RESULTS

In accordance with the two-step procedure suggested by Anderson and Gerbing (1988), prior to testing the hypotheses, confirmatory factor analysis (CFA) was performed to examine reliability, convergent and discriminant validity of the multi-item construct measures using AMOS 24.0. Overall, acceptable model fit is indicated by goodness-of-fit index (GFI) ≥ 0.80 ; root mean square error of approximation (RMSEA) values ≤ 0.08 ; incremental index of fit (IFI); Tucker Lewis index (TLI) and comparative fit index (CFI) values ≥ 0.90 . Recommended statistics for the final overall model assessment show acceptable fit of the measurement model to the data: $\chi^2/(df)=2.255$, GFI=0.926; IFI=0.933; TLI=0.904; CFI=0.901; RMSEA=0.066. Loadings of individual items on their respective constructs are shown in Table 1, while the scale construct correlations are presented in Table 3.

TABLE 1:
Measurement accuracy assessment and descriptive statistics

Research constructs	Descriptive statistics*		Cronbach's test		C.R.	AVE	Item loadings
	Mean	SD	Item-total	α Value			
Trust (TR)							
TR 1			0.731				0.799
TR 2	1.01	1.05	0.852	0.746	0.746	0.694	0.867
TR 3			0.711				0.735
TR 4			0.699				0.711
TR 5			0.855				0.893
Communication (CN)							
CN 1			0.819				0.835
CN 2			0.715				0.818
CN 3	3.04	1.323	0.758	0.792	0.792	0.658	0.823
CN 4			0.866				0.890
CN 5			0.756				0.795
Commitment (CM)							
CM 1			0.722				0.822
CM 2			0.758				0.877

CM 3	3.15	1.003	0.766	0.788	0.788	0.711	0.791
CM 4			0.656				0.779
CM 5			0.702				0.801
CM 6			0.929				0.950
Student performance (SP)							
SP 1			0.691				0.699
SP 2			0.759				0.813
SP 3	3.05	1.500	0.691	0.785	0.875	0.718	0.697
SP 4			0.759				0.825
SP 5			0.691				0.698
<i>TR= Trust; CN= Communication; CM= Commitment; SP= Student performance</i>							

As recommended by Anderson and Gerbing (1988) and Hair, Babin, Anderson and Tatham (2010), individual item loadings should be above 0.5. From the results presented in Table 1, all acceptable individual item reliabilities are more than 50 percent for each item's variance. Using a formula proposed by Fornell and Larcker (1981), the composite reliabilities (CR) and average variance extracted (AVE) for each variable were computed. The composite reliabilities (CR) are all above the recommended value of 0.7 suggested by Hulland (1999); thus, indicating satisfactory internal uniformity and dependability of the respective measures. All AVE values are above 0.5, thus tolerable according to the literature (Fraering & Minor, 2006). These results provided evidence for acceptable levels of research scale reliability. Discriminant validity was proven by checking if the AVE for each multi-item construct was greater than the shared variance between constructs (Fornell & Larcker, 1981; Anderson & Gerbing, 1988; Nunnally & Bernstein, 1994; Hair *et al.*, 2010) and if the inter-construct correlations were less than a unit. Furthermore, the inter-construct correlation values are less than the recommended value of 0.6, revealing an adequate level of discriminant validity (see Table 2).

TABLE 2:

Sample data statistics and correlations between constructs

Variables	TR	CN	CM	SP
TR	1.000			
CN	.505***	1.000		
CM	.530***	.598***	1.000	
SP	.359***	.491***	.553***	1.000

Note: *TR= Trust; CN= Communication; CM= Commitment; SP= Student performance*

Structural equation modelling

This study used structural equation modelling (SEM) to approximate the causal relationship among the constructs based on the conceptual model in Figure 1. The maximum likelihood estimation (MLE) method was used because it has desirable properties (e.g., minimum variance and unbiasedness) and is scale-free. The results are reported in Table 3. The model is acceptable in terms of overall GIF. Acceptable model fit is indicated by χ^2 (df) values <3; GFI and AGFI values ≥ 0.80 ; RMSEA values ≤ 0.080 ; IFI and CFI values ≥ 0.90 . Results of this study indicate χ^2 (df)=2.568; GFI (0.865); IFI (0.965), TLI (0.971), CFI (0.850) and RMSEA (0.061), therefore, the study achieved the suggested thresholds (Hair *et al.*, 2010). This suggests that the model converged well and could be a plausible representation of underlying empirical data structures collected in South Africa.

TABLE 3:
Results of structural equation model analysis

Hypothesis statement	Hypothesis	Path co-efficient
TR → SP	H1	.705***
CM → SP	H2	.675***
CN → SP	H3	.592***

Note: TR= Trust; CN= Communication; CM= Commitment; SP= Student performance

DISCUSSION OF RESULTS

The results in Table 3 offer support for three proposed hypotheses. According to the objectives of the study, it can be deduced that the study postulated that there is a positive relationship between all three hypotheses. The first research objective was to examine the relationship between trust and student performance. Consistent with hypothesis one (H¹), results indicate higher levels of trust and student performance. The path co-efficient is 0.705, which shows a significant strong relationship.

The second research objective was to investigate the relationship communication and student performance. Hypothesis two (H²) is supported as it indicates higher levels of communication and student performance with path co-efficient (0.675), which ultimately proves that there is a strong significant positive relationship between communication and student performance. In other words, higher communication is associated with higher levels of student performance.

Hypothesis three (H³) proposed that there is a positive and significant relationship between commitment and student performance. The path co-efficient for hypothesis three is 0.592, which shows a significant relationship between the two variables. Of all the three hypotheses, the strongest relationship was that of trust and student performance, which has a standardised coefficient of 0.705, followed by communication and student performance with a standardised coefficient of 0.675 and finally the relationship between commitment and student performance has the lowest coefficient of 0.592.

LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

The study used a quantitative research approach. Future researchers may consider adopting a mixed method approach to get more results that are meaningful. A larger sample can be considered in order to generalise findings. Katono (2013:203) indicates that “there is need for [a] larger sample to make the results more generalizable”. However, the present research can be seen as a preliminary investigation of the opportunity to increase value in designing better ways to improve trust, communication and commitment on student performance. Future researchers might also try to do research in other provinces like Limpopo, Mpumalanga and Eastern Cape, then do a comparison study. This might yield insightful and different results.

CONCLUSIONS AND MANAGERIAL IMPLICATIONS

This study has shown that trust, communication and commitment are crucial for students to perform well in universities. The implications on the practical side are that, first and foremost, managers and lecturers should attempt to increase trust, commitment and communication in universities as these factors have a significant impact on student performance. Setting clear rules that are enforceable to ensure appropriate behaviours at the universities leaves little room for drop out among students and increases the chances of better performance. Management or

lecturers need to reward those students displaying greater ethical communication skills, trust and commitment to their studies. On the other hand, dedicated lecturers should also be rewarded by increasing their salaries or bestowing awards on them.

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The effectiveness of peer supervision as a possible tool for improving quality of teaching: Total Quality Management theoretical perspective

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ABSTRACT

The purpose of this study was to investigate perceptions of school-based managers and educators regarding the effectiveness of the peer supervision model as a possible tool for improving the quality of teaching through teamwork. This was aimed at resolving problems associated with poor quality of teaching as a result of ineffective supervision and evaluation approaches that do not yield positive influence on teamwork among teachers. The article forms part of a formal study on Developmental Supervision (Musundire, 2015).

A mixed method approach characterised by the explanatory sequential design addressed the research questions. 301 randomly selected participants in 15 districts of the Gauteng province responded to the quantitative phase in form of questionnaires. Three conveniently selected focus group interviews each comprising of ten (10) purposefully selected school-based managers and educators gave in-depth exploration of the quantitative results.

The findings indicated that school-management team strongly believe that the peer supervision model is a possible tool for improving quality of teaching and learning. This is because peer supervision was associated with collaborative curriculum development among peers focusing on professional development. In contrast, the South African peer evaluation approach was found to lack teamwork during the evaluation process because of its characteristics related to the traditional inspection approach to professional development. It can therefore be concluded that peer supervision is a possible tool for improving quality of teaching and learning. It is therefore recommended that peer supervision should be introduced in South African schools to enhance

the implementation of the current performance supervision system (Integrated Quality Management).

Introduction

There is evidence according to research that school principals who are able to promote teamwork in their respective schools are mostly likely to improve performance (Lunenburg, 2011:1). Many studies have indicated that poor quality of teaching as a result of ineffective supervision and evaluation approaches that do not yield positive influence on team building among teachers is one of the key challenges that have affected operation of schools worldwide, including South African schools (Mestry, Hendricks & Bisschoff, 2009:488; Steyn, 2011; De Clerq, 2008:1; Class Act, 2007; Biputh & McKenna, 2010:284; Chisholm & Carnoy, 2008:16-17). Other researchers support the notion that team work is one of the most important variables of the Total Quality Management principles that determine improvement in the quality of teaching and learners' performance (Chao & Dugger, 1996, Kaplan & Norton, 1996:119; Psychogios, 2007:44; Stevenson, 2009:427; Decenzo, Robbins & Verhulst, 2010).

In order to understand the differences or similarities between peer supervision and peer evaluation, this study find it necessary to clarify the difference between supervision and evaluation from a broader spectrum. Most supervision studies agree that evaluation systems are characterised by judgemental approaches to teacher performance while supervision pays more attention on promoting teacher development and performance improvement by initiating collegiality, commitment, collaboration, inspiration, participation and motivation (Glickman, 2007; Minnear-Peplinski, 2009: iii; Zepeda, 2007). In other words, any form of judgment is associated with giving instructions and directives against pre-scribed standards of performance; Minnear-Peplinski, 2009: iii; Zepeda, 2007). Peer supervision is based on teamwork characterised by collegiality and collaboration in improving performance (McLaughlin, Black-Hawkins, McIntyre and Townsend (2008:79). Peer evaluation as part of the South African Quality Management System (IQMS) implementation strategy is characterised by peer or peers making a value judgement of their performance using rating systems against pre-scribed standards that must be adhered to according to prescribed performance evaluation policies (IQMS Manual, 2003).

Although current research shows that there is provision for professional growth and positive achievements when employees work as peers/colleagues through democratic participation in sharing professional ideas in a collaborative and supportive way (Steyn,2011; Salleh, 2007:2), there is no much research that has been done in identifying a formal supervision strategy that can be used to effectively integrate the Total Quality Management (TQM) principle of teamwork to ensure improved performance among teachers. In the context of the South African education system, the current teacher evaluation process is characterised by the Integrated Management System (IQMS) comprising of the Developmental Appraisal system (DAS), the Performance measurement system (PMS) and Whole School Evaluation (WSE) (IQMS Manual, 2003). Which is currently facing many implementation challenges according to research reports (Gallie, 2006; De Clercq, 2008: Class Act, 2007:7; Khan et al., 2010). Even the peer evaluation processes, which is facilitated and guided by what is referred to as the expertise and knowledge of the School Management Team (SMT) or the Staff Development Team (SDT) (IQMS Manual, 2003), during the cyclical stages of the IQMS evaluation process, is facing implementation challenges (Mestry, Hendricks & Bisschoff, 2009:488; Steyn, 2011; De Clerq, 2008:1; Class Act, 2007; Musundire, 2015).

A preliminary review of supervision literature indicates that there are better ways of promoting team work such as the peer supervision strategy (Glickman, Gordon, & Rose-Gordon, 2007:329,

Sidhu & Fook, 2010). Although it can be argued that providing democratic approaches to learn does not guarantee that professional growth automatically takes place (Christine, 2005:5), it is however realised that effective democratic ways of handling employees goes together with the aspect of top management support and commitment which must be a prerequisite in any form of an organisation (Robbins & Decenzo, 2007:247; Musundire, 2015). In this regard, Goetsch and Davis (1994: 224) claim that the most appropriate style of management within TQM is a democratic one that allows contributions from empowered employees. According to Lunenburg and Ornstein, (2004:20) democratic leadership style involves employees working co-operatively together by discussing and sharing ideas in order to come up with proper solutions to work related challenges

Based on the above discussion, this researcher is of the opinion that the current South African teacher evaluation systems characterised by the Integrated Quality Management System (IQMS) are so controversial. There is need to consult school-based managers and teachers should to determine their perceptions of a possible alternative to teamwork in the form of a peer supervision strategy. There also seems to be very little research conducted on supervision approaches that can effectively implement the TQM principle of teamwork. This article, is therefore, aimed at bridging the gap in knowledge, by examining the perceptions of primary school-based managers and teachers regarding the possible effectiveness of the peer supervision strategy on improving quality of teaching with special reference to IQMS implementation.

Clarification of concepts

In order to understand the critical arguments of this article, it is also important the meanings of the following key terms:

- **Peer-supervision:** involves two or more teachers mutually agreeing to work together for professional growth by means of observing each other's classroom; giving each other feedback about the observations, and discussing shared professional concerns (Glatthorn, 1999).
- **Peer-evaluation:** This is defined as a generic term encompassing a formative process (monitoring, appraisal) and a summative process (assessment review) by peers whereby information is collected and data analysed in order to provide information for professional judgement (Leask and Terrel, 1997).
- **Total Quality Management:** Total Quality Management is an approach to quality achievement through continuous improvement by highlighting total participation and total involvement of everyone in an organisation (Stevenson, 2009).
- **Integrated Quality Management Systems (IQMS):** A quality management system that amalgamates the teacher evaluation systems (DAS, PMS and WSE) aimed at bringing up one effective system that will develop the educator's professional growth (IQMS document Section A, 2003, RSA, & 2001b:30).

Based on the definitions given above, the following section gives a critical review of literature of literature in the context of the research question.

Literature review

This article integrates the peer supervision and the Total Quality Management theoretical frameworks. According to Glickman et al. (2005), developmental supervision works well with the peer supervision as one of its strategies for enhancing teamwork through collaborative approaches which suits teachers operating at low, moderate and high levels of expertise and commitment. On the other hand, the Total Quality Management theory is based on inspiring teamwork as one of its principles (Chao & Dugger, 1996; Kaplan & Norton, 1996:119; Psychogios, 2007:44; Stevenson, 2009:427; Decenzo, Robbins & Verhulst, 2010, Musundire, 2015). Analysis of the South African legal theoretical framework of the evaluation system indicates that the TQM philosophy is realised as the main focus of quality management systems aimed at managing changes in the organisation for continuous improvement (SAQA (2000a:15-16).

In order to tackle complex problems as teams for quality improvement, Kregoski and Scott (1982:243) propose the following formal stages:

- Identify problems in different educational areas such as curriculum implementation;
- Select problems;
- Analyse problems;
- Determine solutions;
- Implement or recommend the implementation of solutions.

Basing on the above discussions, the implication, according to this study is that teamwork influences quality of teaching positively. It therefore seems that a supervision approach that realises teamwork in curriculum planning, implementation and innovation is most likely to improve teachers' performances. In other words, the same supervision approach can be used for effectively implementing the TQM principle of teamwork. The following section relates the above identified characteristics of team work with peer supervision strategy

The Peer Supervision strategy

James, Nolan and Hoover (2011:12) propose the peer-group supervision strategy for team building based on the following proposal by McLaughlin, Black-Hawkins, McIntyre and Townsend (2008:79):

- Collaboration reduces duplicating duties and assignments among teachers;
- Collaboration increases competency;
- Collaborative dialogue encourages teachers to learn from one another,

In support of the above view, Sergiovanni and Starrat (2007:262) refer to Glatthorn who sees peer supervision as a "Moderately formalised process by which two or more teachers agree to work together for their professional growth, usually observing each other's classroom, giving each other feedback about the observations, and discussing shared professional concerns."

With reference to Glatthorn, Sergiovanni and Starrat (2007:262) describe five different forms of peer supervision as follows:

- Professional dialogue among peer teachers aimed at enhancing the teaching and learning process;
- Peer supervision featuring proper curriculum planning, implementation and resource development;
- Lesson observations among peers followed by analysis, discussions and feedback;
- Collaborative development among peers focusing on developing teaching strategies and skills through workshops and lesson observations;
- Conducting action research in order to come up with possible solutions for enhancing quality of teaching.

Basing on the above highlighted forms of peer supervision according to literature (Sergiovanni & Starrat, 2007: 263; Marczely, 2002:107; Olivia & Pawlas, 1997:426; Knoll, 1987:155; Zepeda & Mayers, 2013:21-28, Musundire, 2015) the following are the identified advantages:

- Peer supervision maintains the teacher's professional dignity and ensures skills development;
- Teachers are intrinsically motivated to improve performance without much influence from outside;
- Peer supervision provides teachers with moral support by having opportunities of observing and analysing their teaching qualities followed by the necessary feedback;
- Peer supervision empowers teachers to control their own teaching and development by sharing ideas openly with trustworthiness with other peers.

Even though critics of the peer supervision strategy feel that the approach lacks the "authority base" that is associated with strict supervisory practices (Madziyire, 2000:43), previous literature has indicated that what is more important is that peer supervision provides supportive morale for teacher development. In view of the literature analysis above, peer supervision strategy seems to comply with the TQM principle of teamwork. The implication is that peer supervision can be effectively used to implement the TQM principle of teamwork to ensure continuous improvement of performance. The following section relates the characteristics of peer supervision with the implementation of IQMS.

Application of peer supervision with special analysis of the IQMS theoretical content

This analysis is based on the study focussing on developmental supervision model in the context of South African primary schools (Musundire, 2015). IQMS manual (Section A, 2003:13) the IQMS peer-evaluation process consists of the educator's immediate senior (HOD) and one other educator (peer). An educator's peer is selected by the educator on the grounds that there is enough expertise in terms of the needs of the educator. The peer is also chosen on the bases that criticism as well as the needed support and guidance to be rendered, is constructive. Only in exceptional cases, e.g. in the case of a principal, may a peer be selected from the staff of another

school. In some instances, it is permissible for an educator to select more than one peer based on his/her particular needs (IQMS manual Section, A, 2003:13).

In light of the information above, IQMS shows that peer-evaluation is incorporated within the main formal management evaluation process conducted by the school management. According to this study, there are fears that in the presence of the head of the department (senior) that by policy is compelled to be taking his/her management roles as part of the peer evaluation process may interfere with the supervisory freedom and autonomy of the subordinates. According to this study, the policy is basically stipulating that whoever is chosen as the peer cannot observe the lesson without the accompaniment of a manager (HOD). The enforced presence of managers as part of peer supervision may result in some managers feeling threatened to surrender or suppress their positions for the sake of collaboration. The same sentiments are shared by Daresh (2007:186) who comments that although supervisory activities promote expected change, the power and the authority that lies within the leader stimulates negative reactions to the subordinates. "It is important that the peer has the confidence and trust of the educator as he/she will have to offer constructive criticism as well as support and guidance" (IQMS manual, Section A, 2003:13). This study suggests that this would only be possible without the presence of a manager not unless the manager is fully committed to also take the role of a peer or, the teacher voluntarily invites the manager to be part of the team as proposed by Olivia and Pawlas (1997:426).

The IQMS manual (Section A, 2003:13) gives provision for mentoring, coaching and support as a form of peer supervision by both the peer and the manager which are claimed to be some of the job descriptions of the Education Specialist (Head of Department). Based on the interpretation of this study, IQMS seems to establish its mentoring and support in terms of the teacher's ability to cope and conform to the prescribed standards and the measuring instrument. In line with the principles of peer supervision, the IQMS peer evaluation approach seems to suppress autonomy. The supervised and the peer as mentioned earlier on may feel threatened by the interference of what seems an incompetent manager who may also seem to bear more authority during the evaluation process; unless the supervisor has also specialised in the same learning area with the supervised. According to IQMS document (Section A, 2003:13) the purpose of this evaluation by the DSG is to:

- *confirm (or otherwise) the educator's perception of his/her own performance as arrived at through the process of self-evaluation;*
- *enable discussion around strengths and areas in need of development and to reach consensus on the scores for individual criteria under each of the Performance Standards and to resolve any differences of opinion that may exist;*
- *provide the opportunity for constructive engagement around what the educator needs to do for him/herself, what needs to be done by the school in terms of mentoring and support (especially by the DSG) and what INSET and other programmes need to be provided by, for example, the District/Local office;*
- *equip the DSG and the educator (together) to develop a Personal Growth Plan (PGP) which includes targets and time frames for improvement? The PGP must primarily be developed by the educator with refinements being done by the DSG;*
- *procure a basis for comparison with the evaluation for Performance Measurement purposes which is carried out at the end of the year. The peer is also a member of the DSG.*

Unlike the above stipulated conditions, Sergiovanni and Starrat (2007:262) propose the approach to peer supervision as involving the peers taking an active role in the supervision process than the manager. There is probably need for the IQMS to have more flexible structures in the implementation of peer evaluation as advocated by the peer supervision model than strictly adhering to rigid conditions as indicated above. Sergiovanni and Starrat (2007:262) further state that peer supervision goes beyond classroom activities. It provides a setting in which teachers can informally discuss challenges they encounter. The IQMS process does not seem to reflect complete peer supervision, collegiality and mentoring opportunities to full capacity.

One can still however argue that the presence of the peer during the IQMS evaluation process cannot be overlooked. The peers' contribution may also lead to a fair judgement of the evaluation outcome in conformance to stipulated standards to a certain extent. The peer may act not only as a witness but also an inter-mediator where disagreements seem to occur. In a different perspective, the peer who is supervising can also feel highly empowered to be part of the evaluation process. As a way of avoiding influence of rigid rules, control and directives as characterised by IQMS, Sergiovanni and Starrat (2007) have already been seen to propose that team members may agree to observe each other's class and provide support according to the expectations of the teacher being observed.

Research Design

A mixed methods research design characterised by the explanatory sequential design was used to address the research questions. Since this article forms part of the report findings of a formal study based on the effectiveness of the developmental supervision (Musundire, 2015) the same research design has been adopted in this article. Out of the 350 randomly selected participants in all 15 districts of the Gauteng Province responded to the quantitative phase in the form of questionnaires. This was followed by analysis of the qualitative data from three focus group interview sessions that were conducted in Sedibeng East, Sedibeng West and Johannesburg North districts of the Gauteng Province in order to get in-depth explanations on perceptions of school-based managers and educators. Each of the three focus group interviews comprised of ten purposefully selected participants embracing two principals, two vice principals, two HODs and four educators per district.

THE QUANTITATIVE SURVEY RESEARCH PHASE

The quantitative descriptive survey design served as a means to collect numerical data from a sample to address all the research questions. The use of the quantitative method was appropriate because it provided a broad picture of the perceptions of school-based managers and educators regarding the effectiveness of the peer supervision strategy.

Instrumentation and data collection: The questionnaire:

The reason for using questionnaires instead of other research methods in this study was to enable accessibility (Neuman, 1997:25) of a large number of selected school managers and educators from all 15 districts of Gauteng. Because of limited financial resources, questionnaires were also chosen as it was a cheaper method. Apart from ensuring anonymity, questionnaires are recommended for covering a wider geographical area (Neuman, 1997:25). The other advantage is that researchers can give questionnaires directly to respondents (Neuman, 1997:25). The researcher made use of self-administered questionnaires to respondents who were in the proximity and mailed questionnaires to those who were not accessible. In order to ensure, validity and reliability as advocated by Neuman

(1997:25), the questionnaire was developed through use of closed questions, statistically tested for strength of the questions, piloted and administered.

Quantitative data analysis

The data collected were analysed using SPSS. This involved descriptive statistics (frequency tables). The integration of qualitative and quantitative data happened after the quantitative phase of research (Tashakkori & Cresswell, 2007).

The qualitative phase

Given that the main purpose of the study was to also get richer in-depth information to explore the quantitative results, focus group interviews were employed (McMillan & Schumacher, 1997:453). In choosing the strategy, the researcher amongst others, also considered its subjective analysis and descriptive abilities including a high level of accuracy in exploring feelings, experiences and perceptions, of school-based managers and educators with regards to the possible effectiveness of the peer supervision approach by means of probing questions (Lauer, 2006: 76; Hatch, 2002; Groenewald, 2004: 6, Musundire, 2015).

The focus group interview approach suited this study since the selected school-based managers and educators are commonly affected by the implementation problems of evaluation systems in South Africa. The other reason for including the focus group interviews qualitatively instead of the one-to-one interview is that there is scope for debates and meaningful arguments among the participants so as to provide in-depth views on the topic under study (McMillan & Schumacher, 1997:453).

The analysis of the qualitative data

The analysis of the data commenced as soon as the first interview was completed and continued throughout the data gathering process. Transcriptions of the video tapes, at the end of the interviews, facilitated the process of analysis, and the data examined for key issues raised by participants in response to each topic, revealed interesting insights. Many patterns manifested from these key issues, and data were categorised and discussed accordingly. Qualitative data obtained from the interviews, which corresponded with the data collected from the survey, revealed certain relationships. The integrated patterns, which emerged led to novel findings, which gave rise to new interpretations.

The analysis of the quantitative and qualitative data

The following data analysis synthesised the quantitative and qualitative results. The aim of synthesizing the quantitative and qualitative in this study using the principle of complementarity (Greene, 200) in this study was to enrich, elaborate, or clarify the quantitative responses with focus group interview findings with the aim of increasing in-depth interpretation of the results using the thematic approach (Greene, 2007). The principle of triangulation which involves answering the same research question by making use of mixed methods, in this case, quantitative questionnaires and qualitative focus group interviews was used with the aim of enhancing of validity of results considering that combined methods, balances and biases of either of the methods (Greene, 2007). To avoid anonymity, letters were used instead of real names during the focus group interviews to represent the recorded comments.

The researcher investigated the perception of primary school-based managers and educators regarding the effectiveness of the implementation of TQM principles of teamwork on improving the quality of teaching.

TABLE 1:

Team work

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	126	41.9	41.9	41.9
Agree	126	41.9	41.9	83.7
Undecided	7	2.3	2.3	86.0
Disagree	33	11.0	11.0	97.0
Strongly Disagree	9	3.0	3.0	100.0
Total	301	100.0	100.0	

Table 1 shows that of the 301 respondents, 41.9% (N=126) agreed that the implementation of teamwork will positively influence quality of teaching. The same percentage comprising of 41.9% (N=126) strongly agreed. There may be different explanations to these results. One could be aligned to Oakland (1993) who his study found that those more innovative ideas are generated through team interaction since it is through team work where diverse talents and experience are best made use of and efforts of different specialists are effectively co-ordinated. Other explanations can be associated with research studies which confirm that teamwork as linked to teacher performance enables tackling of complex problems, promotes improved participation, collegueship, collaboration, commitment and fosters innovation of ideas (Lycke, 2003, Alnsour, *et al.*, 2011: 36). The implication is that, a supervision approach that complies with the characteristics of teamwork work is assured of improving teacher performance. The same supervision approach can be utilised for effective implementation of the TQM principle of empowerment.

The focus group results further complimented and elaborated the quantitative responses by indicating teamwork has a positive influence on teacher performance. Below are some of the recorded comments from the focus group respondents.

We (Educators and school managers) must not forget that working together and achieving is all about building strong teams.

Team-work at school has proved to encourage team members to actively contribute as they get fully involved in school activities to improve results.

Perceptions regarding the level of compliance of the implementation of the IQMS peer-evaluation process with Glutton's (1999) peer supervision strategy

TABLE 2:
Teamwork through the peer supervision strategy

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	84	27.9	27.9	27.9
Agree	140	46.5	46.5	74.4
Valid Strongly Disagree	45	15.0	15.0	89.4
Disagree	32	10.6	10.6	100.0
Total	301	100.0	100.0	

The findings of table 2 reveal that 46.5% (n=140) of respondents agreed that peer supervision complies with TQM principles of team-work. This was followed by 27.9% (n=84) of the respondents who strongly agreed. One of the explanations of the responses could be the interpretation of the descriptions of peer supervision which is characterised by team work and collaboration. These findings comply with the literature study which indicates that peer supervision provides a setting in which teachers can informally discuss problems they face, share ideas, help one another in preparing lessons, exchange tips, and provide other support to one another (Sergiovanni & Starrat, 2007: 263). The implication is that peer supervision can be applied as a strategy of team building. In other words, it can be utilised to effectively implement the TQM principle of team building.

Findings of the qualitative phase further elaborated and clarified the quantitative findings. When asked to share their views on the descriptions and characteristics of peer supervision from the definition and the stages of peer-supervision, participants identified the following themes: empowerment, teamwork, democracy and continuous improvement. This is also associated with collaboration, participation, self-motivation and collegiality. The following are comments from the focus group participants:

Participant A (Principal) said that:

Some of the school-based managers associate team work or peer supervision with rivalry groups which end up as gossiping teams that disrupt compliance to authority. This is a wrong perception I tell you. By entirely basing on the definition and descriptions of peer supervision, I can easily pick up very important elements of mutual understanding whereby educators work as colleagues and professional teams by consulting each other in teaching and learning matters. Just like self-directed supervision, teachers work independently and freely without much interference from the school-managers.

In addition, Participant B (HOD) said:

Peer supervision prompts a desire to explore and prove teachers' hidden capabilities not only to their peers but to the whole education system. In actual fact, what I have noticed with peer supervision is that educators are empowered to gain greater control over their own teaching. Furthermore; teachers are given opportunities to share openness and trust with their peers. Educators from experience tend to hide their expertise and bright ideas whenever their views are suppressed.

The comments indicate that school-based managers and educators perceive that peer supervision complies with the TQM principles of teamwork to a large extent. This indicates that

they are mostly of the view that peer supervision can be used as a tool for improving quality of teaching.

TABLE 3:
Team building through the IQMS peer evaluation process

	Frequency	Percent	Valid Percent	Cumulative Percent
Agree	24	8.0	8.0	8.0
Undecided	17	5.6	5.6	13.6
Valid Strongly Disagree	129	42.9	42.9	56.5
Disagree	131	43.5	43.5	100.0
Total	301	100.0	100.0	

Results of table 3 indicate that of the 301 respondents, a high percentage of 43.5% (n=131) disagreed that IQMS peer-evaluation complies with the TQM principle of teamwork. This was followed by 42.9% (n=129) of the respond who disagreed. The results seem to contradict the IQMS Manual (Section A, 2003:26) which stipulates that the DSG and the educator should work together to develop a Personal Growth Plan (PGP) which includes targets and time-frames for improvement.

One of the possible explanations to the responses could be that practical implementation of IQMS at school level is not complying with the teacher evaluation policy with regards to teamwork. The other explanation could be that it is difficult to effectively inspire team-work where teacher evaluation procedures are prescribed.

The qualitative results further clarified and elaborated the quantitative results. When asked to give their views about the application of the peer-supervision strategy with special reference to the practical implementation of the IQMS peer evaluation process, based on practical experience, the focus group respondents' educators perceived that there is no practical formal peer-evaluation during IQMS. There also clearly indicated that a peer is only included in the evaluation team but does not take any role in terms of decision sharing, participation and contributions directly to the educator being observed. The following are the recorded comments from both educators and managers:

Participant F: "I am worried about how IQMS peer-evaluation is conducted."

Philip: "There is completely nothing like peer coaching where curriculum problems are studied in order to come up with workable solutions."

Participant L: "IQMS peer-evaluation does not give us provision for action research as the case with peer supervision. The presents of the HOD makes it even worse. What does he want?"

Participant M: "We don't want army commanders in our classrooms."

Compare the following remarks by principals:

Participant C:

It is the policy which guides us the way we should conduct peer supervision. IQMS policy document basically stipulates that whoever is chosen as the peer cannot observe the lesson without the accompaniment of a manager (HOD).

Participant D:

Peer-evaluation is not done as an independent process but incorporated during the IQMS implementation process.

Participant C:

Yes we (School-based managers) understand that under normal circumstances, the manager is more influential in terms of power and authority. The only thing managers can do is to avoid imposing conditions that can negatively influence the peer evaluation process.

Participant E, one of the educators responded:

The enforced presence of one of the HOD during peer-evaluation is a reflection of a rigid policy which may as well be associated with violation of the peer-supervisory procedures.

Few educators argued that the value of the presence of the peer during the IQMS evaluation process cannot be overlooked. This is clear by studying the following interview comments:

Participant G:

During my last performance evaluation process, my peer contribution a lot in making a fair judgment of the evaluation outcome in coming up with a final score.

Participant K:

When I had differences with my HOD with regards to the outcomes of my lesson delivery, my peer helped in resolving the disagreement by giving advisable suggestions.

Summary and findings

Results of literature analysis reflected implications, and opportunities of peer supervision as a possible tool for building teamwork and enhancing teachers' performance. Both survey results and focus group interviews also indicated that unlike the IQMS implementation process, the peer supervision strategy can be effectively used as a possible tool for improving quality of teaching by effectively implementing the TQM principle of teamwork. The qualitative results also indicated that the IQMS peer evaluation is associated with poor quality of teaching due to performance improvement strategies that do not comply to the TQM principle of teamwork.

Recommendation

1. Promotional post

When deciding on promotional posts at primary school level, there is a need for the South African Department of Basic Education to consider appointing HoDs that have specialisation, in the subject area and also expertise in supervision and proper management qualifications.

2. Peer supervision versus peer evaluation

Because of the results that are in favour of the effectiveness of the peer supervision model of teacher development, it is also recommended that the IQMS peer-evaluation be replaced by the peer supervision which is characterised by collegiality, collaboration, full participation in decision making and democratic leadership styles. In other words, the school based managers are recommended to change their attitude from oppressive evaluation processes that hinder teamwork. Collegial forms of supervision approaches have been associated with empowering and motivating teachers to perform.

3. Following the critical analysis of literature as well as quantitative and qualitative research findings, it is recommended Glatton (1999) 's peer supervision model which has been found to be a suitable tool for replacing the IQMS peer evaluation process be adopted and by making use of the following implementation stages:

- Professional dialogue among peer teachers aimed at enhancing the teaching and learning process;
- Peer supervision featuring proper curriculum planning, implementation and resource development;
- Lesson observations among peers followed by analysis, discussions and feedback;
- Collaborative development among peers focusing on developing teaching strategies and skills through workshops and lesson observations;
- Conducting action research in order to come up with possible solutions for enhancing quality of teaching.

Contribution of the study

The study has made both theoretical and practical contribution by enhancing the peer supervision strategies as a way of resolving the teacher evaluation challenges in South African schools by integrating the TQM theoretical perspective. This is based on the research findings that suggest that application of the peer supervision strategy to teachers or groups of teachers improves quality of teaching by initiating a strong bond of teamwork among educators and their managers. Research findings also indicate that peer supervision complies with the TQM principle of teamwork.

Managerial implications for school- based managers

The implication of the results to the school based managers is that of changing their approaches from the application of directives, strict rules and hierarchical structures during performance

evaluation processes. Rather they must have a positive attitude towards application of participative and team building strategies such as peer supervision are most likely to improve teacher performance.

Recommendations for further research

Further research should be undertaken on how relationship between peer supervision and action research improve teacher performance due to the assumptions made by literature that action research is an advanced form of peer supervision.

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Does a lecturer's gender, age, and race impact African students' pass rates?

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ABSTRACT

The success rate of students in higher education has been an important topic in recent years. One of the difficult questions to answer is which factors impact student performance. An exploratory quantitative analysis was done to determine whether the age, gender and race of a lecturer influence African students' pass rate. A dataset of 12 521 African students in modules ('bums on seats') in 2017 was selected in the Faculty of Economic and Management Sciences at the University of the Free State (UFS) to conduct the study. The impact of the gender, age and the race of the lecturers on African students seem to be relatively insignificant. However, female African students had a significantly higher pass rate with older, female lecturers, while male African students perform better with younger, male lecturers.

INTRODUCTION

How can higher education lecturers in the Faculty of Economic and Management Sciences (EMS) improve student success rate? Academics, support staff, rectorate and even government are concerned about this question. Conferences and workshops are held with themes based on improving student success rates. South African Survey of Student Engagement (SASSE) questionnaires are complete by thousands of students annually to gather comprehensive information from universities relating to high-impact experiences and behaviours identified as having an influence on the teaching and learning experience. Issues like decolonisation, student engagement and the development of learning centre classrooms are debated to improve student success rates. Lecturers constantly strive to improve their teaching techniques and classroom activities to increase student motivation that may lead to better student performance (Nilson, 2016).

Ginsberg and Wlodkowski (2009) developed a motivational framework for culturally responsive teaching to enhance student performance and motivation among a diverse student population.

The framework systematically represents four motivational conditions, namely inclusion, attitude, meaning and competence. These conditions can assist a lecturer to create an environment in which intrinsic motivation to learn is enhanced. Intrinsic motivation positively influence student success (Afzal, Ali, Khan & Hamid, 2010). The first of the four conditions for intrinsic motivation is inclusion. Inclusion refers to creating a learning atmosphere where students feel respected and connected to one another in a trusted relationship, thus improving their motivation that should lead to better performance. This motivational theory of Ginsberg and Wlodkowski (2009) provides the theoretical platform for conducting this study. The condition of inclusion, the cornerstone of enhancing motivation, eludes to the issue whether lecturers (unintentionally) demotivate or exclude students just by virtue of their race, age or gender or a combination thereof. The assumption was made that demotivation could lead to lower levels of performance as measured by the pass rate of students. To investigate this problem quantitative analyses were used to determine if age, gender and race impact the pass rate as a foundation for further studies on this topic.

The identify-based motivation (IBM), a social psychological theory, explains how students are motivated through self-regulation, as students act and react to their social identities. If an African student does believe a certain lecturer have a set of believes about their performance and competency levels, they would react in the same way according to numerous studies (Solanki & Xu, 2018; Oyserman, Brickman & Rhodes, 2007). Walker (2018) declared that gender and race, as well as gender, race and social class are major issues in the Higher Education classroom that influence students' motivation and eventually their performance for the better or the worst.

With a predominantly white younger female and an older white male lecture corpse in the EMS Faculty, we were confronted with the first of Ginsberg and Wlodkowski's (2009) strategies for culturally responsive teaching (inclusion) and the IBM theory. Confronted with relatively low pass rates amongst students in the faculty, the research problem to be addressed was whether the differences in race, age and gender between the lecturers and the students could influence the feeling of exclusion, motivation and ultimately success rates of students. Various scholars (Drayton, Rosser-Mims, Schwartz, & Guy, 2014; Johnson-Bailey, 2001a; Ross-Gordon, 1991) have called for research on inclusion of various racial and ethnic groups in higher education the past few decades, but it is due to the challenging nature of measuring this problem that very limited empirical research has been done (Egalite, Kisida and Winters, 2015). The critical race theory (Solorzano,1997), which critically review the influence of race and racism on both the pedagogy and curriculum drove a specific research agenda in Higher Education, also stimulated the need to critically evaluate not only race, but the influence of demographical attributes of lecturers on student performance.

The focus of this study is the African students, as 75% of the students at the University of the Free State (UFS) is African. The research question addressed with this paper is whether certain factors impacting inclusion, such as the gender, age and race of the lecturer, do impact the performance of African students, measured by their pass rates.

LITERATURE REVIEW

South African perspective of African University students

African students in South Africa have a poor success rate in their final matric examination results, specifically in mathematics; a prerequisite across all major B. Com. degrees in EMS faculties (Nkhoma, 2002). Even though the matric results of 2017 are recorded with 75.1% pass rate, the more than 50% dropout rate is not brought into consideration that would have resulted in a pass

rate of 37% (Dawood, 2018). Schwab and Sala-i-Martin (2016) indicated in the 2016 Global Competitiveness Report that South Africa's performance in terms of primary and secondary education is exceptionally bad. The real problem is that a small percentage of schools in South Africa are characterised by functionality, access to resources and educational output performance similar to schools in developed countries. In contrast, most government schools, typically attended by African children, are characterised by management inefficiencies, poor resources and educational outputs; in effect, these schools can be described as dysfunctional (Dawood, 2018). The Democratic Alliance (2014) noticed that the Grade 12 pass rate in 2013 was 78.2%. However, when learners in Grade 9 were assessed through the Annual National Assessments in 2013, it became clear that only 37% were considered literate and only 3% numerate. Malan (2016:109) stresses that the South African education system is in serious trouble and patently unfair, claiming that the government is failing dismally in providing quality education.

This could be one of the primary reasons for the underperformance of African students at university level who have typically been exposed to inferior primary and secondary education. Sennett, Finchilescu, Gibson and Strauss (2003) mentioned the influence in the South African context and the past of apartheid have an influence on the adjustment of African students at university levels. Most African students are first generation students who are disadvantaged by their educational and socioeconomic circumstances (Goncalves & Trunk, 2014; Markle, 2015).

Critical evaluation of demographical lecturer attributes impacting student performance

Enquiry into the factors that account for African student failure or success is not a new field for research; several American as well as South African scholars have done research on the factors that could predict African students' academic performance (Solanki & Xu, 2018; Pittman, 2010; Dass-Brailsford, 2005; Oyserman, Harrison & Byber, 2001). Using the reasoning of the critical race theory, a critical evaluation of current literature on the demographical attributes of lecturers that influence student performance would follow. A study by Egalite, Kisida and Winters (2015) investigated the effect of own-race teachers on school students' performance. The results indicated that when an African student was assigned to a same race teacher, it had a positive impact on their reading and math achievements. Cotton, Joyner, George and Cotton (2016) concluded that the level of motivation and the ability to speak English differ significantly amongst different race and gender groups in the United Kingdom, contributing to difference in performance. Oyserman, et al. (2001) acknowledged different academic performance in different race and gender groups in the USA and highlighted that 'ingroup identification', 'awareness of outgroup perceptions' and 'viewing academic achievements as part of one's racial identity', as factors impacting academic efficacy. Cotton, et al. (2016) emphasise the importance of awareness and sufficient underdeveloped student support systems to address possible institutional discrimination based on gender and race. Solanki and Xu (2018) found that students with at least one race- and gender-matched role model had better long-term academic outcomes and reported more achievement goals.

As with race, there are still many gender equity issues, such as in the business world. Various studies (Walker, 2018; Blair, Miller, Ong & Zastavker, 2017) have raised the issue of gender inequity. A study by Blake-Beard, Bayne, Crosby and Muller (2011) indicated that African women prefer mentors of the same race and gender. Solanki and Xu (2018:1-2) found that a female instructor narrows the gender gap in terms of engagement and interest in the science, technology, engineering and mathematics field, but is this also true for the business women of the future? Thus, this study aims to address the following research question: Does a lecturer's gender, age and race have an influence on an African student's performance?

RESEARCH METHODOLOGY

Research design

The study involved applying a quantitative exploratory method to determine the impact of a lecturer's age, race and gender on an African student's performance. A dataset of 2017 from the Higher Education Management Information System (Hemis) system of the UFS was used. The population for this study consisted of 46 602 'bums on seats' (which results in 13 508 students attending, on average of 3,45 modules) in the Faculty of EMS at the UFS. The UFS is a parallel medium university presenting classes in both Afrikaans and English. It was decided to focus predominantly on African students attending classes in English for two reasons. Firstly, 75% of the UFS students are African and secondly it was difficult to determine whether the White and Coloured students were attending the Afrikaans or the English classes, which are often presented by different lecturers. The Business School's data was also excluded from the sample as their students are full-time employed and mostly older. The Business School's data would justify a study on its own due, as working adult students are motivated by different factors than the students who just finished schooling. In addition, the modules where multiple lecturers presented a specific module throughout the semester were also excluded from the research.

Research analysis

Although the sample of 12 521 African students in modules was used to measure the impact of race, gender and age of the lecturer on the African students, a further 4 297 students attending the same modules from various other racial backgrounds were used as a control group. The sample comprising of 4 378 students attending on average 2,86 modules (12 521) in six departments at five NQF levels was regarded as significantly representative of the EMS Faculty at the UFS. The computer programmes Excel and SPSS 25 were used to analyse the data focusing on comparing means and measuring significance using Pearson Chi-Square. The size of the sample sometimes led to small differences measuring significance. Thus, the researchers decided to use Spearman correlation combined with Spearman's measure of significance to ascertain the extent to which the independent variables really impacted the dependent variables.

RESULTS

The primary objective with this study is to determine whether the gender, age and race of an EMS lecturer impact the performance of African students using the pass rate as a measurement. The first two tables highlight the composition of the sample in terms of the number of modules in the various departments, the demographics of the lecturers, as well as the pass rates of the students categorised in terms of gender and race.

TABLE 1

The pass rate of the respondents based on race and gender of the sample

Lecturers	Number of Modules							
		Race of Lecturers			Gender of Lect.		Age of Lect.	
Department	Total	White	African	Coloured	Female	Male	< 40	40 +
OBS	24	17	7	0	11	11	10	14
ACC	23	21	2	0	16	16	9	14
CDS	4	3	1	0	3	3	2	2
ECO	28	19	6	3	8	8	21	7
IDP	21	9	6	6	15	15	12	9
PUB	24	9	4	11	7	7	10	14
Total	124	78	26	20	60	64	64	60
Percentage	100,0%	62,9%	21,0%	16,1%	48,4%	48,4%	51,6%	48,4%
No. Stud.	12 521	4 234	5 333	2 954	6 929	5 592	7 376	5 145
Class Size	101	54	205	148	115	93	115	86

As indicated in Table 1, the final non-probability purposive sample consisted of 12 521 'bums on seats' (4 378 African students attending, on average, 2,86 modules) in 124 modules in six departments in the EMS Faculty. The departments were Business Management (OBS), Accounting (ACC), Centre for Development Studies (CDS), Economics and Finance (ECO), Industrial Psychology (IDP) and Public Management (PUB). The 124 modules were divided into NQF levels five (four modules), six (15 modules), seven (27 modules), eight (58 modules) and NQF level nine (20 modules). Regarding race, White lecturers presented 63% of the modules with African and Coloured lecturers only 37% of the modules, which is already higher than the 25% in 2014 (Krige, 2018). However, in terms of number of students in these modules, the split is much more even amongst the lecturers of different races as there is more 'bums on seats' that are taught by African lecturers (5 333 students) than White (4 234 students) and Coloured (2954 students) lecturers. The race of the students over the last two decades has been changing at a much faster rate than the race of the lecturers at the UFS. But, this is not an easy problem to address as there are very few African academics available in the South Africa job market, specifically in the EMS environment (Krige, 2018). What is, however, positive is the equal split in terms of the gender and the age of the lecturers, presenting the 124 modules. The mean score of the lecturers' age was just above 40 years; therefore the age 40 was used to distinguish between Young and Old. Both regarding the gender and the age of the lecturers, the split between male and female, as well as older than 40 versus 40 years and younger, are very even. Table 1 clearly indicates that the sample of 12 521 African students attending 124 modules in six departments covering five NQF levels are a representative sample. Table 2 highlights the pass rate of the sample as compared to the control group.

TABLE 2

The pass rates based upon the race and gender of the students

RACE	Total	% Pass			Sig
		All	Female	Male	
African	12 521	67,2%	69,8%	63,5%	0.000***
Other	4 297	77,4%	80,3%	74,1%	0.000***
Total	16 818	69,8%	72,3%	66,5%	0.000***
Pears. (Sig.)		0.000***			

***Significant at 1%; **Significant at 5%; *Significant at 10%

In Table 2, the 'Other' students, comprising of White, Coloured, Indian and Chinese, taking the same 124 modules were used as a control group. Not only did the pass rate of African students differed significantly (using Pearson Chi-Square) from 'Other' students, but also the female students pass rate for both groups were significantly better than their male counterparts. Another problem was that although the average pass rate per module was 69,8%, the specific pass rates of 124 modules ranged from 31,4% to 100%, with 15 modules having a pass rate of less than 50,0%. Thus, the race and gender of the students, as well as the pass rate in the various modules differed significantly, which complicated measuring the impact of the race, gender and age of the lecturer on African students. The only solution to these problems was to measure the weighted pass rate of African students in modules presented by a specific category lecturer (race, gender and/or age), and compare it to the performance of 'Other' students in the same modules. As indicated in Table 2, there were 4 297 (25,6%) 'Other' students in the same 124 modules which were used to benchmark the relative performance of African students in this study.

TABLE 3

The pass rates of African Students versus the gender of the lecturers

Lecturers GENDER	No. of Modules	African Students			Absolute Differ.	Other %Pass	Relative Differ.
		Pass	Total	% Pass			
Female	60	4 676	6 931	67,5%	0,4%	78,3%	-0,7%
Male	64	3 735	5 590	66,8%	-0,5%	76,2%	1,0%
Total	124	8 411	12 521	67,2%	0,0%	77,4%	0,0%
Pearson Chi	(Sig.)	0,045**					
Spearman Correlation	0,004	Spearman Sig.		0,631			

***Significant at 1%; **Significant at 5%; *Significant at 10%

Table 3 reports on the pass rates of African students in modules presented by female versus male lecturers. The reason the final mark (semester mark/predicate and exam mark) was not used for the analyses, but rather the pass rate, was not to exclude the students that did not complete the module, either having an incomplete or not writing the final exam. The absolute difference was measured dividing the pass rates of African students in modules with female versus male lecturers with the average pass rate for all African students. Although there is a very small gap in the African student pass rates comparing male (66,8%) versus female (67,5%) lecturers, the Chi-Square confirms significance. It is assumed that the size of the sample, regardless the small absolute differences, contributed to the Chi-Square being significant. However, the Spearman correlation of 0,004 indicated almost no significant relationship between the gender of the lecturer and the

performance of the African students. A similar difference in the pass rate of 'Other' students with female (78,3%) versus male (76,2%) lecturers was observed. However, one of the problems of interpreting these results was that female and male lecturers presented different modules and these modules have significantly different pass rates. Thus, to counter the effect of different module pass rates, the *relative* difference between African and 'Other' students in the *same* modules was calculated. The absolute difference between African students facing female lecturers of 0,4% ($\% \text{ Pass Rate Females} / \% \text{ Pass Rate Total} - 1$) indicates that African students performed slightly better with female lecturers. However, if the calculation in the same modules for 'Other' students was done, the gap is marginally bigger at 1,2%. Thus, in the last column ($(1 + \text{Absolute Difference African students}) / (1 + \text{Absolute Difference Other students}) - 1$), the Relative Difference indicate that African students actually do relatively weaker with female lecturers than 'Other' students, and vice versa with male lecturers. However, the Spearman correlation clearly indicates almost no relationship (0,004) with no significance (Sig. = 0,631).

TABLE 4

The pass rates of African students versus the age of the lecturers

Lecturers AGE	No. of Modules	African Students			Absolute Differ.	Relative Differ.
		Pass	Total	% Pass		
Young	64	4 932	7 378	66,8%	-0,5%	0,1%
Old	60	3 479	5 143	67,6%	0,7%	-0,2%
Total	124	8 411	12 521	67,2%	0,0%	0,0%
Spearman Correlation		-0,003	Spearman Sig.		0,721	

***Significant at 1%; **Significant at 5%; *Significant at 10%

Table 4 measures the impact of the age of the lecturer on the pass rate of African students relative to 'Other' students for the same modules. The African students did slightly better with older lecturers, but if it was compared to the 'Other' students, there is almost no difference in the pass rate of African students in relation to the age of the lecturer. The Spearman correlation (-0,003) clearly confirms that there is no significant relationship (0,7321) between the age of the lecturer and the relative pass rate of African students.

TABLE 5

The pass rates of African students versus the race of the lecturers

Lecturers RACE	No. of Modules	African Students			Absolute Differ.	Relative Differ.
		Pass	Total	% Pass		
White	78	2 690	4 234	63,5%	-5,4%	-3,8%
African	26	3 744	5 333	70,2%	4,5%	0,3%
Coloured	20	1 977	2 954	66,9%	-0,4%	6,8%
Total	124	8 411	12 521	67,2%	0,0%	0,0%
Spearman Cor.		-0,038	Spearman Sig.		0,000***	

***Significant at 1%; **Significant at 5%; *Significant at 10%

Table 5 addresses the issue whether the race of the lecturer influences the performance of the student. Focusing on the relative differences, African students do better with Coloured lecturers (6,8%), the worse with White lecturers (-3,8%), with almost no difference with African lecturers.

Although the Spearman correlation at $-0,038$ is weak, the difference is significant. Both African and 'Other' students do the best with African lecturers, explaining the absolute difference (+4,5%) versus the relative difference (+0,3%) of African lecturers on African students. The Coloured lecturers are contributing to results in Table 5; although African students, in absolute terms, had 'n marginally lower pass rate with Coloured lecturers, in absolute terms they did much better (6,8%). The reason is that 'Other' students did not do well in the same modules presented by Coloured lecturers.

Using the relative differences on the pass rate, we can thus conclude that the gender and the age of the lecturer do not impact the performance of African students significantly, but the race of the lecturer does show a significant (Sig. = $0,000^{***}$), but weak correlation ($-0,038$). However, in an attempt to eliminate any other factors that could potentially impact the research results, we found that the pass rates of African students in Accounting modules were quite low. Thus, to address this issue the pass rates for all Accounting modules were excluded in Table 6.

TABLE 6

The pass rates of African students (excluding ACC) versus the race of the lecturers

Lecturers RACE	No. of Modules	African Students			Absolute Differ.	Relative Differ.
		Pass	Total	% Pass		
White	57	2 253	3 279	68,7%	-0,4%	-0,9%
African	24	3 692	5 251	70,3%	1,9%	-1,0%
Coloured	20	1 977	2 954	66,9%	-3,0%	5,3%
Total	101	7 922	11 484	69,0%	0,0%	0,0%
Spearman Correlation		-0,010	Spearman Sig.		0,272	

****Significant at 1%; **Significant at 5%; *Significant at 10%*

In Table 6 there is no significant difference regarding the relative pass rates of African students in relation to the race of the lecturer. The Accounting modules are the only difference between Tables 5 and 6. African students experienced a higher failure rate with Accounting modules, which typically relates to math literacy. Thus, when Accounting modules were excluded from the sample, the correlation in Table 6 clearly indicates that the race of the lecturer also have no significant influence on the pass rate of African students. To gain even more insight into the research problem, it was decided to include the gender of the students (see Table 7).

TABLE 7

The pass rates of the female versus male students versus the gender, age and race of the lecturers

Lecturers GENDER	No. of Modules	Relative Differ. - African Students			Spearman	
		Total	Female	Male	Cor.	Sig.
Female	60	-0,7%	0,6%	-2,6%	0,073	0,000***
Male	64	1,1%	-0,8%	3,4%	0,060	0,000***
Young	64	0,1%	-2,0%	2,9%	0,061	0,000***
Old	60	-0,2%	3,1%	-3,8%	0,075	0,000***
White	78	-3,8%	-3,7%	-3,8%	0,007	0,340
African	26	0,3%	0,0%	0,4%	0,011	0,187
Coloured	20	6,8%	6,7%	6,9%	0,006	0,365

***Significant at 1%; **Significant at 5%; *Significant at 10%

The intention with Table 7 was to see whether female and male African students responded differently to the gender, age and race of the lecturer. Although there was no significant difference between African students being exposed to female versus male lecturers, it was observed that the African male students do have a significantly better pass rate with male lecturers (3,4%), while female students perform better with female lecturers (0,6%). Female African students also prefer older lecturers (3,1%), while male students do better with younger lecturers (2,9%). In both the cases of the gender and the age of the lecturer, the correlations are not high, but the differences are significant. In addition, the correlations between the gender of the student versus the age and the gender of the lecturer (Table 6) are higher than the relationship between the race of the lecturer on the relative pass rate of African students (Table 5).

FINDINGS AND IMPLICATIONS

The success rate of different groups of students in tertiary education, focusing specifically on race and gender, has been a concern in many countries. In our study similar results were obtained from previous research by Cotton, et al. (2016), Oyserman, et al. (2001) and Nkhoma (2002) which determined that race has an influence on student performance. In terms of the pass rates, there was a significant difference of more than 10 percentage points (67,2% versus 77,4%) between African versus 'Other' students. The significant difference in the pass rates between African versus 'Other' students can partly be attributed to the quality of primary and secondary education in South Africa (Nkhoma, 2002; Schwab & Sala-i-Martin, 2016).

Although the pass rate of African versus 'Other' students at UFS was not the focus of the study, it did complicate analysing the impact of the gender, age and the race of the lecturer on African students. A very important observation is also that almost 75% of the students in EMS are African, while 78 of the 124 modules (63%) are presented by White lecturers. Oyserman, et al. (2001:380) acknowledge that both race and gender specific relationships with academic staff could impact academic efficacy of African students, accentuating the relevance of this study. In contrast to the lecturers, 58,2% of the African students are female and these female students (69,8%) have a significantly higher pass rate than their male (63,5%) counterparts. Cotton, et al. (2016) found that female students are typically studying harder, are more organized and attend classes more often than male students. The last issue that complicated addressing the research question was the significant different pass rates for the various modules ranging from 31% to 100%. We used the pass rates of 'Other' students in the same modules as the only solution to the different module

pass rates. By computing the *relative difference* in Tables 3 to 6, the absolute difference in pass rates between African and 'Other' students was neutralized.

Although African students do slightly better with male lecturers, there is no significant difference in either the impact of the gender or the age of lecturer on the pass rates of the African students as measured by the relative difference in performance. What is, however, concerning is that African students do significantly worse (-3,8%) with White lecturers. This justified further analysis and what we found was that all the Accounting lecturers were White and African students had significantly lower pass rates in Accounting than in all the other departments. This is again a reflection of the proficiency in mathematics (which is related to the typical Accounting modules) of previously disadvantaged children coming from government schools in South Africa, rather than necessarily a race equity issue. What substantiate this deduction, is that the 'same race' lecturer-student relationship is not necessarily established, because the African students did relatively better with Coloured (6,8%) rather than African (0,3%) lecturers. When the Accounting modules are excluded from the analysis (see Table 6), the race of the lecturer had no significant influence on the performance of African students. Given the low Spearman correlation coefficients, the impact of the gender, age and the race of the lecturers on African students seem to be relatively insignificant.

Various studies (Walker, 2018; Blair, et al., 2017) have acknowledged the importance of race and gender equity in education. For example, female lecturers could have a significant influence on female students' performance, both in terms of identifying with same race-gender and in terms of pass rates. When the impact of gender, age and race of the lecturer were measured against female versus male African students, the results confirmed that gender equity is important. Male students did significantly better with male lecturers and the same for female students with female lecturers. Solanki and Xu (2018:1-2) confirmed similar results in their study, finding that both female and male students responded positively to the gender of the lecturer, because it narrows the gender gap in terms of motivation, attitude, engagement and interest. Two other surprising findings were also made. Firstly, female African students had a significantly higher pass rate with older lecturers, while male students preferred younger lecturers. Lastly, the race of the lecturer has no significantly different impact on female as oppose to male African students.

Lecturers should be aware of the impact that their gender, age and race may have on African students' performance. A call for further research to investigate why these factors influence student performance and how can a lecturer overcome these factors.

CONCLUSION

The research question addressed in this paper was grounded in Ginsberg and Wlodkowski's (2009) motivational framework for culturally responsive teaching, the IBM and Critical Race theory. The focus of this study was to measure the impact that the gender, age and race of the lecturer has on the pass rate of both male and female African students. We conclude that the age and the gender of the lecturer had almost no impact on the pass rate of African students. Although African students did the worst with White lecturers, if Accounting modules were excluded from the sample, there is no significant difference. Schwab and Sala-i-Martin (2016) found that South Africa's maths education is almost the worst in the world, confirming that it is not a race gender issue, but rather the quality of maths education previously disadvantaged African students have been exposed to. The most relevant findings of this research is that female African students prefer female and older lecturers, while male African students prefer same gender and younger lecturers. Thus, the same-gender issue seems to be more important than the race equity issue to improve the pass rate of students.

Although the sample of 16 818 (12 521 plus 4 297) 'bums on seats' in 124 modules presented in six departments at five NQF levels is a sizable sample, it was limited to one faculty (EMS) at one university (UFS) for only the year 2017. The relevance of gender, age and race of lecturers on the performance of the students in tertiary education, given the complex and diverse cultural difference in South Africa, warrant continuous evaluation of these issues in all faculties and universities. Another opportunity for future research is to assess whether the age of the students, the schools the students attended and/or the NQF level of the modules affect these results in any way. Furthermore, one can use qualitative analyses to understand why African females performed better with older females and African males with younger male lecturers. What is the influence of prior knowledge and experiences with a certain type of lecturer on the student's motivation? Regardless of these limitations, the methodology how to measure relative differences in pass rates is a contribution on its own. Given the variation in pass rates of different modules and the difference between African and 'Other' students, as well as male versus female students, the method of calculating the relative difference in the same module addressed these complicated issues.

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Business management education in a hybrid teaching and learning environment: a South African case study

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ABSTRACT

The changing business environment in South Africa has led to a shift in requirements for employees. Businesses require applicants to possess both qualifications and practical experience in the relevant environment. The enrollment of business and commerce students in South Africa has grown steadily over the period 2007-2012 (Nkomo, 2015:246) confirming the need for quality business management education. Schoemaker (2008:119) recognises that “the traditional paradigm of business schools [...] is not well suited to handle the ambiguity and high rate of change facing many industries today”. Schoemaker (2008:130) suggests a blend of theory and practice in teaching, as well as designing the curriculum around business challenges rather than academic disciplines. There is thus a need for strengthening effective teaching in the classroom with experiential exposure beyond it and through engagement with the complexities of organisational life (Smit, 2013:49).

This study will focus on Akademia, a non-profit private higher education institution that aims to provide quality business management education to working and full-time students. Akademia, who is registered with the CHE in South Africa, implements a hybrid teaching and learning model, which refers to the use of internet technologies to replace part or all of face-to-face contact in education (Smith, 2017). Lecturers of Akademia facilitate the after-hour lectures, which are synchronous broadcast from studios in Pretoria, to thirteen study centres across South Africa and Namibia. Students can attend lectures in a chosen study centre and participate interactively during these lectures. This hybrid teaching and learning environment is enriched through the Moodle online Learning Management System (LMS), providing students with study material, activities, quizzes, chat rooms and forums to facilitate student-centred learning, and audio-visual recordings of lectures for revision.

This study will aim to investigate the success of a hybrid teaching and learning model in business management education, using Akademia as a case study. The research will focus on the experience of working students within this model. A quantitative study will compare results of working students to those of full time students, to test the hypothesis that there is a relationship between experience and academic performance and success. Secondly working students will complete an electronic survey to assess their experience on the relevance of the theory learned, and the practicality of applying their newfound knowledge to their working environment. A qualitative study will also be done on a sample of students to assess the insight with which their assessments are conducted. This could indicate a deeper understanding of theory for working students who have practical experience from which they can reference.

The findings of this study could show a relationship between work and study, where students can apply the theory learned to their working environment. It could also indicate the relevance of what is learned in theory, to the business environment in South Africa. Lastly the researchers aim to depict on the advantages of a hybrid teaching and learning environment, such as interactivity, flexibility in terms of time and place, and student-centred learning, as an answer to the changing environment of business management education in South Africa.

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New perspectives on leader competencies for leading technology innovation

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Keywords: Technology, Innovation, Leader, Competencies

ABSTRACT

Rapid scientific and technological advancements create new opportunities for innovation, and unprecedented challenges for those leading teams towards successful technology innovation. The innovation knowledge base has increased exponentially in recent years with little evidence of aggregation or integration of insights across theoretical foundations and disciplines to benefit technology innovation leaders wanting to improve their innovation performance. This study identified competencies of successful technology innovation leaders from different disciplines, institutions and technology domains. Following a sequential mixed methods research design, and exploratory PLS-SEM, traditional predetermined innovation process models were fused with existing leadership models to identify six leader competency clusters of which integrative leadership was found to be the most significant for successfully leading technology innovation in the innovation economy. Expert opinions, practitioner workshops, case materials, and literature enabled new perspectives that were rated to be statistically significant by 266 successful technology innovation leaders from knowledge intensive organisations in South Africa.

INTRODUCTION

Much of what differentiates modern society from historic or ancient societies could be traced back to man's ability to innovate in the form of technological advancements that were inspired by leaders (McKeown, 2014). Innovation is not new, neither is technology, nor leadership. However, scholarly attention to the leadership of innovation is relatively new. Some scholars suggest that innovation leaders require distinctively different leader competencies for success in the innovation economy than those deemed to be appropriate for the industrial or even the knowledge economy (Hill, Brandeau, Truelove and Lineback, 2014). Others claim that the competencies that leaders require for successful innovation are not known (Little, 2015).

New technology has been advancing man's performance capabilities, initially in a physical sense such as energy, transportation and production functions. Similarly, information and communication technology (ICT) has been advancing man's cognitive capabilities and democratisation, resulting in humankind now being almost entirely connected (Castells, 2014) in the so-called innovation economy (Brynjolfsson and McAfee, 2014).

Knowledge has become more accessible than ever before, resulting in a shift towards the application of knowledge for value creation that includes new technology innovation, which accounts for over 80 percent of economic growth (Solow, 1956).

South Africa has declared technology innovation as a priority in national level policy and planning (RSA, 2007). Performance indicators, however, reveal performance gaps in several important areas where competent technology innovation leaders could be instrumental in improving performance against plans.

The South African Management Index Report of 2015/2016 stated that 78.9 percent of SA managers declared innovation as a strategic priority for their organisations (Steyn and Bell, 2016). Between 32 and 52 percent of managers were not sure that they had the right objectives, business plans, skills, processes and environments to achieve innovation success (Steyn and Bell, 2016).

LITERATURE REVIEW AND PROBLEM INVESTIGATED

In 2002 innovation was labelled “the new science of success” (Christensen, 2002:33). Since then others joined Christensen in calling for innovation in traditional management practices and claimed that companies would increasingly be forced to change in ways for which no precedents exist (Hamel, 2011). It is thus not surprising that innovation challenges are being approached in traditional ways and why few get it right (Christensen, 2002).

Subsequently there has been a growing realisation that technological advancements coincide with wealth creation and society being interconnected like never before (Muller, 2013). Societal and organisational challenges and opportunities are interrelated in a volatile, uncertain, complex and ambiguous (VUCA) world that requires unprecedented creativity and successful implementation of innovative solutions such as new technologies (Aspen Institute, 2015; Berthon, Hulbert & Pitt, 1999). Complex interwoven societal challenges, such as population growth and food security, hunger, health, poverty, unemployment, inequality, corruption, terrorism and environmental destruction, affect the future sustainability of society and require innovative solutions (Sen, 2011). Technology has become a significant, if not the most important, enabler of human activity in modern society. Technological change and scientific advances are drivers of economic performance. According to the Organisation for Economic Co-operation and Development (OECD) (2000), the ability to create, distribute and exploit knowledge is being acknowledged as a major source of competitive advantage, wealth creation and improvements in the quality of life.

Managing innovation

In one of the first books published on innovation management, Burns and Stalker (1961) described the organisation as a collection of workers with clearly specified functions and instructions to follow. Paternalism ensured that systems worked smoothly and economically, and R&D addressed enquiries from their head office (Burns and Stalker, 1961). Nearly 40 years later in the third print edition of the same book, Burns and Stalker (2000) observed that political, economic and social circumstances and the horizon of possibilities had undergone radical change and that expectations had also changed significantly. Differences became more noticeable between managers who saw the organisation as a mechanistic entity, as opposed to those who saw an organic entity, in which authoritative instruction by management was less dominant and hierarchical order of rank less obvious for those involved in technical innovation (Burns & Stalker, 2000). These insights link to profound claims by Burns and Stalker (2000) that, when novelty and

unfamiliarity become the accepted order of things, a fundamentally different kind of management system becomes appropriate from that which applies to a stable commercial and technical environment.

Building innovation capacity

Institutional innovation capacity is increasingly being established by public, private, professional institutions and organisations, generally as dedicated functional areas (Miller, Klokgieters, Brankovic and Duppen, 2012). Some have matured their innovation capabilities sufficiently to be recognised in innovation awards programmes, such as the Technology Top 100 Awards Programme (Davinci TT100, 2016). Others endorse the rising significance of innovation but experience constraints, such as a lack of an innovation strategy, lack of suitable governance mechanisms and lack of understanding of innovation skills required (Steyn and Bell, 2016). While institutional emphasis is gaining momentum, surprisingly little information could be located on individual leaders who, irrespective their rank and institutional surroundings, have succeeded in turning new ideas into successful technology innovation. Hill et al., (2014:1-2) argued that leading innovation takes a distinctive kind of leadership; one that unleashes and harnesses the "collective genius" of the people.

Other things being equal, technology innovation teams whose leaders are unable to "talk the language of marketing, engineering, and manufacturing" and thus unable "to exert influence upon the engineering, manufacturing, and marketing functions", will have a lower probability of success (Schilling, 2010:272).

Early leaders of technology innovation

Innovation used to be done by exceptionally gifted individuals such as the legendary Italian inventor and innovation leader, Leonardo da Vinci, who is often described as the Renaissance man in Italy who influenced much of the revival in art, literature and intellectual achievements in Europe between the 14th and 16th centuries, through his extraordinary range of competencies across different disciplines. His curiosity and inventive imagination inspired himself and others to explore the unknown in pursuit of new possibilities (Gelb, 2004). Thomas Alva Edison (1847-1931), another legendary technology innovation leader, inventor and business leader, inspired other people to realise new possibilities. His work and 1 093 patents significantly influenced new technology developments, such as the phonograph, the motion picture camera and the electric light bulb. His work has also contributed towards mass telecommunications, a stock ticker, a mechanical vote recorder, a battery for an electric car, electrical power, recorded music and motion pictures (Thomas Edison Center, 2017).

Modern day leaders of technology innovation

With access to latest technologies, modern-day technology innovators may no longer be restricted to specific roles and positions in organisations. Community is formed through individuals' quest to network with like-minded people and technology is making it easier for them to interact irrespective of institutional conditions and boundaries and come up with breakthrough innovation (Castells, 2014). As a result, new management mechanisms are needed (Bruton and White, 2011). As uncertainty increases, the way we manage has to change which requires a new style of leadership (Furr and Dyer, 2014). A growing body of management literature conveys the importance of innovation and the need to review leadership requirements for innovation success at institutional and individual levels of competence (Phaprake, 2011; MacDonald, 2010:24). For Sen (2011) conventional management practices seem inadequate for innovation leaders'

challenges, since solutions to the range of problems, challenges or opportunities experienced by innovation leaders are unlikely to emerge from the management practices that caused them.

RATIONALE FOR THIS STUDY

The problem being investigated is an apparent lack of knowledge on the leader competencies required for successful technology innovation, which is recognised as a central driver of economic growth and development (Schwab, 2016; Brynjolfsson and McAfee, 2014) and increasingly so also in developing countries like South Africa (Insead, WIPO and Cornell University, 2015; Van Jaarsveld, 2014; RSA, 2007). Technology innovation is increasingly becoming possible through globally interconnected people who can access and apply knowledge for innovation through collective cognitive capabilities (Castells, 2014; Kakaes, 2012; Gelb, 2004; Solow, 1956).

Scholarly interest in innovation and innovation leaders has been growing exponentially resulting in more appeals for integration of leader competencies for innovation and development of theories to understand technology innovation (McKeown, 2014; Tidd and Bessant, 2013; Miller et al., 2012; Smith, 2010; Berthon et al., 1999; Drucker, 1982)

No single discipline appears to deal with all aspects of innovation. Therefore, a cross-disciplinary approach is required for an overview of the role of innovation in business (Little, 2015) and in society (Fagerberg, 2003). Innovation increasingly requires "...the creative combination of different disciplines and perspectives" (Tidd and Bessant, 2013:107).

Innovation is a complex phenomenon that embraces several academic disciplines and the field needs new theory to understand relationships between things in a systemic way (Smith, 2010), a cause to which this study aims to contribute new perspectives.

Terminology

None of the terms used in the title of this study are new, yet the vast range of sources providing differently-worded definitions vary in terms of nuance, depth, and the audiences catered for. To enhance academic integrity and consistency, the following definitions apply.

Competencies are "sets of behaviours that are instrumental in the delivery of desired results" and excludes "...personal attainments and attributes that have no behavioural expression within the work environment." from this study (Bartram, 2006:2). Competencies further exclude what SHL calls "competency potentials" (Bartram, 2006:2).

Technology is the application of scientific knowledge for practical purposes in the form of machinery or equipment developed from this knowledge (Oxford Dictionary, 2009).

Innovation is the process of turning ideas into reality and capturing value from them – and only if we can manage the whole process, is innovation likely to be successful (Tidd and Bessant, 2013).

RESEARCH OBJECTIVES, DESIGN AND METHOD

To proceed with further scientific enquiry, a research question is formulated to guide the study, followed by the research objectives, design and method discussions.

The stated research problem may be expressed as a research question or hypothesis (Babby and Mouton, 2008), which for this study reads as: "What are the technology innovation leader

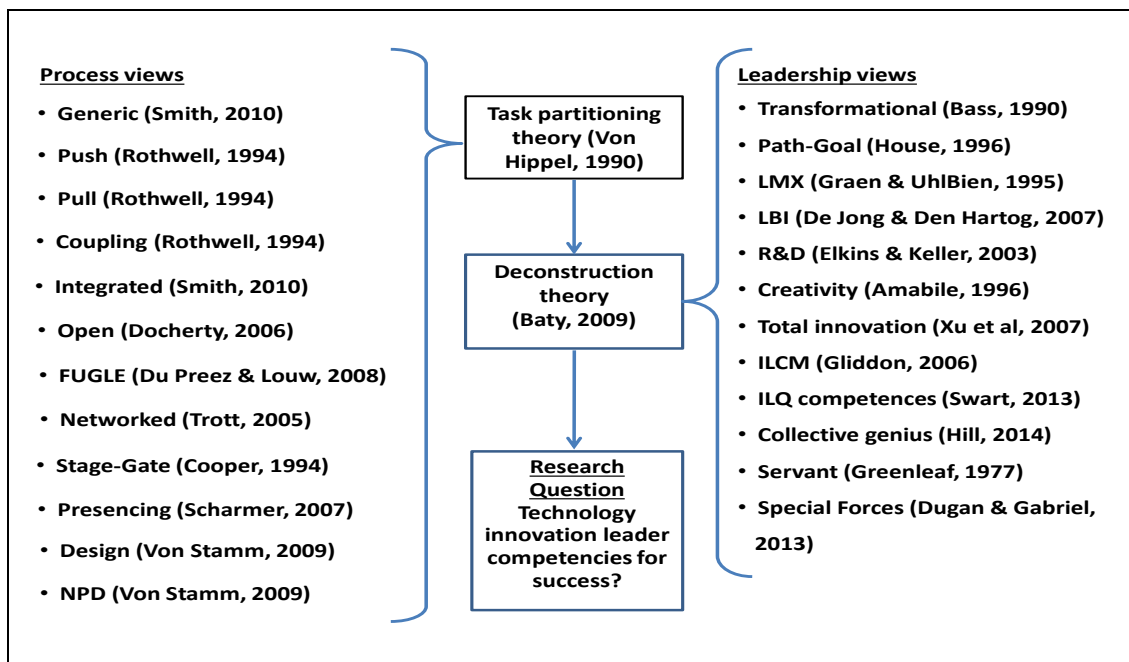
competencies deemed to be required for successful technology innovation?” To answer the research question, the research objective was formulated to identify the technology innovation leader competencies deemed to be required for successful technology innovation.

To answer the research question, the researcher had to find ways to “navigate through partial lenses onto situations that are held as an absolute truth” in different disciplines involved to find ways of dealing with “multiple truths” before we will understand co-creation of viable solutions (Pampallis, 2016). “Paradigm wars” is the description given to the choice of research designs by Cameron (2009:140) who views ‘purists’ as those who resist any mix of research designs and methods, and the ‘pragmatists’ as those who argue against a false dichotomy between qualitative and quantitative research paradigms and favour an efficient combination of both approaches.

A sequential mixed-methods research design was thus chosen to consider both qualitative interpretive and quantitative positivistic paradigms and their integration in the same study (Babbie and Mouton, 2008; Creswell, Plano Clark, Gutmann and Hanson, 2003) while maintaining a pragmatic orientation to ensure scientifically and managerially relevant knowledge contributions (Creswell, 2003).

The conceptual model in Figure 1 positions the empirical research in terms of other innovation process and leadership views, explains why the research is designed in a certain way, and allows for explanation and justification of conclusions through conceptually coherent arguments that contribute to knowledge (Leshem and Trafford, 2007). A conceptual model also serves as a bridge between paradigms that explains the research issue and the practice of investigating that issue, while giving meaning to the relationship between variables derived from the researcher’s appreciation of reading, personal experience and reflection upon the theoretical positions towards the phenomena being investigated (Leshem and Trafford, 2007).

FIGURE 1:
Conceptual model: theoretical perspectives



Source: References authors are acknowledged in Reference List.

RESEARCH DESIGN, PHILOSOPHY AND METHODS

Drucker (1982:233) emphasised the need for leading people to create, but warned against the fallacy of human creativity, namely to "...free people from restraint and they will come up with far better, far more advanced, far more productive answers than the experts". Drucker (1982) believed that creativity in the form of undirected, unstructured, untutored, and uncontrolled guessing is not likely to produce results. Yet an innovation system that does not tap and put to use the knowledge, experience, resources, and imagination of people who have to live with the system and make it work is just as unlikely to be effective (Drucker, 1982).

Mixed-methods minimise task partitioning (Von Hippel, 1990) and direct the identification of competencies beyond creativity fallacy (Drucker, 1982) by first exploring the views of experts and practitioners through qualitative research and then having their views empirically tested through quantitative research.

Qualitative research

Qualitative research data from expert interviews, practitioner workshops, case materials and directed literature reviews were analysed through content analysis using interim capability clusters as a coding regime to identify clusters of leader competencies deemed required for successful technology innovation (Bryman and Bell, 2011). Bryman and Bell (2011) proposed an iterative approach to qualitative research that combines both deduction and induction. Data gathering followed two leading considerations namely the processes that successful technology innovation leaders had followed and their competencies associated with successful technology innovation.

Quantitative research and theoretical model

Concepts, constructs and items from the qualitative phase were used to develop a confidential online five-point Likert scale (strongly disagree to strongly agree) questionnaire validated by 18 experts and tested in a pilot survey (n52) that met statistical requirements for use in the main survey. Cronbach's alpha is a covariance measure of internal consistency of a measurement based on both the variance on the total measurement scores and the variances of the individual items (Welman, Kruger and Mitchell, 2012:147). All pilot study values were above 0.73, which suggests that the measure's constituent scales were internally reliable (Bryman & Bell, 2011:162). Average inter-item correlation calculates the average of all the correlations between the items and is used to show how well a question discriminates between respondents. Pilot study values were all above 0.4, suggesting good constructs discrimination (Pope, 2016). Relationships between these constructs in a theoretical model were tested, based on the expectation that success orientation would positively relate to integrative leadership that would positively relate to the remaining constructs, as illustrated in Figure 3.

The main survey yielded sufficient responses to apply structural equation modelling (SEM). SEM is a multivariate technique that combines aspects of factor analysis and regression that enables the researcher to simultaneously examine relationships among measured variables and latent variables, as well as between latent variables for assessment of measurement theory and assessment of structural theory (Hair Jr, Hult, Ringle and Sarstedt, 2017).

SEM analysis using a partial least squares (PLS) technique (PLS-SEM) involves prediction from a set of dependent relationships simultaneously, beyond what first-generation statistical methods, such as factor analysis and regression analysis, were designed to provide (Hair et al. 2017). While

sample data analyses through PLS-SEM yielded a range of threshold compliant indicators, only selected results pertaining to reflective measurement models, namely internal consistency, convergent validity and discriminant validity are reported (Hair Jr et al., 2017:105). Reliability of constructs are reported under the results, including Cronbach's alpha values, R values, confidence intervals, standard deviation, means average values of constructs, and average item total correlations.

Convergent validity indicates the extent to which a measure correlates positively with alternative measures of the same construct. Average variance extracted (AVE) values of 0.50 or higher indicates that, on average, the construct explains more than half of the variance of its indicators (Hair Jr et al., 2017:114).

Discriminant validity indicates that measures that are not supposed to be related, are unrelated, and is established when an indicator's loading on its assigned construct is higher than all of its cross-loadings with other constructs using an inter-construct correlation matrix (Hair Jr et al., 2017:118).

Population and sampling

This study investigated the leader competencies of a target group described as successful leaders of technology innovation. Demographic and performance-related information, such as personal details of the target group, is no longer available in the public domain because of The Protection of Personal Information Act (PoPI) in South Africa (RSA, 2013). Employers and professional organisations were thus requested to distribute information about this study to their members.

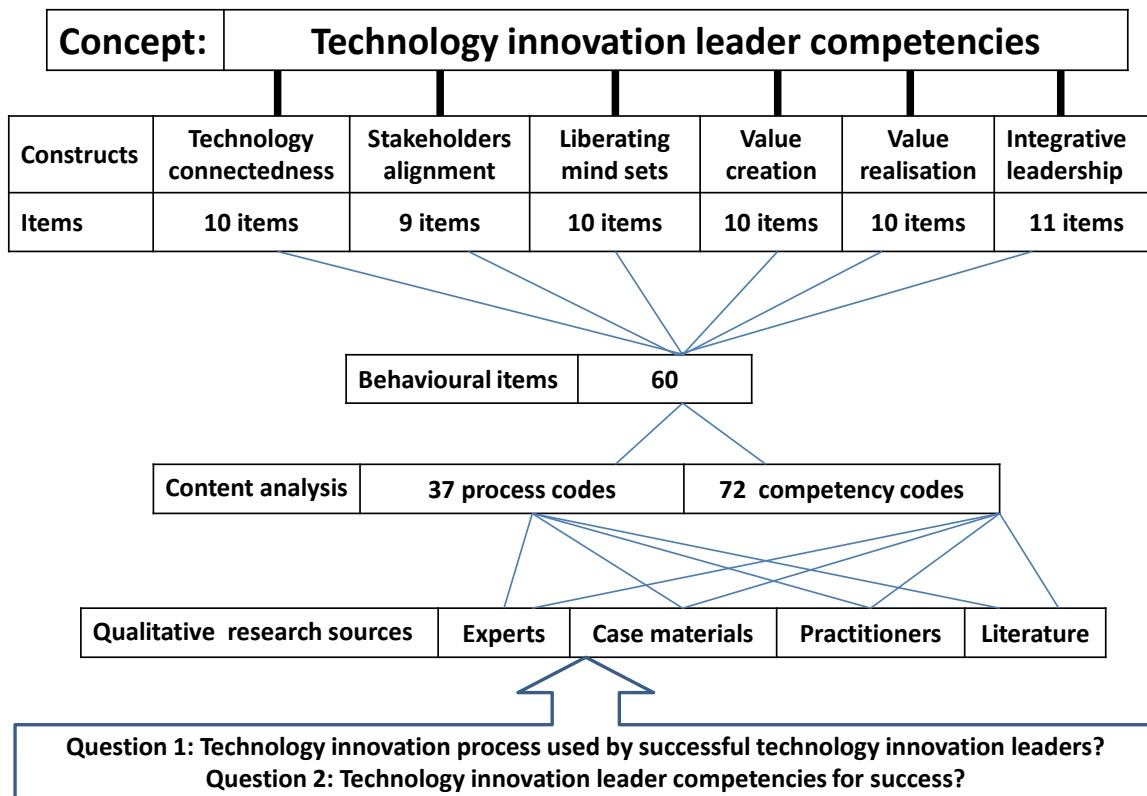
The targeted individuals for this study do not all work for the same organisation and may be found across South Africa's national system of innovation in different organisations, disciplines and sectors of the economy where technology innovation is pursued. A snowball sampling process was thus initiated by the researcher who sent out SMS messages to 432 cell phone numbers of personal contacts who had been identified by the researcher as individuals who may qualify as eligible respondents and/or would be able to direct the invitation to eligible respondents. SMS recipients were selected by the researcher based on their involvement with technology innovation, including executives, human resource managers, "champions of industry" (OECD, 2009:191) and members of LinkedIn professional networks. Upon receipt of an email by the survey administrator, eligible candidates received a survey link for participation, to indicate their informed consent, and confirm their eligibility.

RESULTS AND FINDINGS

Qualitative phase insights

Figure 2 illustrates how this data analysis process was conducted, specifically how the interim capability clusters used as research themes were used as primary codes for content analysis of research data obtained from four research sources in response to two questions posed to experts and confirmed by other sources, resulting in 109 behavioural codes from which 60 behavioural items were developed.

FIGURE 2:
Formulation of conceptual constructs



Each of the identified conceptual constructs were populated with coded behaviours from research. Detailed descriptions of each behaviour were compiled as inputs for the questionnaire development but for the purpose of this paper, only the integrative leadership construct is included here, while other constructs are presented as summaries.

Construct one: Capability to connect with evolving technological innovation

Technology innovation leaders appear to be in constant contact with sources of expertise on changing science and technology landscapes that may affect what they are doing or planning to do. They access different channels and build their credibility as thought leaders in anticipation of possible future technology innovation and opportunities related to the strategic intent of the unit and model alternative futures based on anticipated technology changes and priorities.

Construct two: Capability to align stakeholder support and participation

Sources emphasised trust-based relationships that successful technology innovation leaders had with multiple stakeholders. Technology innovation leaders appear to have frequent interaction with people whose support or lack thereof may positively or negatively influence technology innovation success. They develop a deep understanding of stakeholder priorities and interests to build compelling images of technology futures for securing stakeholder support and resources for

technology innovation. They attract competent enthusiastic talent and develop innovation design parameters that are used for effective governance and communication mechanisms.

Construct three: Capability to liberate mindsets

Successful technology innovation leaders appear to focus on challenging beliefs and assumptions that prevent people from thinking beyond what is already possible and available and to creatively explore new paradigms made possible by scientific and technological advancements or achievements. They deliberately use diversity in teams and create environments that foster unfamiliar or unconventional ideas and thinking while building on captured new perspectives for improvement to ensure that integrative technology solutions are conceptualised. They raise new questions, new possibilities, and regard old problems from new angles, using creative imagination of their teams. They provide deliberate leader stimulation of thinking required for successful technology innovation which goes beyond idea generation practices to include the technology innovation leader's critical ability to bring about new paradigms of technology innovation possibilities by linking new science and technology breakthroughs with stakeholders' interest in creative new combinations.

Construct four: Capability to facilitate value creation

Research data suggested that successful technology innovation leaders appear to be able to guide others to turn their creative thinking into concretised demonstrators of potential value. Some successful technology innovation leaders combined value creation and liberating mind sets capabilities to simultaneously contribute to technology innovation. In the literature, customer value-based theory suggests that technology innovation leaders should minimise the risk and maximise learning by working intensively with customers to understand the latent needs, work collaboratively in cross functional teams and undertake low-cost marketing experiments to bring about successful technology innovation that would be perceived by the customer as value. Value creation may include monetary, strategic or other forms of value associated with the invention and use stakeholder feedback to enhance future demand by increasing perceived value through cross-functional teams.

Construct five: Capability to facilitate value realisation

Experts emphasised that successful technology innovation leaders appear to be able to facilitate the adoption or deployment of new technology so that monetary and other benefits from their work materialise and that emerging opportunities for scaling are exploited. Literature confirmed that the innovation cycle is not complete if invention alone was the objective. Leaders tend to make technology innovation the responsibility of those involved in a system of innovation to deliver what receivers regard as value. They facilitate market entry in a co-creative adoption manner and provide market support to enhance adoption and market saturation.

Construct six: Capability to integrate through leadership

According to experts interviewed, successful technology innovation leaders demonstrate exceptional integrative capabilities in bringing technology, business and people elements together in successful technology innovation. Issues of complexity, integrating the efforts of highly talented individuals and an ability to create disproportionate amounts of value from available resources were emphasised. They integrate work across capability clusters throughout the technology innovation process to bring about successful technology innovation by setting the example, getting people to work together, and resolving apparent contradictions or situations of paradox,

as the technology innovation evolves. The integrative leader behaviours of the technology innovation leader are often the most important contributions to successful technology innovation, according to experts interviewed. Table 1 provides detailed descriptions of the behavioural items derived from the qualitative research data.

While some items in Table 1 have been identified by authors in Figure 1 before, items 2, 4, 5, 8, 9, 10 and 11 appear to be newly recognised competencies from this study.

TABLE 1:
Behavioural items in integrative leadership

Behavioural items	
1	The technology innovation leader leads by example as role-model in original thinking, exploring opportunities, generating ideas, learning from experience and determining the feasibility of ideas for value creation and value realisation with strong emphasis throughout on the interrelatedness of all innovation activities.
2	The technology innovation leader develops and communicates an inspirational and intellectually-challenging innovation vision and strategic purpose to scope the preferred types of innovation and direction for the innovation team. This may include problems, challenges or opportunities.
3	The technology innovation leader engages people before initiating changes that may affect them, incorporating their ideas in the technology innovation processes.
4	The technology innovation leader empowers members by establishing shared ownership and allowing members sufficient freedom and autonomy to determine by themselves or with others how to meet their innovation objectives. This includes being allowed to make mistakes and learn from them.
5	The technology innovation leader supports and motivates members by giving them space to do what they value, both in times of passion and pain. This includes acting friendly, showing respect, being patient and helpful, listening, and looking out for someone's interests if problems arise.
6	The technology innovation leader uses recognition and reward mechanisms to show appreciation for innovative performances of those involved to acknowledge innovation contributions of team members.
7	The technology innovation leader oversees on-going innovation progress and provides constructive, timely feedback to team members during innovation, to learn from success and failures during innovation.
8	The technology innovation leader radiates positive innovation energy rooted in positive attitude, group dynamics and organisational support for vision-aligned technology innovation.
9	The technology innovation leader facilitates systemic integration of technology innovation through alignment of all elements (technical, human, business).
10	The technology innovation leader facilitates an overarching broadly-defined innovation architecture, logical framework and/or plan for the envisaged innovation.
11	The technology innovation leader solicits intense near-obsession-like levels of ownership for generating solutions to innovation challenges, opportunities or problems.

Success orientation as a construct

The process of formulating the 'success orientation' construct falls outside the scope of this paper and as a construct in the theoretical model, it served as a term for expressing the assumed relationship between what the responding technology innovation leader views as successful technology innovation, and the alignment of the leader's competencies with that success view based on 10 factors. Measuring innovation success is not unproblematic, because it often involves assessments of the degree to which innovation is viewed as novel, adopted or diffused

and these can be judged in different ways and from different perspectives of those involved (Conway and Steward, 2009).

Quantitative phase results

Two introductory questions in the main survey requested respondents to indicate their views on technology innovation completion and the process sequence, to which 79 percent agreed (50% strongly agree plus 29% agree) that technology innovation is only achieved when value is derived and 90 percent agreed (54% strongly agree plus 36% agree) that technology innovation may not follow a linear sequential process.

The main survey yielded 266 respondents that included technology innovation leaders from private and public research laboratories, universities and knowledge based organisations where technology innovation is pursued. Of these 78% had post-graduate qualifications, 71% studied engineering, business and/or natural sciences, 40.3 % were from organisations smaller than 200 and 43.4% above 1000 staff, and mean years of experience in technology innovation was 14.7.

Reflective PLS-SEM values based on analysis of the sample data through the bootstrapping functionalities of SmartPLS yielded acceptable measurement item reliability with Cronbach alpha values greater than 0.7 (Pope, 2016). As a measure of central tendency, the high estimated mean values of the constructs in Table 2 exceeded 3.61 with integrative leadership being the highest at 4.55, making it the higher scored competency cluster based on successful technology innovation leader ratings.

TABLE 2:
Statistical power and reliability analysis of constructs

Construct	R	Lower limit CI	95% CI	Mean	Std. dev.	Cronbach alpha	Av Item corr
Success orientation; SO	0.80	0.74	0.84	3.83	5.41	0.80	0.29
Technology connectedness; TC	0.81	0.77	0.84	4.08	4.92	0.81	0.31
Stakeholder alignment; SHA	0.82	0.78	0.85	3.62	4.69	0.82	0.35
Liberating mindsets; LMS	0.87	0.86	0.91	4.00	6.09	0.89	0.44
Value creation; VC	0.89	0.84	0.89	3.89	6.12	0.87	0.40
Value realisation; VR	0.90	0.88	0.92	3.77	6.65	0.90	0.48
Integrative leadership; IL	0.87	0.87	0.92	4.55	6.39	0.90	0.45

Convergent validity testing based on sample data indicated AVE construct values of 0.50 and higher for three constructs, while the remaining constructs had AVE values below 0.50. The values above 0.50 suggest that the LMS and VR constructs explain more than half the variance of their indicators, while more variance remains in the error of the items than the variance explained by the construct in the remaining cases that were interpreted as justification for keeping the model unchanged, particularly in light of the observation by Hair Jr et al. (2017:192) that PLS-SEM-based model fit measures were still in their early stages of development.

Discriminant validity testing based on the Fornell and Larcker test for discriminant validity indicated that two of the latent variables, VC and VR, exhibited marginal discriminant validity issues. Further inspection revealed that one item cross-loaded and could be removed from the analysis. All the other items loaded as expected and the loading of VC items on the corresponding latent variable exceeded the loadings of items of non-VC items. The same holds true for the VR latent variable. Discriminant validity is thus not problematic in the data set and the latent variables can all be assumed to exhibit sufficient discriminant validity, as confirmed by heterotrait-monotrait (HTMT) values of between 0.26 and 0.85 (Hair Jr et al., 2017).

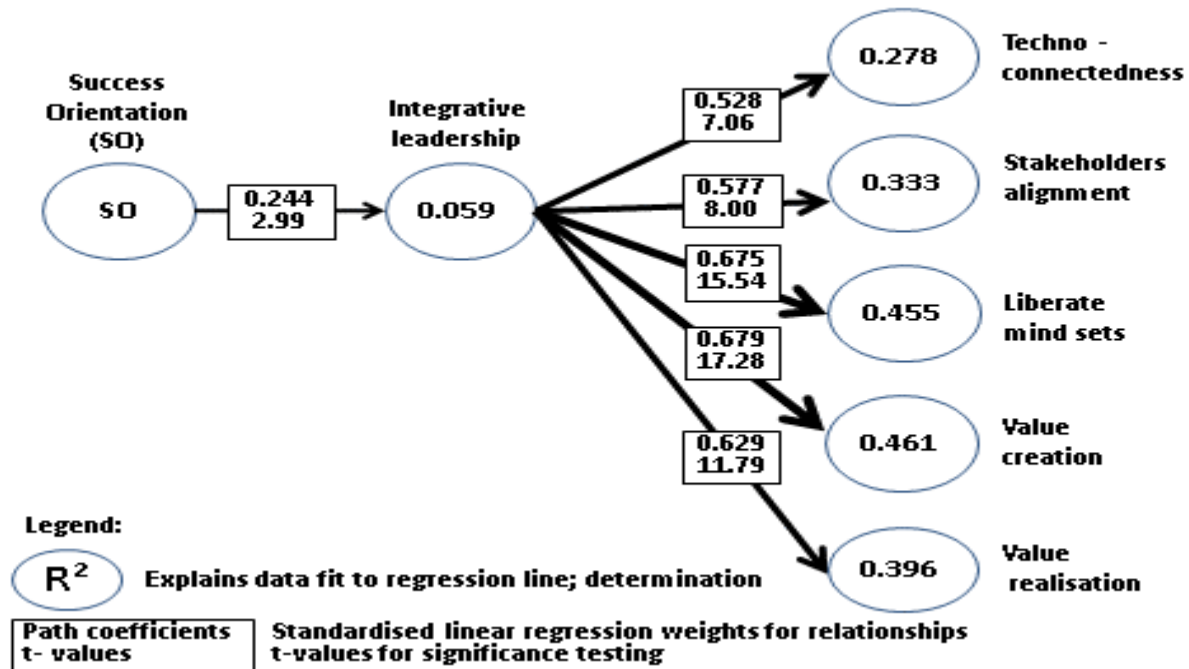
Structural path coefficients

Relationships between constructs in Figure 3 were all significant, except the path coefficient between SO and ILO at 0.244. The t-values also indicate acceptable relationships because all t-values in Figure 3 are above 1.96 (Hair Jr et al., 2017). Structural path coefficients can be interpreted relative to one another, which means that if one path coefficient is larger than another, its effect on the endogenous latent variable is greater. A one-unit standard deviation change of the exogenous construct changes the endogenous construct by the size of the path coefficient when all other constructs and their path coefficients remain constant. The relatively weak path coefficient of 0.244 between success orientation and integrative leadership was not totally unexpected because during both expert interviews and workshops comments were made about the near impossible expectations that stakeholders sometimes have of technology innovation, such as delivering technology innovations for competitiveness, economic growth, job creation, people benefits and radical innovation at the same time.

The path coefficients between integrative leadership and the other five constructs showed values between 0.528 and 0.679 which are all acceptable relationships at the $p < 0.05$ level, the highest being integrative leadership and value creation, which is a significant revelation because of its potential implications for current practices.

FIGURE 3:

Statistical model depicting relationship between success orientation and technology innovation leader competencies for successful technology innovation.



PRACTICAL MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

This study aimed to identify technology innovation leader competencies deemed to be required for successful technology innovation. Such competencies were defined in this study and their inter- and intra-relationships determined as contributions to the knowledge base.

A first managerial implication relates to how technology innovation is often portrayed as a linear sequential process, starting with an idea and concluding with value capturing. This paper justifies a more dynamic approach to leading technology innovation where leaders can apply different sets of competencies in context-specific sequences. It is thus recommend that technology innovation leaders who want to improve their innovation performance, consider the unintended consequences of defaulting to predetermined, linear sequential innovation processes and exploit opportunities for more dynamic process approaches.

The competencies of people required to lead technology innovation may be different from what they require for their technical performance. The findings reported in this paper allow such managers to identify competencies in need of personal improvement.

This study provided new insights into the behaviour sets viewed by successful technology innovation leaders as important, that can assist those responsible for the selection, appointment, and development of technology innovation leaders in making decisions.

Policy makers can review the unintended consequences of their current linear management models. Often research results are published, and innovation processes started with an intention

create commercial value at a later stage. This paper shows that the clear early understanding of what success entails featured strongly in successful technology innovation.

Finally researchers and practitioners can apply these findings and contribute to the body of knowledge on innovation management and leadership, including impediments experienced.

CONCLUSIONS

Technology innovation in South Africa is expected to contribute to national priorities, such as competitiveness and socio-economic development and new demands are being added for technology innovation leaders to address. South Africa's innovation performance has been declining (Insead et al., 2015). World Bank economic reports for South Africa claim that a lack of innovation is stifling the economy of the country, and that innovation for productivity and inclusiveness should be regarded as a national priority (The World Bank, 2017).

This paper answered the guiding research question through the identification of technology innovation leader competencies deemed to be required for successful technology innovation, portrayed as a set of six competencies with underpinning behaviours and a statistically sound model of relationships. What the paper may fail to adequately convey, is the latent innovation potential that can be released by technology innovation leaders who want to improve their innovation performance by acquiring these competencies for successful technology innovation.

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Corruption: the Achilles heel of the South African public sector

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Keywords: Corruption; Public Sector; Private Sector; Remedies for Corruption

ABSTRACT

The high prevalence of corruption, especially within African states, is based on the assumption that the continued prevalence of traditional moral values within African societies is a key enabler of corrupt behaviour. In South Africa, with the advent of democracy in 1994, the newly elected government inherited a distorted system of governance – with institutions that were in direct conflict with the imperatives of sustainable economic growth, social development, and reintegration into the world economy and the community of nations, has therefore created space for corruption to flourish. The causes of corruption will be investigated in this article as well as the impact thereof on the South African public. The measures that the South African government undertake to combat corruption will be discussed and recommendations will be made to optimize these arrangements to develop an integrated strategy against corruption.

INTRODUCTION

The democratic transformation and change in South Africa since 1994 created expectations for better public services and can the manner in which the constitutional change took place, be lauded. Change, however, does not necessarily imply a positive outcome and although having been a democracy for 24 years, does South Africa remain a highly unequal society especially taking cognisance of the recent recorded cases of corruption and public service delivery protests experienced on especially local government level.

Change should, however, imply an outcome of an efficient public service as the latter is vital to a well-functioning country that maximises its developmental potential and the welfare of its citizens, that works to extend services and reduce inequalities, and demonstrating to citizens that their society is capable of organising itself in an efficient way. In Africa and specifically South Africa the public service is unfortunately rapidly gaining a reputation for inefficiency and incompetence as governmental institutions routinely receive qualified audits, thereby undermining, rather than maximising, the developmental potential of the country. The situation has been complicated by the global financial crisis experienced since September 2008.

From the South African government's side an array of legislative and organizational measures were put in place to rectify the situation on all spheres of government eg the Municipal Intervention Plan: 2014 to 2019 and the National Development Plan 2030 to ensure that government will play their meaningful role as envisaged in the 1996 Constitution. However, judging by the recent local government public service delivery protests and highly publicized corruption cases in the public sector, one needs to move beyond debates whether traditional

African culture inadvertently lends itself to corruption and focus *inter alia* on mechanisms to minimize or prevent these activities from taking place.

In this paper attention will be focused on the realities of the South African public service, the prevalence and impact of corruption on society, and combatting corruption in the South African public sector.

LITERATURE REVIEW

South African public service realities

The State is a critical player in the socio-politico-economic development of any country. This includes in managing the environment as *inter alia* can be seen from the commitments of governments towards the implementation of the 2030 Sustainable Development Goals. Whether the State works alone or collaborates with non-state actors, it largely relies on the public service as a critical instrumental institution for implementing its policies especially on service delivery. Whether it concerns poverty eradication, addressing social problems, economic challenges and even saving the environment, ultimately the real results should be seen at community level in terms of service delivery by the public service (Sachs 2017:1).

In implementing or facilitating the implementation of public services are the following aspects of critical importance, namely (i) policy and strategy planning, (ii) providing services, (iii) infrastructure development, (iv) resource mobilisation, (v) monitoring and evaluation, and (vi) institutional and human resource capacity development. Most importantly is that the public service is expected to provide the bedrock on which all operations of all actors are anchored which, when not provided, will jeopardized service delivery. This bedrock is the rule of law and justice, observance of human rights, law and order, security of person and property, leadership, professionalism, transparency, accountability, ethical conduct, and integrity. The latter are therefore critical instruments for state action in the implementation of public services. It is also a critical backbone for the action of the other actors and stakeholders besides the government (Kauzya 2016:7).

The reality, however, is that many governments are operating public services that are not capable of delivering services effectively, efficiently and equitably. However, at the same time, in light of the criticality of effective delivery of public services, governments are expecting the Public Service to provide more and better quality of services with less resources to their disposal. Doing more with less is being taken at a much higher level and will success require a comprehensive transformation of the public service (Minnaar 2018).

Concern therefore about the sustainability of democratic institutions as well as the role of good governance (defined as reflected in terms of value driven perspectives which manifest itself in effective, legitimate democratic government and high levels of institutionalization or a combination of both) in maintaining democratic institutions was created by the disillusionment produced by the difficulties and failures of efforts at introducing democratic institutions in various transitional societies. These concerns have resulted in growing attention being paid to issues such as decentralization and lately to recentralization (Reddy & Govender 2013:82).

Prior to the national elections in South Africa in 1994 the governing authorities were structured in terms of three tiers or levels ie central, provincial and local. South Africa was a unitary state in the sense that the central legislature was supreme and all power was vested in it. Consequently, only those powers to perform specific functions were delegated to provincial authorities which, in turn, delegated where necessary to local authorities. However, the 1996 Constitution provided for an innovative approach to governance by introducing concepts such as co-operative governance and by making provision for autonomous spheres as opposed to levels/tiers of government. These spheres of government had to

- provide effective, transparent, accountable and coherent government for the Republic as a whole;
- respect the constitutional status, institutions, powers and functions of governments in the other spheres;
- not assume any power or function except those conferred on them in terms of the Constitution; and
- exercise their powers and perform their functions in a manner that does not encroach on the geographical, functional or institutional integrity of government in another sphere (Section 41 (1), Constitution 1996).

The introduction of the concept of co-operative governance explicitly indicated that the 'old' form of governance, where everything was centralized, had to be decentralized. It demanded joint decision-making and action among the spheres of governance. A number of new and additional structures to give impetus to the transformation process were also proposed through the White Paper on the Transformation of the Public Service (WPTPS), published in 1995 (Mubangizi 2011:74). To inquire into the structures and functions of the public service and its statutory bodies, a Presidential Review Commission (PRC) was proposed in 1996 with the aim to make recommendations to achieve a public service which would bear the high standard of professional ethics, impartiality, effectiveness and transparency. These recommendations, therefore, would give rise to transforming the public service from an institution of regulation and control to one that is people-centred, efficient, coherent and transparent (PRC 1998:1). However, it was not specifically stipulated in legislation how co-operative governance should take place in reality. Subsequently, the fact the respective roles and responsibilities of each sphere of government were not always clear gave rise to a situation whereby fragmentation, confusion and duplication occurred as various and different interpretations prevailed, resulting in poor integration of delivery efforts across government and the implementation of policies. On the one hand, policies are sometimes, due to a lack of time, interest, information or expertise framed in general terms and is the implementation left to implementation agencies that might thwart the original intention of the policy. On the other hand, it might embrace so much detail that the actual meaning becomes vague (Webb 2010:674). This situation resulted in the opening up of a pathway towards corruption.

Corruption: defined, its prevalence and impact on society

The changing milieu of the South African public sector has become increasingly complex over the years, bringing varied and growing challenges and unpredictable changes influenced by *inter alia* globalization and the information and telecommunication technology (IT & T) (Kim 2010:801). The changes led to the state bureaucracy been viewed as being bloated and in need of down/rightsizing as part of an integrated package of good governance measures. These measures included

- freeing of markets from state intervention;
- privatization of state assets;
- transparency and accountability;
- efficient and effective use of state resources;
- sound human resource management;
- performance management; and

- customer-orientated service delivery (Levin 2002: 79).

By not addressing the rightsizing of these measures will lead to further service delivery failures (Auditor General 2017). The Auditor General cautioned that a collapse in the management and maintenance of vital infrastructure and severe deficiencies in essential technical skills along with the government's failure to properly plan and monitor its projects is, will then be evident. He has also warned that ageing professional personnel and a lack of succession planning are affecting the maintenance of infrastructure.

The values of good governance have also seen changes in emphasis. Loyalty has largely been displaced by state values such as accountability and transparency, entrepreneurship, performance, service delivery, customer orientation and contract work, contributing to the emergence of corruption (Monkam 2014:283, Sayeed 2016:42 & Madumo 2016:85).

Corruption, or the misuse of public resources for private gain, is about more than economic growth; it is about a lack of political legitimacy, trust and the inability to create a collective action, including both contracts and social institutions, that give people long-term stability and mobility (Hira 2016:3). Corrupt activities can generally be slotted into two primary categories

- petty corruption—small bribes demanded or offered, often to ensure delivery of a service either “according to rule” (e.g., health care in a public hospital) or “against the rule” (e.g., social service payment to someone who does not qualify). Swamy (2011:39) refers to this as democratic corruption; and
- grand corruption—comparatively large bribes and commissions offered or paid by businesses in their quest for government orders (e.g. Public Procurement Contracts such as building a new hospital) or hierarchical/anarchical corruption according to Swamy (2011:39).

Caiden in Johnson (2004:2) add to the abovementioned practices such as kleptocracy, non-performance of duties, influence peddling, abuse of power, manipulation of regulations, rent seeking, clientelism and misappropriation. Corrupt practices can vary and can be systematic, pervasive and routine or they can be sporadic, trivial and rare. However, in defining corruption one should not ignore or downplay the role of patronage, and underestimate the extent to which corporate gain motivates acts of corruption (Hira & Shiao 2016:33).

The causes of corruption in South Africa are contextual-rooted in the bureaucratic traditions, political development, and social history of the country. According to Ristey (2010:348) corruption has flourished as a result of institutional weaknesses. The normal motivation of public sector employees to work productively has been undermined by factors such as promotion unconnected to performance, the demoralization of staff members by dysfunctional government budgets, inadequate supplies and equipment, delays in the release of budget funds, and a loss of organizational purpose. The motivation to remain honest has further been weakened as a result of senior officials and political leaders using public office for private gain (Gorsira, Steg, Denkers & Huisman 2018:9). The impact of these corrupt activities on the South African society should therefore be determined.

The following negative impacts should be noted. On the political front, corruption undermines the ethos of democratic governance which eventually results in the erosion of public confidence and trust in the democratic process (Hodžić & Rička 2018:12). This ultimately results in citizens' unwillingness to co-operate with government, which is the start of a vicious cycle resulting in a type of anarchy benefiting no one. It furthermore serves as an obstacle to the rule of law as it eventually results in the judicial system, police and others acting largely in the interests of those willing to pay bribes. The primary beneficiaries of this are then those who already possess power and wealth.

On the economic front corruption creates inefficiencies in markets—it is particularly damaging to small and merging entrepreneurs who can much less afford the cost of bribes than large corporations who often budget for bribes. Corruption also creates uncertainty in markets already affected by volatility and is a deterrent to both foreign and local investment, thereby sabotaging opportunities for job creation (Hodžić & Rička 2018:15). Environmentally corruption results in the rapid depletion of natural resources, effectively endangering sustainable development. This results in job losses eg when over-fishing has taken place or where a potential tourist attraction is destroyed. Socially a culture of dishonesty and greed develops with little consideration for ethical norms. A further measurable impact is on public sector service delivery on which all citizens and the poor in particular are reliant upon (Matebesi & Botes 2011:14). The question is then posed as to how corruption can be combatted?

Combating corruption in the South African public sector

The election of a new South African president in 2018 represented two factions ie the one comprising of the beneficiaries of the outgoing president Zuma's particular style of patronage politics, who seek to maintain at whatever cost the *status quo* from which they benefitted and the other seeking the return of a constitutional order similar to that established by presidents Mandela and Mbeki (Minnaar 2018). This led to a situation where the serious economic crisis experienced in South Africa being ignored and leading towards corruption being perceived as rife in the public sector. The question is whether this can now be fixed.

Success stories where similar situations existed are known and are the long-term challenges such as a broken educational systems in the South African situation well understood. The latter will take years to rectify, but concerning fixing the economy can certain things be done so that the strengths of business and civil society can be harnessed to tackle the challenges. The role of a supportive global economy cannot be overemphasized. During the past 18 months one of the strongest periods of synchronous global growth has been experienced with almost all countries experiencing improving business conditions. In Europe the 8 years of stagnation ended, in Japan prospects seem quite favorable, the slow-down in emerging markets came to an end, so to China and the United States (McGregor 2017:4). However, two countries of significance namely South Africa and Venezuela are not growing due to the suffering of *inter alia* damaging political leadership. South Africa has an open economy and normally responds positively to an upward surge in global growth. Thus, if the necessary domestic changes can be made ie combatting corruption, will favorable global business conditions support a rapid economic turnaround.

The first is to ensure fiscal stabilization. The February 2018 budget speech (Gigaba 2018) presented a bleak picture of a deteriorating fiscal situation due to a combination of a weak economy and an erosion in the efficiency of tax collections. The situation has been aggravated by mismanagement of state-owned enterprises (SOEs) such as Eskom and SAA. Without remedial action government debt could spiral out of control to unsustainable levels. To cut government spending strong managerial skills are necessary which the public service unfortunately lacks. Accordingly, a rapid stabilization of government finances will need a tax increase. The announcement of the increase in the VAT rate from 14% to 15% from 1 April 2018 will approximately generate an additional amount of R24billion which can play a role in stabilizing the nation's finances. The latter will improve investor confidence and promote capital inflows, which already led to the stabilizing of the rand and reduced interest rate payable on new debt. Rand stability will keep inflation in check and allow the Reserve Bank to reduce the interest rates. The counter argument that an increase in VAT will place an increase burden on the poor is that a failure to stabilize the fiscus would have an adverse impact on the rand – with much greater inflationary consequences (McGregor 2017:5).

A further method is by restoring confidence. The markets are no longer willing to finance SOEs that are mismanaged and corrupt. Those who have fiduciary responsibilities cannot fund organizations whose behavior would in the private sector be the subject of criminal prosecution. The practice of appointing people in senior position without the necessary skills should also be stopped and should the expertise of the private sector be utilized in the management of parastatals for example. The serious erosion of managerial competence in the public sector necessitates a change in leadership which will in turn lead to an increase in public confidence and a government that can deliver (Ionescu 2017: 79). If necessary those appointed should be headhunted in the private sector or even abroad.

With business confidence at its lowest level since the early 1990s it is unsurprising that the economic conditions are stagnant. It is the private sector that makes the investments that generate growth. Any program to get the economy going again must therefore start with restoring both business and consumer confidence. Building confidence is acknowledged to be both an individual and an organizational-level task and the role of the leader is to create a culture that integrates what the organization claims to believe and how it actually behaves in a critical element in optimizing organizational performance (Oketch 2005: 10). To therefore restore confidence in government, at least two levels of analysis in the concept of leadership, as earlier mentioned, should be identified, that is the behaviours and actions of individuals, and the organization as unit of analysis, working with other agencies in the locality and having particular responsibility for addressing the needs and aspirations of the inhabitants. The literature concur with the perspective that confidence is based on the ability, benevolence and integrity of the person and is closely connected to leadership behaviour (Caldwell & Hayes 2007: 265; Fransen, Haslam, Steffens, Vanbeselaere, De Cuyper & Boen 2015: 90).

Increasing demands are therefore posed for more visionary and effective leadership. The ability to enunciate an engaging and compelling vision for the future of the organization, to focus it upon long-term opportunities and goals, and to inspire others, are all among the most important abilities required of leadership at local government level. The external roles which governments need to undertake to improve service delivery and in so doing create confidence in the organizations, furthermore necessitate particular competencies, including intellectual strength, vision, management, relationship skills and personal groundedness (Ionescu 2017: 80), which will contribute to articulating the needs and aspirations of the inhabitants. Leadership In government should furthermore be

- creative and propose innovative problem-solving solutions;
- promote equity in service delivery;
- develop approaches to poverty alleviation;
- reconnect with the stakeholders;
- make the institutions more relevant;
- promote transparency in governance;
- promote democratic institutional development *inter alia* through dialogue with citizens; and
- promote public sector ethics to enhance confidence within the institution itself (United Nations 208: 6).

Once these prerequisites have been met, government as an institution could be regarded as effective through the use of leadership, and confidence will be restored.

Concerted efforts from the South African government's side to restore confidence in government are undertaken continuously. In his State of the Nations Address, Zuma (2015: 10) alluded to nine points to ignite growth and create jobs that could potentially restore confidence in government as the service entity closest to inhabitants, namely encouraging private sector investment, unlocking the potential of SMME's, cooperatives, township and rural enterprises; and state reform and boosting the role of state in water and sanitation infrastructure. Gordhan (2014: 2) also presented the 'Back to Basics' strategy document to improve service delivery on local government level. This will be done by committing the national government to four priority steps, namely support (funding, building capacity); monitoring (real-time monitoring of key indicators); intervene (civil claims, assets forfeiture, applicable agencies of government); and enforce (ensure adherence to norms and standards; otherwise, disincentives and sanctions).

The above-mentioned, however, necessitates that there should be a sound business plan; responsibilities for driving, implementing, maintaining and resourcing strategies should be allocated; and regular monitoring and evaluation of the successes should be undertaken to ensure successful implementation - and thereby, building confidence in government through a concerted effort to combat corruption.

Hira (2016:13) is furthermore of the opinion that in order to combat corruption the group aspects of human behaviour should be recognized. As humans we are creatures of habits informed by culture and is this the missing ingredient needed for the recipe to work. As individuals, we cannot possibly examine and analyse every decision we make; culture in the guise of values, attitudes, norms, roles, understanding and reinforcing rituals and informal institutions provides a framework for easing and framing decision-making. For corruption to decline decisively, culture must therefore change.

Combating corruption also requires a dynamic and multi-faceted strategy or strategies that use scarce resources effectively on a constructive, shared basis. In developing such a strategy/strategies, one should not purely develop it for compliance with legislative frameworks, but should it be developed out of necessity guided by the environments in which one operates to ensure that the outcomes and outputs address the corruption. If corruption is to be fought successfully, the objectives of an anti-corruption strategy should be to

- improve efficiency, effectiveness and accountability;
- improve the application of systems and policies;
- support a good corporate culture;
- reward exemplary conduct;
- put public interest first;
- inform the reinforcement process with a shared commitment;
- facilitate the reporting and monitoring of incidents of corruption; and
- strive for the deterrence, prevention and detection of corruption (Kim 2010:6).

Hira and Shiao (2016:39) opine that while the enacting of anti-corruption legislation and agencies are valuable steps, they have so far proved insufficient in making a dent in corruption. Small violations create an atmosphere of disregard for rules, given the inability to enforce every transaction. Changing habits in a general sense requires changing the environment to eliminate the cues for the behaviour, and then following through to mould new

behaviour. The authors furthermore state that to successfully combat corruption requires social engineering, or changing habits that eventually changes the culture. Reducing corruption, then, has to start with changing the education, media, and traditional institutions of society.

Ani (2015:15) adds to this that public deliberation (comprising publicity and deliberation) is a necessary (though not sufficient) condition for combating corruption as it (i) compels reason to function at its best, (ii) demands rational accountability, and therefore account-giving, (iii) increases 'common-good' thinking, (iv) facilitates the recruitment of responsible institutional role-players, and (v) is a self-correcting instrument.

PROBLEM INVESTIGATED

The questions of how citizens can be served better, how the production of public services should be organized, how and by whom service delivery systems should be managed and conducted, are being posed as responses to the challenges of governance in contemporary public management. The emergence of corruption, however, complicated the aforementioned. To address this, governments committed themselves to fight corruption by *inter alia* the initiation and implementation of programmes and development of sophisticated legislative frameworks for combating corruption, raising particular problems as to the effective co-operation and coordination of these efforts, what punitive actions will be taken against offenders, and how a Code of Conduct and Disciplinary Codes will be enforced.

RESEARCH OBJECTIVES

The objectives of this paper are to determine whether the proposed guidelines such as fixing the economy, leadership and restoring confidence and trust through various recommendations in government could enhance public service delivery and whether these phenomenon will reduce the levels of corruption, seen as a weakness or vulnerable point (the Achilles heel) in the public sector.

RESEARCH METHOD

The research methodology applied consists of a literature study of appropriate primary sources containing authoritative publications, books, journals, the internet and official documents such as departmental policies while the field operations include interviews with practitioners and academics in the field of public administration and management.

RESULTS AND FINDINGS

The commitment of the new democratic government to fight corruption has been demonstrated in a variety of ways by *inter alia* the initiation and implementation of a number of programmes and by developing one of the most innovative and sophisticated legislative frameworks for combating corruption on the national, regional and local spheres of government. However, the existence of these various institutions requires effective co-operation and co-ordination. There is an overlap between the functions (particularly with regard to investigations) of certain existing anti-corruption agencies and are jobs of all officials within institutions not adequately defined resulting in officials not knowing what they have to deliver and when they have to deliver. The jobs are furthermore not adequately managed and performance management does not balance outputs with given inputs. This leads to a general lack of culture of performance in institutions and adequate action is not taken for poor performance or lack of delivery.

The above-mentioned factors unfortunately shape the South African public's perception of corruption, both through experience or perceived experience. The latter is often the result of

newspaper headlines probing the involvement of senior officials in large government procurement contracts such as the ill-fated multi-billion rand arms deal. A responsible independent media is duty bound to report such matters (particularly corruption in large contracts which could cost the Treasury dearly) but if these are left unproven it could have the side effect of negatively shaping public opinion as a result.

PRACTICAL MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

Apart from the guidelines discussed in this paper, should the government undertake more efforts to make the country more lucrative for foreign and local investments by reducing the levels of corruption. In this regard more can be done in terms of deregulation and should legislation and regulations which inhibit a free economy be investigated. Politicians should undergo training focusing on ethics, promotion and pursuance of social research and analysis and policy advocacy to analyze causes, effects and growth of corruption should be undertaken, the establishment of an anti-corruption hotline, the conduct of risk assessments as stipulated in the Public Finance Management Act, 1999 (Act 1 of 1999) and Treasury Regulations and to implement fraud prevention plans informed by such risk assessments. Corruption in the public sector should also be prevented as promised in numerous budget speeches since 2012 as there is a direct correlation between corruption and economic performance. The private sector furthermore represents the source of work creation and tax income accruing to the state. Without employers, trade unions will not be able to exist and should the private sector be involved in the creation and implementation of economic policy as envisaged in the South African National Development Plan 2030.

CONCLUSIONS

From the above discussion it is evident that although the expectations for better services as foreseen by the introduction of the 1996 Constitution in South Africa were proclaimed, it unfortunately did not materialize. For government to succeed sound political and solid economic foundations need to be in place with clear indication of powers and the means by which functions and authority should be exercised. This was not the case in the South African situation and did the government gain the reputation of being corrupt, inefficient and incompetent. Particular objectives were proposed by which anti-corruption strategies should adhere to ie support a good corporate culture, reward exemplary conduct and put public interest first. Strong leadership should be exhibited, the different spheres of government should play their respective roles and should integrity form the backbone of each and every public servant. With a clear business plan; responsibilities for driving, implementing, maintaining and resourcing strategies allocated; and regular monitoring and evaluation of the successes been undertaken to ensure successful implementation, can corruption in government be eliminated.

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The adoption of activity based costing at technical and vocational education and training colleges in KwaZulu-Natal

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ABSTRACT

The purpose of this study was to determine finance staff members' perspectives on those factors affecting ABC adoption in TVET colleges. Questionnaires were administered to thirty finance staff members in six TVET colleges in KZN. The overall research question was: do specific factors such as behavioural and organisational variables and technical variables affect ABC adoption in TVET colleges in KZN?

The findings of the study indicated that finance staff members perceive that lack of top management support, TVET colleges' cost structure, the lack of internal resources and the lack of training are barriers to its implementation in TVET colleges in KZN, together with the technical variables. These findings indicate that although various factors need to be present for the successful adoption of ABC, it is important to identify whether they are present or not in any organisation seeking to adopt ABC. The study's results suggest that a new framework for the introduction of ABC should first address the technical variables, and thereafter the behavioural and organisational variables.

INTRODUCTION

Activity based costing (ABC) is not a new costing system. However, its spread and diffusion is low in comparison to more traditional costing systems, especially in Asia and Africa (Dandach, 2015). Traditional costing systems utilise a single volume-based cost driver, and it is argued that this distorts the costs of products (Saxena & Vahist, 2010). According to Salem and Mazhar (2014), companies now produce a wide range of products and direct labour represents only a small percentage of total costs; furthermore intense global competition has made poor decisions due to imperfect cost information more costly. In South Africa, Sartorius, Eitzen and Kamala (2007) indicated that in manufacturing companies, the adoption rate is 12%. Rundora and Selesho (2014) showed that in SMEs, the adoption rate is 33.3% in the Emfuleni Municipality in South Africa. In the education and training sector worldwide, the

adoption rate is 9.7% (Aldukhil, 2012). Only three educational and training sectors in the world are ABC users (Aldukhil, 2012:130; Hashim, 2015:16).

In the Technical and Vocational Education and Training (TVET) sector in South Africa, there is no proper tool that really measures the accuracy of the cost of running the courses offered. The ABC system is more useful in determining the cost of courses compared to traditional costing (Ali, 2012:96; Manuel, 2011:10; Naidoo, 2011:113). However, while there is much literature on factors relating to ABC implementation, no studies have been conducted in South African TVET colleges and investigated the reasons for the non-adoption of ABC.

The aim of this study is to determine TVET finance staff members' opinions on those factors that affect ABC adoption in TVET colleges in KwaZulu-Natal (KZN). This study thus fills a gap in ABC literature as this study examines ABC in a particular sector, the TVET higher education sector in South Africa, and more specifically, in KZN. The paper is structured as follows. The next section discusses the background of ABC and its relevance to the higher education sector. After this, the variables to be investigated are discussed. Next the research methodology is explained. This is followed by the discussion of the results, and the conclusions, limitations and recommendations for further research.

BACKGROUND

Definition of ABC

ABC is a technique to measure the cost and performance of activities and cost objects that are necessary for the production of products or services (Ray, 2012:7). The system assigns cost to activities based on their use of resources, and assigns costs to objects based on their use of activities (Ray, 2012). ABC allows organisations to track the cost associated with activities performed to produce a product or to deliver a service. The main assumption of ABC is that a product consumes activities and activities consume resources (Lutilsky & Dragija, 2012:37). In ABC, direct costs are also directly traced to product or services, but the main attention is paid to indirect costs, which are allocated to activities.

The application of traditional costing system in the Higher Education Institutions

Higher Education Institutions (HEIs) employ fund accounting whereby the costs are allocated at the cost centres (Amir, Mealah & Ahmad, 2012:3). These cost centres consists of faculties (campuses), administration and service offices. The costing systems currently in use at HEIs are designed mainly for compliance and reporting purposes rather than for providing the information needed for effective management. Furthermore, the present costing systems used at HEIs groups data to answer the financial reporting needs of International Financial Reporting Standards (IFRS) and General Accepted Accounting Principles (GAAP), such as how much an institution spends on salaries and benefits (Maria, 2013). In the traditional costing system used at HEIs, only the number of students is considered as a cost driver. Under this system the actual cost to deliver post-secondary education and how those costs compare to outcomes is not known. Overhead costs are allocated using the number of students regardless of the relationship with the product or service. Therefore, low volume products are under-costed and high volume products are over-costed. This means that HEIs do not obtain accurate programme costs because they fail to allocate overhead costs, or they use a uniform cost driver (number of students) to assign overhead costs to work divisions and this uniform cost driver distorts programme costs (Kim & Ballard, 2011).

Benefits of ABC at TVET colleges

Mushonga (2015) argues that ABC is required in the public sector, such as TVET colleges, to translate the total general ledger account balances into their work activities, as the traditional costing system producing the general ledger information is too basic to be useful in decision-making. TVET colleges want to be responsive to the government's mandate to retain and graduate more students and TVET colleges' budgets are tight, requiring these institutions to do more with fewer resources. ABC offers a mechanism that can help TVET colleges determine the best way to meet their goals by monitoring the use of scarce resources, in particular activities to improve student retention and graduation (Hurlburt & Kirshstein, 2014). ABC looks at how much time is spent on specific predefined activities, focusing primarily on work that is performed; it reflects the work process itself. In many respects, it can remove the "guesswork" from higher education spending. According to Schmelze and Buttross (2003), the application of ABC to the public sector such as TVET colleges can provide information on the cost of providing government services for strategic decisions, such as determining the affordability of providing government services.

LITERATURE REVIEW

Theoretical framework

Contingency theory has been widely accepted and used in management and accounting literature (Ismail, Zainuddin & Sapiei 2015:22). It is based on the principle that the appropriateness of managerial controls or systems is contingent upon the environment of the organisational setting in which these systems operate and function (Fei & Isa, 2010). Abusalama (2008) argued that ABC adoption and success would depend upon specific contingent factors such as product diversity, cost structure, firm size, competition, and business culture. Thus, the appropriateness of any system is dependent on the factors embedded in the firms (Aldukhil, 2012). Contingency theory therefore suggests that ABC adoption is contingent on behavioural and organisational factors and technical factors and the features of the management accounting system. These factors are discussed next.

Factors that affect ABC adoption

The factors proposed by literature that might affect ABC adoption and implementation are divided into behavioural and organisational variables and technical variables. Behavioural and organisational variables consist of the size of an organisation, top management support, cost structure, product diversity, resistance to change, internal champion and innovation, internal resource availability and training. Technical variables consist of identifying activities, grouping and aggregating activities, assigning resources to activities, selecting cost drivers and assigning activities costs to cost objects. Each of these variables is discussed next.

Behavioural and organisational variables

Behavioural and organisational variables are important to cost management practices (Fei & Isa, 2010). The following behavioural and organisational variables which potentially impact on the adoption of ABC by TVET colleges have been identified in the literature.

Size of organisation

Contingency literature considers that larger organisations are generally more difficult to manage, and require more specialized and integrated techniques (Drejer, 2002). Researchers (Clarke, Hill & Stevens, 1999; Abusalama, 2008) argue that the size of company usually explains the rate of adoption of sophisticated cost accounting systems as in general, a larger size increases complexity and usually requires greater access to individuals with the

knowledge to design and implement an ABC system. Abusalama (2008:139) justifies this by arguing that large firms are more likely to have greater access to individuals with the knowledge to design and implement ABC system. Similarly, Naranjo-Gil (2009:813) and Elagili (2015:50) argue that larger companies have more resources, both for management and for the development of a complex cost system, such as the ABC system. Smaller organisations which lack such resources are forced to make difficult trade-offs in their investment choices and often forgo the implementation of systems which may represent an expensive innovation such as ABC (Damanpour & Gopalakrishnan, 2001). Khalid's (2005) study showed a positive correlation between the size of company and the use of the ABC system. Thus, size will be important factor related to adoption of a new system. Therefore, this study tests whether finance staff members perceive that larger TVET colleges are more likely to adopt ABC than smaller colleges.

Top management support

Management support is not only required in the preliminary stages of ABC implementation; rather, it is a continuous process to maintain the new system (Aldukhil 2012). According to Intakhan (2014), the role of top managers is to determine vision and policy, make decisions, solve problems, drive the organisation to growth and survival, and motivate all employees involved in the application of ABC. Intakhan (2014) argued that the support from the administration means a level of importance, to support both managers and anything else that is needed to drive ABC to achieve the goal. If managers focus on involvement and participation, it will lead to ABC implementation success (Hoozee & Bruggeman, 2010). Cohen, Venieris and Kaimenaki (2005) further identified that a lack of management interest/support is one of the reasons for the non-adoption of ABC. Majid and Sulaiman (2008) concur and argue that senior management buy-in is essential for a successful implementation of ABC. There is a higher chance of success when top management support the adoption of ABC because of the freedom and support given to the system implementers (Elagili, 2015; Aldukhil, 2012). Accordingly, this study investigates whether finance staff members perceive that TVET colleges, which have top management support, are more likely to adopt ABC than those colleges which lack top management support.

Cost structure (Level of overheads)

Abusalama (2008), Drury (2015) and Elagili (2015) argue that as overheads become an ever-larger component of product cost, it increases the distortion inherent in traditional costing systems. Vieira and Hoskin (2004) and Majid and Sulaiman (2008) considered the overhead costs of an organisation to be a factor that increased the likelihood of ABC adoption. Based on this argument, the study investigates whether finance staff members perceive that TVET colleges, which have a greater percentage of total cost as overheads, are more likely to adopt ABC than colleges which have a smaller percentage of overhead costs.

Product diversity

According to Abusalama (2008) and Schoute (2011), product diversity is also a major factor in the adoption of ABC. Companies that have many diverse lines are known to use ABC even though allocating costs to a diverse product range is more difficult than the allocation of costs to a lower number of products. Chongruksut and Brooks (2006) state that companies with product diversity and more production lines are more likely to use ABC for the allocation of the overhead costs, and that ABC was introduced to solve such problems. Elagili (2015) argued that greater product complexity and diversity increases the costing distortions arising from traditional cost systems. This study adopts the position that product diversity is a significant factor in the adoption of ABC. Therefore, this study examines whether finance staff members perceive that TVET colleges, which have more product diversity, are more likely to adopt ABC than those colleges which have less product diversity.

Resistance to change

The implications of organisational changes such as adoption of ABC should be considered within organisational and cultural contexts in which the change takes place because the human factor is an important factor in any change (Lammert & Ehram, 1991). From an organisational perspective, employee resistance can be a significant deterrent to change such as the adoption of ABC (Folger & Skarlicki, 1999). Major changes or innovations such as the implementation of ABC may find resistance when those changes are perceived by the employees to alter values and visions related to the existing order (Leigh, 2002). Employee opposition to ABC may disrupt and delay the change process, even causing failure (Ford, Ford & McNamar, 2002). Askarany and Smith (2008) argue that organisations that adopt innovative policies are more likely to use ABC as ABC provides more appropriate and detailed information. Based on this argument, this study tests whether finance staff members perceive that TVET colleges with employees who are open to change and innovation are more likely to adopt ABC than those colleges with employees who are resistant to change.

Internal champion support and innovation

According to Egan (2002), process and team integration are the key drivers for the successful implementation of new projects. The support of an individual who plays the role of champion inside an organisation and the willingness of such insiders to accept and adopt new innovations such as ABC is an important factor in the adoption and implementation of ABC (Elagili, 2015). An internal champion assists employees in familiarising themselves with a new system so as to understand the importance of the new system thereby reducing any resistance to change within the organisation (Baird, Harrison & Reeve, 2004). Elagili (2015) argued that the existence of pro-innovation staff inside an organisation is significant since it would help in educating senior management and users about ABC. Therefore, this study adopts the position that internal champion support is a significant factor in the adoption of ABC. Thus, the study determines whether finance staff members perceive that TVET colleges, which have high internal champion support and innovation, are more likely to adopt ABC than those colleges which have less internal champion support and innovation.

Internal resources availability

The implementation of ABC demands sufficient internal resources such as the time and commitment of top management, managers, accountants and operating employees in order to build ownership, knowledge and action within the company (Chongruksut, 2002). Sufficient internal resources give employees the opportunity to learn about ABC and the ABC benefits, and make employees less resistant to change (Shields, 1995). The process of designing and implementing ABC requires companies to have adequate resources (Chiarini, 2012). Lopez (2013) concludes that ABC is accurate but consumes a great deal of resources. According to Garrison and Noreen (2011), Chiarini (2012) and Lopez (2013), the process of collecting information and identifying activities for implementing ABC is rigorous and time consuming, and that limited resources are seen as major stumbling block in the adoption of ABC. Based on this argument, the study examines whether finance staff members perceive that TVET colleges, which have adequate resources, are more likely to adopt ABC.

Training

ABC training refers to the degree of appropriate and adequate training on ABC used to deliver knowledge, skills, attitudes, objectives, benefits and usefulness to employees who are involved in the implementation of ABC (Foster & Swenson, 1997). ABC training helps the firm to develop positive attitudes towards ABC adoption and implementation (Intakhan, 2014). This is because training transfers knowledge and experience in an easy to understand manner (Intakhan, 2014). Shields (1995) found that training on ABC implementation is significantly

associated with successful ABC adoption. Gurses (1999) also indicated that one step in the implementation process for ABC is training. Aldukhil (2012) argued that without training, problems can be expected during the design, implementation and usage of ABC. Training is a prerequisite to make sure that employees understand the benefits of the system and help them in their decision-making (Elagili, 2015). Elagili (2015) further indicated that for the ABC model to work there needs to be training programmes firstly for the administration staff, followed by training for the implementers and users. The influence of training on ABC adoption is examined by determining whether finance staff members perceive that there is a positive relationship between ABC adoption and training.

Technical variables

According to Abusalama (2008:175), the above behavioural and organisational variables alone may not explain all the reasons for ABC adoption rates. Technical variables, which are the identification of activities, and defining and describing activities, also need to be considered. Turney (1996) considers the basic building blocks of ABC to be resources, activity, activity centre, resource driver, activity pool, cost element, activity driver and cost object. Turney (1996) believes technical variables such as defining and describing activities is at the heart of designing ABC. Technical variables such as the identification of the activities are a fundamental step of ABC, as it sets the structure and scope of the system (Cooper & Kaplan, 1998). Drury (2015) advises businesses to understand technical variables such as the factors that drive each major activity in order to implement ABC successfully. Therefore, this study examines whether finance staff members perceive whether technical issues are a cause for rejecting ABC.

RESEARCH METHODOLOGY

The research followed a positivist paradigm and used a questionnaire to establish the perceptions of finance staff towards those factors that affect ABC adoption. The study thus followed a deductive approach using a quantitative method. Ethical approval for the research was granted by the Durban University of Technology. The questionnaire, which used questions from the literature (Hieu, 1996; Aldukhil, 2012) and personal knowledge of the TVET colleges, was administered to a sample of staff (30 finance staff in six TVET colleges) in order to establish the perceptions of finance staff members towards those factors that affect ABC adoption. (The total number of TVET colleges in KZN is 30.) A Likert-scale of 1 = strongly agree, 2= agree, 3= neutral, 4= disagree and 5= strongly disagree was used. All questionnaires were pretested to eliminate any bias. Completed questionnaires were checked to ensure that data recorded were usable. Thereafter, the data were coded and captured in SPSS version 24.0. The levels of agreements and disagreements were collapsed to show a single category of “agree” or “disagree”. This was allowed due to the acceptable level of reliability. Reliability tests were conclusive for all the questionnaire items (Cronbach’s alpha > 0.5).

RESEARCH FINDINGS AND DISCUSSION

Before addressing respondents’ perceptions of the variables which may affect ABC adoption, the current practices regarding the costing models in use at TVET colleges in KZN and the respondents’ awareness of ABC was established. Respondents were asked to indicate their level of knowledge relating to ABC. The results, shown in Table 1, shows that the majority of the respondents had some knowledge of ABC with 18 (60%) respondents indicating that they had some knowledge of ABC and twelve (40%) respondents indicating that they had no knowledge of ABC.

TABLE 1:
Knowledge of ABC system

Levels of knowledge	Number	Percentage	Rank
No knowledge	12	40	1
General knowledge	11	36.7	2
Extensive knowledge	6	20	3
Expert knowledge	1	3.3	4
Total	30	100	-

Although Table 1 shows that some respondents indicated that they had no knowledge of ABC, this may have referred to enough knowledge to implement the system, as a question on current ABC implementation (see Table 2), showed 18 (60%) respondents indicating that ABC had been rejected after assessment, three (10%) respondents indicating that it had been implemented in select areas, eight (27%) respondents reporting that ABC was currently under consideration, and one (3%) respondent indicating that there had been no consideration of ABC to date. This may indicate that respondents were generally aware of ABC.

TABLE 2:
Current practices regarding abc

Implemented ABC in selected areas	3	10%
Currently considering ABC	8	27%
No consideration of ABC to date	1	3%
Rejected ABC after assessment	18	60%
Total number of respondents	30	100%

Table 2 confirms that, for the TVET colleges in the sample, none are using ABC in full.

To determine respondents' perceptions of the variables which may affect ABC adoption, statements addressing each of the variables were posed. Each variable is discussed separately below.

Behavioural and organisational variables

Size of organisation

Literature (Clarke, Hill & Stevens, 1999; Abusalama, 2008) suggests that size is an important factor in the adoption of ABC. The results of a statement posed on size is shown in Table 3.

TABLE 3:**Size of organisation**

Statement	Agree	Neutral	Dis-agree	Chi-square	Df	(asymp.sig) p-value
Larger colleges are more likely to have a greater access to individuals with the knowledge to design a new system	86.7%	10.0%	3.3%	17.467	3	0.001*
	26	3	1			
*p-value < 0.05						

Table 3 indicates that 26 (86.7%) respondents agreed that larger colleges were more likely to adopt a new system as they would be more likely to have greater access to individuals with the knowledge to design a new system. The difference between the respondents' replies is statistically significant at a p-value of 0.001, implying that respondents believe that size plays a significant role in the adoption of ABC.

Top management support

The second variable adopts the position that top management support is a significant factor in the adoption of ABC.

TABLE 4:**Top management support**

Statements	Agree	Neutral	Dis-agree	Chi-square	Df	(asymp.sig) p-value
Top management always provide adequate support when a new system or programme is introduced	26.7%	50.0%	23.3%	12.400	3	0.006*
	8	15	7			
Top management always consult affected staff for their input and opinion before introducing a new system	23.3%	40.0%	36.7%	9.200	3	0.027*
	7	12	11			
Top management always conduct proper skills audits to ascertain the competency gap before they introduce a new system	23.3%	33.3%	43.3%	9.000	4	0.061
	7	10	13			
*p-value < 0.05						

Table 4 shows that three statements were used to examine this variable. Half (15 or 50%) of the respondents were neutral in their attitudes towards the statement that "*top management always provide adequate support when a new system or programme is introduced*" and 12 (40%) respondents were neutral in their attitudes towards the second statement that "*top management always consult affected staff for their input and opinion before introducing a new system*". For both statements, there was little support from the respondents. The third statement – "*top management always conduct proper skills audits to ascertain the competency gap before they introduce a new system*" - was not supported by the majority of the respondents with 13 (43.3%) respondents disagreeing with the statement and 10 (33.3%) respondents indicating a neutral stance towards the statement. These three statements indicate that the respondents do not perceive that there is top management support when a new system is introduced nor are affected staff consulted or skills audits conducted.

For the first two statements, there is a statistically significant difference between the response categories since the p-values were less than 0.05. This result indicates that respondents are divided in their opinions as to whether or not this top management support exists at TVET colleges, and this may indicate that this is a barrier to ABC adoption.

Level of overheads

To provide background information on the overhead structure at the TVET colleges, a question was posed asking the respondents to indicate the cost structure at their TVET college. These results are shown in Table 5.

TABLE 5:
Cost structure of tvet colleges

	Direct material	Direct labour	Overheads
	%	%	%
Mean	21.83	57.93	20.57
Median	20.00	63.00	18.50
Std. Deviation	7.78	1.16	7.45

Table 5 shows that direct labour was the highest cost element, direct material was the second highest element and the lowest cost element was service overheads. This may indicate that the colleges are labour intensive and this could have a negative impact on ABC adoption.

A cross-tabulation of overheads and the level of ABC adoption as reported by the respondents is shown in Table 6.

TABLE 6:
Overheads and level of abc adoption

Current level of ABC adoption		Approximate percentage of total costs accounted for each of the following			Total
		Low overheads	Medium overheads	High overheads	
Implemented in selected areas	Number	1	0	2	3
	% within how many courses does your college offer	33.3%	0.0%	66.7%	10.0%
	% of Total	3.3%	0.0%	6.7%	10.0%
Currently under consideration	Number	8	0	0	8
	% within how many courses does your college offer	100%	0.0%	0.0%	26.7%
	% of Total	26.7%	0.0%	0.0%	26.7%
Rejected ABC after assessment	Number	0	0	1	1
	% within how many courses does your college offer	0.0%	0.0%	100%	3.3%
	% of Total	0.0%	0.0%	3.3%	3.3%
No consideration of ABC to date	Number	17	1	0	18
	% within how many courses does your college offer	94.4%	5.6%	0.0%	60.0%
	% of Total	56.7%	3.3%	0.0%	60.0%
Total	Number	26	1	3	30
	% within how many courses does your college offer	100%	100%	100%	100%
	Total	86.7%	3.3%	10.0%	100%

If there is no relationship between the level of ABC adoption and cost structure, Table 6 would show the same distribution of the cost structure within each group. Two cross-tabulations ('*low overheads and currently under consideration*' and '*low overheads and no consideration of ABC to date*') are where the majority of the respondents fall. This latter cross-tabulation could indicate that the low level of overheads is a reason for the non-adoption of ABC and could be perceived as a barrier to its adoption.

Product diversity

Colleges with more product diversity are more likely to adopt ABC (Chongruksut & Brooks, 2006). To determine product diversity, respondents were first asked to indicate the number of courses their college offered using three levels of answers: 1 – 10, 11 - 30 and more than 30 courses. Table 7 shows a cross-tabulation between product diversity (i.e. number of courses offered) and level of ABC adoption.

TABLE 7:

Product diversity and level of abc adoption

		How many courses does your college offer?			Total	
		Low product diversity 1-10	Medium product diversity 11-30	High product diversity >30		
What is the current level of ABC adoption in your college?	Implemented in selected areas	Number	2	1	0	3
		% within how many courses	50.0%	4.5%	0.0%	10.0%
		% of Total	6.7%	3.3%	0.0%	10.0%
	Current-ly under consid-eration	Number	0	7	1	8
		% within how many courses does your college offer	0.0%	31.8%	25.0%	26.7%
		% of Total	0.0%	23.3%	3.3%	26.7%
	Reject-ed ABC after assess-ment	Number	0	1	0	1
		% within how many courses does the college offer	0.0%	4.5%	0.0%	3.3%
		% of Total	0.0%	3.3%	0.0%	3.3%
	No consid-eration of ABC to date	Number	2	13	3	18
		% within how many courses does your college offer	50.0%	59.1%	75.0%	60.0%
		% of Total	6.7%	43.3%	10.0%	60.0%
	Total	Number	4	22	4	30
		% within how many courses does your college offer	100%	100%	100	100%
		Total	13.3%	73.3%	13.3%	100%

As shown in Table 7, 22 respondents indicated that their college offered 11 – 30 courses, and the remaining eight respondents were evenly split between the categories of 1 – 10 and more than 30. Table 7 also shows that in the colleges with medium product diversity, 13 respondents indicated that ABC is not being considered, whereas seven respondents indicated that it was currently under consideration. Only one respondent in a college with high product diversity indicated that ABC was currently under consideration. However, a specific question posed on product diversity indicated that respondents believed that TVET colleges with more product diversity are more likely to accept a new system. This result is shown in Table 8.

TABLE 8:**Product diversity**

Statement	Agree	Neutral	Dis-agree	Chi-square	Df	(asymp.sig) p-value
TVET colleges that offer different programmes or courses are likely to accept a new system	70%	23.3%	6.7%	34.000	4	0.000*
	21	7	2			

*p-value < 0.05

Table 8 shows that 21 (70%) respondents agreed that TVET colleges that offer different programmes or courses are more likely to accept a new system, i.e. the higher the level of product diversity, the more likely a college would accept ABC.

Resistance to change

Resistance to change is a critical factor in the adoption of ABC. Therefore, the following statements shown in Table 9 examined respondents' attitudes towards resistance to change.

TABLE 9:**Resistance to change**

Statements	Agree	Neutral	Dis-agree	Chi-square	Df	(asymp.sig) p-value
I am open to a new system which reduces errors	90%	6.7%	3.3%	19.867	3	0.000*
	27	2	1			
I accept a system which leads to a better adherence to policies and procedures	90%	3.3%	6.7%	20.933	3	0.000*
	27	1	2			
I am open to a new system if it allocates costs, and is more efficient than the old way of doing things	83.3%	16.7%	0%	5.000	2	0.082
	25	5	-			
I am open to the new system if adequate training is received	80%	6.7%	13.3%	20.000	4	0.000*
	24	2	4			
Often, I feel uncomfortable about change that may even potentially improve my life	10.3%	27.6%	62.1%	5.897	3	0.117
	3	8	18			
When someone pressures me to change something, I tend to resist it even if I think the change may ultimately benefit me	3.4%	20.7%	75.9%	19.414	3	0.000*
	1	6	22			
I sometimes find myself avoiding changes that I know will be good for me	0%	10.3%	89.7%	10.207	2	0.006*
	-	3	26			
Once I come to a conclusion, I'm not likely to change my mind	6.9%	24.1%	68.9%	22.897	4	0.000*
	2	7	20			
I like to do the same old things rather than try new and different ones	3.4%	13.8%	82.8%	17.483	3	0.001*
	1	4	24			
If I were to be informed that there's going to be a significant change regarding the ways things are done at work, I would probably feel stressed	6.9%	24.1%	68.9%	17.379	4	0.002*
	2	7	20			

*p-value < 0.05
Note: Some statements were only answered by 29 respondents

Table 9 shows that 27 (90%) respondents indicated that they were open to a new system which reduces errors and one that lead to better adherence to policies and procedures (statement 1). In summary, the first four statements where respondents indicated that they were open to change were accepted by the respondents, and the last six statements indicating

that respondents were not open to change were mainly rejected by the respondents. Most of the statements had statistically significant differences between the respondents' answers which would support either the acceptance or rejection of the statement where applicable. However, overall, the respondents indicated that they were open to change and would therefore accept a new system.

Internal champion support

Internal champion support is a significant factor in the adoption of ABC. Table 10 shows the responses to a statement on whether the respondents perceived themselves as supportive of any new system.

TABLE 10:
Internal champion and innovation

Statement	Agree	Neutral	Dis-agree	Chi-square	Df	(asymp.sig) p-value
If there is a new system intended to improve efficiency, I will encourage and support its implementation	96.7%	3.3%	0.0%	14.600	2	0.001*
	29	1	-			
*p-value < 0.05						

Twenty-nine (96.7%) respondents indicated that they are pro-innovation and are willing to support a new system. The chi-square test indicated a statistically significant difference in the responses with a p-value of 0.001. Thus, finance staff are willing to act as an internal champion if a new system is introduced which improves efficiency.

Internal resources' availability

Internal resources' availability is a significant factor in adoption of ABC. Two statements, shown in Table 11, were used to probe finance staffs' perceptions of the availability of internal resources.

TABLE 11:
Internal resources' availability

Statements	Agree	Neutral	Dis-agree	Chi-square	Df	(asymp.sig) p-value
The finance department is adequately staffed, due to its ability to attract and retain sufficiently trained and experienced staff	53.3%	20%	26.7%	9.333	4	0.053
	16	6	8			
The competent staff are overloaded and in demand in our college	66.7%	26.7%	6.7%	15.667	4	0.004*
	20	8	2			
*p-value < 0.05						

Table 11 indicates that respondents mainly agreed that the finance department is adequately staffed, however, there was also a perception that staff are overloaded. Thus, while the staff may be competent, it is possible to infer from the responses that more staff members may be necessary for the successful implementation of ABC.

Training

Respondents were asked whether adequate training is provided when a new system is implemented. These results are shown in Table 12.

TABLE 12:**Training**

Statement	Agree	Neutral	Dis-agree	Chi-square	Df	(asymp.sig) p-value
Adequate training is always provided when a new system or programme is implemented	36.7%	20.0%	43.3%	11.000	4	0.027*
	11	6	13			
*p-value < 0.05						

Thirteen (43.3%) respondents indicated that training is not provided when a new system is implemented, six respondents (20%) were neutral and 11 (36.7%) respondents indicated that training is provided when a new system is implemented. The chi-square test indicated that there was a statistically significant difference in the responses since the p-value was less than 0.05. Therefore, lack of training is seen as a barrier in the adoption of ABC.

The last variables to be tested were the technical variables.

Technical variables

Technical variables are significant factors in the adoption of ABC. In order to determine respondents' opinions on the technical variables that affect ABC adoption, the respondents were asked to indicate the level of agreement with the statements shown in Table 13.

TABLE 13:**Technical variables that constitute barriers to abc adoption**

Statements	Agree	Neutral	Disagree	Chi-square	Df	Asymp.Sig (p-value)
I can rank all the tasks of the college according to the college's divisions	33.3%	23.3%	43.3%	10.000	4	0.040*
	3	7	20			
I can list all tasks and duties that I perform in my job	73.3%	13.3%	13.3%	17.667	4	0.001*
	22	4	4			
The college identifies and analyses various activities involved with providing services or teaching students	30.0%	26.7%	43.3%	4.333	4	0.363
	12	8	20			
I can break down the time spent on major activities performed at campus level	23.3%	40.0%	36.7%	10.333	4	0.035*
	7	12	11			
*p-value < 0.05						

The first statement in Table 13 indicates that the respondents disagreed with the statement that '*I can rank all the tasks of the college according to the college's divisions*'. However, respondents were in agreement with the second statement '*I can list all tasks and duties that I perform in my job*'. This may indicate that the respondents are focused more on their jobs, than on the tasks of the college. This is supported by the last statement where respondents were mainly neutral or disagreed with the statement that they could '*break down the time spent on major activities performed at campus level*'. The respondents also disagreed with the notion that the college identifies and analyses the various activities relating to students, such as services and teaching. For three of the statements, $p < .05$ indicating a statistically significant difference between the responses. In summary, these results indicate that the technical variables could be a barrier to ABC adoption at TVET colleges as respondents were focused more on their own tasks, rather than the tasks of the college itself.

CONCLUSIONS, RECOMMENDATIONS AND LIMITATIONS

The findings of the previous studies documented in the literature review indicated that the adoption of ABC is contingent upon eight behavioural and organisational factors, namely, size, top management support, cost structure, product diversity, resistance to change, an internal champion, internal resources and training, and technical variables (identifying activities, grouping activities, assigning costs to activities and assigning costs of activities to cost objects). The findings of this study indicate that not all of these factors are present in TVET colleges and therefore would be barriers to ABC adoption. Finance staff members perceived that the lack of top management support, TVET colleges' cost structure, the lack of internal resources and the lack of training are barriers to its implementation. Technical variables were also shown to be a barrier to ABC adoption. These findings indicate that while various factors need to be present for the successful adoption of ABC, it is important to identify whether they are present or not in any organisation seeking to adopt ABC. This supports contingency theory's premise that no single type of organisational structure is equally applicable to all organisations (Aldukhil, 2012). While current ABC models suggest that only the variables need to be addressed together with organisational structure and culture (Fei & Isa, 2010), the implications of this current study suggest that to implement ABC, a new model is required where the technical variables need to be addressed first and thereafter any behavioural and organisational variables which are barriers to its implementation should be addressed. These findings are novel in the TVET sector and have implications for policy makers, such as the Department of Higher Education and Training (DHET) under which these colleges fall as more resources and training would be required by these colleges. These findings also have implications for practitioners who may be required to assist in the implementation of ABC.

The limitations of this study are that it focused on the adoption of ABC in a total of six TVET colleges in KZN and thus its results cannot be generalized beyond these TVET colleges.

Future research could focus on a new model to implement ABC as proposed by this study and how ABC could measure the accuracy of the cost of running the courses offered by TVET colleges. These results may provide additional insights on whether a new model would enable identification of all major activities of a tertiary educational institution and assist in the adoption of ABC.

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Using a productive pedagogies framework for business studies teaching

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ABSTRACT

The management and leadership of businesses are becoming increasingly under scrutiny because of globalisation, rapid technological advancement, influence of social media and scale and scope of the fourth industrial revolution. More recently in South Africa, multi-national companies reached the front pages of newspapers for lack of leadership, (mis)management and other irregular business practices. Management education and the integration of 21st century skills within the higher education sector is not only important to deliver respectable businessmen and women, but it is also important within the school context where Business Studies educators should be knowledgeable and better informed of the importance of managerial competencies and conduct. Using the Productive Pedagogies Framework (PPF) as a prism, this paper focuses on the teaching of Business Studies within the context of SA, the current limitations and criticisms of the curriculum and a look at how these criticisms could be addressed with reference to the 'Transition year program (TYP)' within high school education in Ireland. Productive Pedagogies' is a balanced theoretical framework that encompasses a multi-dimensional model for teaching and learning. Lingard (2007:263) avers that 'productive' resonated with the idea of teachers actually producing something in a positive sense at a time when human capital discourse dominated educational policy.

Productive pedagogies literature are well documented (Lingard, 2007, Lingard, Hayes & Mills, 2003, Lingard & Mills, 2010, Zyngier, 2007, Mills, Goos, Keddie, Honan, Pendergast, Gilbert, Nichols, Renshaw & Wright, 2009, and others), but literature with regard to Business Studies is limited. The PPF is recognised for professional teacher development (Zyngier, 2007) and the enhancement of student learning, both academic and social through four dimensions: Intellectual quality, Supportive classroom environment, Recognition of difference and Connectedness. As Business Studies is ideal to foster entrepreneurship in schools, Mentjes, Henrico & Kroon (2015:9) argue that the curriculum should be adapted to cater for 'active learning in a business simulated environment'.

Research on Business Studies pedagogy is limited. A multitude of factors impact on achieving high quality teaching taking into account its education system, school and individual classroom

contexts, socio-economic backgrounds, ethnicities, geographic locations and physical abilities. However, how will these factors affect the integration of the PPF in Business Studies, for example, intellectual quality, connectedness, supportive classroom environment and valuing and working with difference? The aim of this paper is offer an overview of the curricula and put forward our perspectives as narrative accounts of two distinct contexts: Business Studies teaching within Ireland and South Africa. By using the PPF, we reflect on its principles and its impact. The methodology is document analysis of the policies, curricula and the authors' knowledge and experience of the Business Studies in the respective contexts.

This paper is part of a broader research project and given its exploratory nature, the inferences and recommendations are preliminary. The intention was to present an overview and not a comparison; however, the difference between South Africa and Ireland with regard to self-directed learning and experiential learning (*cf.* Moynihan, 2015) is noted. Furthermore, the use of social media and the internet provides a opportunity for teachers to simultaneously apply the two sub-themes of the PPF, 'background knowledge' and 'connectedness to the world' to digitally connected learners, creating a potential for alternative and 'business like' learning environments.

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Intercultural communication awareness in Sino-African organisational contexts: Perspectives on African culture

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ABSTRACT

Intercultural communication challenges such as misunderstanding, ineffectiveness and inappropriateness are often experienced in Sino-African organisational contexts due to a lack of *intercultural communication awareness* (knowledge and understanding of communication in own and others' culture). Towards developing intercultural communication awareness in Sino-African organisational contexts, this paper presents a portion of results from a large study aimed at developing a framework for enhancing intercultural communication in Sino-African organisational contexts. Specifically, perspectives on communication in African culture that emanate from a qualitative study comprising in-depth interviews with a sample of seven African and eight Chinese experts are presented. The insights enable a better understanding how African people view themselves in communication and how they are viewed by their Chinese counterparts. In-turn, these insights serve as useful reference points in the development of intercultural communication enhancement strategies and interventions in Sino-African organisational contexts based on the perspectives of those in interaction.

INTRODUCTION

The ability to communicate across cultural boundaries has become increasingly important for global businesses, in order to understand how to communicate with employees and customers from diverse cultures to fulfil the organisation's mission and build value for their stakeholders (Mathews and Thakkar, 2012). This need for ability to communicate across cultures arises from the suggestion that when communicators share the same cultural scripts, communication between them is likely to be smoother and more effective compared to when they do not (Gao and Ting-Toomey, 1998, p.70). Critically in a foreign environment, understanding the manner of communication, or, "knowing how to listen, how to interrupt, how to praise, and how to scold, are more important to a foreign manager than learning the language" (Berger, 1987 cited in Dean and Popp, 1990, p.405). Likewise, host country managers and employees should also strive to minimise intercultural communication (IC) challenges, such as using ineffective or inappropriate language behaviours in communication.

he aforementioned challenges are made worse by traditionally understood barriers, which include differences in language, cultural values, worldviews, as well as ethnocentrism (Okech, Pimpleton, Vannatta and Champe, 2015, p.271), anxiety felt by the “strangers” (Gudykunst, 1995) stereotyping, prejudice, ambiguity and non-verbal misinterpretations (Washington, 2013; Beebe, Beebe and Redmond, 2011; Martin and Nakayama, 2010; Phatak, Bhagat and Kashlak, 2005). Tellingly, while the expectation in IC is of a good understanding between the interactants (Neuliep, 2012), experience has taught that misunderstandings often arise from differing expectations regarding communication. Again, these expectations can differ as a result of the influence of different values and worldviews of cultures shaping and dictating communication rules, behaviours and meaning in communication – hence the proclamation by Hall (1959, p.159), that “culture is communication and communication is culture”. In the Sino-African organisational context, reports of the loud African people simply talking, not necessarily to reach a particular conclusion (Matondo, 2012), and of Chinese people who are too quiet and rude, are likely to be a reflection of unknown or misunderstood cultural norms. China’s ambassador to South Africa, Zhong Jianhua (2007–2012), asserts that IC challenges between African and Chinese people arise from the gap between Chinese culture and the varied cultures of Africa’s diverse population (Von Schirach, 2012).

Challenges brought about by the gap between African and Chinese cultures are compounded by inadequacy of basic in-depth research of the African market, making it impossible for the Chinese to avoid potential cultural complications (Von Schirach, 2012). Dietz, Orr and Xing (2008) concur, stating that successfully combining Chinese and foreign forms of communication and cultural norms is one of the biggest challenges facing Chinese companies going abroad. African and Chinese managers and employees engaged in IC should therefore continually aim to improve the way they communicate, by reducing IC barriers and challenges, starting with a concerted effort at developing *intercultural communication awareness (IC awareness)* - a state where one has knowledge and understanding of communication in their own and their counterparts’ culture. In the quest for IC awareness in Sino-African organisational contexts, this paper presents a portion of results from a large study aimed at developing a framework for enhancing intercultural communication in Sino-African organisational contexts. Specifically, perspectives on communication in African culture that emanate from a qualitative study comprising in-depth interviews with a sample of seven African and eight Chinese experts are presented.

In presenting the findings of this study the authors acknowledge the heterogeneity in both Africa and Chinese cultures. The authors put forth that, although Africa has many cultures and is characterised by a variety of ethnicities, a diversity of languages, religions and cultural identities – the fundamental values, norms and mores of Africa remain unique and transcend ethnic boundaries (Asante, 1987; Maomeka, 1989). The common themes transcending African borders include a common origin and experience of struggle, resistance to European legal practices and political processes, shared traditional values of humanness and harmony with nature, a fundamentally African way of interpreting the world, and an orientation towards communalism (Asante, 1987; 1999; Martin and Nakayama, 2010, p.63). As such, it is possible to refer to an authentic African culture as distinct from European, American or other cultures (Maomeka, 1989)

For the purpose of this paper, the view adopted is that distinctively African cultural patterns exist that transcend ethnic characteristics. Typically, authentic African culture is encapsulated in the spirit of Ubuntu, which underpinned by the Xhosa saying: *Umuntu ngumuntu ngabanye abantu* meaning, “I am because you are, and you are, because we are” (Khoza, 2005, p. xx). Whatever happens to the individual happens to the whole group (Briggs 1996, cited in Waneless, 2007, p.117). Ubuntu emphasises values of caring, reciprocity, sharing, compassion, hospitality, cohabitation, cooperation and tolerance (see Metz, 2014; 2015; Praeg and Magadla, 2014; Bell and Metz, 2011; Van den Heuvel, 2008; Waneless, 2007; Khoza, 2005; Pietersen, 2005; McFarlin, Coster and Mogale-Pretorius, 1999; Mbigi, 1997;

Mbigi and Maree, 1995). Ubuntu is “opposed to rampant individualism, insensitive competitiveness, and unilateral decision making.” (McFarlin, Coster and Mogale-Pretorius, 1999, p.71) and entails a strong sense of togetherness and concern for others (Khoza, 2011) This approach provides broad insights upon which more focused research can be conducted in future studies. A similar stance to that adopted in the classification of African culture is adopted in respect of Chinese culture, where common themes – particularly Confucianism (Gan, 2014; Gao and Ting Toomey, 1998; Chen and Chung, 1994; Hofstede and Bond, 1988; Yum, 1988) – legitimise the existence of “a Chinese culture” despite the multiple ethnicities of China’s population.

LITERATURE REVIEW

Monson and Rupp (2013) report that, following China’s declaration of the year of Africa in 2006, scholarship on Africa–China relationships was dominated by a desire to understand China’s policies, strategies, and their significance for international affairs (Monson and Rupp, 2013, p.25). Apart from this focus, numerous other studies have been conducted on Chinese investments in Africa (Shen, 2015; Gu, 2009; Baah and Jauch, 2009; Kaplinsky and Morris, 2009; Alden and Davies, 2006; Brautigam, 2003). However, few studies have focused on overall management dynamics at the meso or organisational level (Jackson, Louw and Zhao, 2011), or on Sino-African cultural values and their influences on organisational practice (Matondo, 2012).

The novelty of the Sino-African organisational context in research may be the general reason for scarcity of literature on IC congruence at the meso level. Until fairly recently, owing to the colonial history of most African countries, there has been a predominance of Western organisations operating in Africa. Correspondingly, there has been an abundance of literature on interaction of Western and African cultures. Despite the flow of Chinese investment into Africa and an increasing number of Chinese organisations setting up operations in Africa, Chinese–African relations in the Sino-African organisational context is in its infancy. It is therefore plausible that the body of knowledge regarding interactions at the meso level is limited (Alden, Large and de Oliveira, 2008, p.1).

Studies related to Sino-African interactions in organisational contexts focus on topics such as: leadership style and quality of work life (Handley, 2016), intercultural cooperation (Mayer, Boness and Louw, 2017), organisational culture and commitment (Mabuza, 2015), employee relationships (Arsene, 2014), cultural adjustment and adaptation (Men, 2014), organisational commitment (Paterson, 2014), comparison of African and Chinese cultural values (Matondo, 2012; Westropp, 2012), culture differences in business relations (Anedo, 2012), and work ethic (Slabbert and Ukpere, 2011). For the sake of brevity however, only the studies relevant to IC are discussed.

Men (2014, p.131) explores interaction challenges faced in a Chinese organisation in Tanzania, suggesting that Chinese managers and employees should adapt to local needs and the Tanzanians should adapt to Chinese work ethic and goals. Advancing a different view based on a Ugandan study, Arsene (2014) posits that the extent to which Chinese employers understand and accept local practices determines the nature of the relationship between the Chinese employers and African employees. Anedo (2012) and Westropp (2012) concur, holding the view that knowledge and understanding of differences in values, priorities and expectations of those in interaction enhances their chances of success in business. The position adopted in this study is that knowledge and a better understanding of practices and values by both African and Chinese managers and employees may enhance IC and the interaction between them.

Significantly, Matondo (2012) identifies synergies between African and Chinese values, thus beginning to shape an understanding of African and Chinese values in relation to each other.

In exploring communication between African and Chinese people, Matondo (2012) reports differences in verbal communication styles. A preference for non-verbal styles by Chinese people is reported in contrast to the rich language of African people – who at times talk just for the sake of enjoyment and not to reach any particular conclusions (Matondo 2012, p.43). Differences can lead to difficulty in conveying and comprehending information appropriately and accurately (Leeds-Hurwitz, 2013, p.2). A point of similarity, however, is the richness of African and Chinese languages, often difficult to understand and laced with proverbs, idioms and riddles (Matondo 2012, p.43). This paper proposes that, despite obvious language difficulties where similarities in communication are present, they likely present opportunity to find “common ground” (Chen, 2015) and these may serve to enhance IC. Greater understanding of the similarities and differences in African and Chinese communication is therefore likely to enhance IC in the Sino-African organisational context.

In seeking common ground, some authors have reflected on African and Chinese philosophies of Ubuntu and Confucianism (such as Metz, 2014; 2015; Bell and Metz, 2011). Prominent among the similarities noted in Ubuntu and Confucianism are the moral importance of the community, respect accorded to elders and pursuit of harmony. Interestingly however, important differences within the similarities are also evident. For example, while community under Ubuntu requires consensus in politics, Confucianism does not. It is important therefore to be aware of subtle differences within similarities to understand the dynamics of Sino-African interactions – especially concerning IC in the context of this study. It is suggested that, in order to better understand and enhance IC between African and Chinese managers and employees, an understanding of the similarities and differences of communication in their respective cultures is established.

Given the increasing number of Chinese organisations in Africa, in the face of continuing IC challenges and limited research at the meso level, justification for this paper comes to the fore. First, there is a scarcity of research focused on understanding IC in the Sino-African organisational context. In addition, there are currently no comprehensive reference points comparing communication in African and Chinese cultures that managers, employees and management practitioners can readily draw on, to ensure that they communicate in the most appropriate manner. Understanding the similarities and differences in African and Chinese cultures is important because cultural groups differ in their judgments of intra-cultural rules and outcomes in interaction (Collier, Ribeau and Hetch, 1986, p.442). In addition, increased knowledge and understanding of each other’s culture and practices by those in interaction is likely to enhance the intercultural relationship and its chances of success (Arsene, 2014; Anedo, 2012; Matondo, 2012; Men, 2014; Westropp 2012).

Essentially, this paper draws from the argument that when people from different cultures communicate, poor intercultural awareness or a lack of understanding of cultural, behavioural and social norms of each other’s culture (Chen, 2015, p.467) heightens IC barriers such as stereotyping, prejudice and ethnocentrism. These barriers in turn perpetuate challenges such as ineffectiveness and inappropriateness in communication. Alternatively, good knowledge and understanding of cultural, behavioural and social norms of communication in one’s own culture and that of one’s counterparts, cultivates intercultural awareness that fosters a responsive and adaptive mind set, practical for enhancing IC (Gao and Ting Toomey, 1998, p.84). It is at this point highlighted that, in this paper, towards developing IC awareness for Sino-African organisational contexts, only IC awareness perspectives on African culture are explored with those on Chinese culture to be explored in the future. The objectives of the current paper are therefore set out below.

Research aim and objectives

In the endeavour towards IC awareness in Sino-African organisational contexts this paper sets out to;

- To identify and describe the similarities and differences in IC awareness perspectives of African culture (African experts views on “own”, and Chinese experts view on their African counterparts – “other”).

In order to achieve the above-mentioned objective it was necessary to determine African experts IC awareness perspectives of African culture and Chinese experts IC awareness of African culture. The following sub-objectives were therefore set;

- To identify and describe African experts perspectives on IC awareness in their own culture?
- To identify and describe Chinese experts perspectives on IC awareness of African culture?
- To compare African experts and Chinese experts perspectives on IC awareness of African culture.

Corresponding research questions that help address the research objectives are stated in Table 1.

TABLE 1:

Research questions

RQ-1	What are the perspectives of African experts on IC awareness in their own culture?
RQ-2	What are the perspectives of Chinese experts on IC awareness of African culture?
RQ-3	What are the similarities and / or differences in own and other IC awareness perspectives of African cultures in the Sino-African organisational context?

Source: Researcher’s own contribution

METHODOLOGY

A qualitative study in the form of in-depth interviews using open and semi-structured questions with 15 experts (seven of whom are African and eight who are Chinese) from diverse industry sectors was undertaken. A number of considerations informed the decision to conduct a qualitative study. First, given the dearth of research on IC in Sino-African organisational contexts, a qualitative study allows one to explore “significant truth” (Bakan, 1996, p.6) regarding IC awareness in African and Chinese culture through direct interaction. Secondly, in-depth interviews which are dominant in the interpretive paradigm (Golafshani, 2003), are an appropriate method of data collection as they help to capture the views of the interviewee that are rooted in their own values and beliefs (Creswell, 2007; Lincoln and Guba, 1985; Patton, 2002).

Regarding the decision to interview experts, Bernard (2006, p.146) maintains that cultural data requires experts who are able to offer expert explanations about a cultural norm and variations on that norm. Following a qualitative approach allows the study to come alive (Gudykunst, 2003, p.267; Hu and Fan, 2011; Miller, Deeter, Trelstad, Hawk, Ingram and Ramirez, 2013, p.320) through the construction of reality from the collective contributions of the African and Chinese experts and the researcher (Ponterotto, 2005; Sarantakos, 1993; Wahyuni,

2012). Furthermore, in referring to an African or Chinese expert, reference is to a “psychological member” (Shuter, 2012, p.1) of the African (sub-Saharan Africa) or Chinese society. They are born and socialised in the African or Chinese society speaking any of the native African or Chinese languages as their first languages, inclusive of all ethnic groups. In addition, they have had experience working in the Sino-African organisational context for at least one year.

A guanxi-orientated approach to sampling and data collection (Kriz, Gummesson and Quazi, 2014; Gu, Hung and Tse, 2008, p.14) was adopted. In the African sense, a guanxi orientation equates to the relational aspects of Ubuntu (Khoza, 2005; 2011). The researcher made use of pre-existing relationships with some Chinese and African managers and employees with experience working in Sino-African organisations to identify initial potential participants. The use of this approach increased the researcher’s access to more experts through snowball sampling, in which interviewees referred other suitable respondents who were willing to participate (Welman and Kruger, 2001). In addition to the use of a guanxi-orientated approach, judgmental sampling was applied to determine whether the identified experts met the selection criteria.

Two cultural groups – one comprising African experts and the other Chinese experts – are the units of study, while the individual African and Chinese experts form the units of analysis. African and Chinese experts as representatives of their respective cultures report a range of communication experiences in Sino-African organisational contexts. Following that, data analysis predominantly focuses on content analyses and descriptions of “thick data” emerging from the interviews evaluated through in-depth analyses and reported in the findings section.

A number of sub-themes related to cultural orientation, the manner of communication, orientation to rules and protocol, and individual dispositions were identified in this study. Cultural orientation relates to individualistic or collectivistic tendencies, attitude to human nature as well as the goal or purpose of communication within a cultural group. The manner of communication relates to the directness or indirectness of communication, the quantity of talk, use of verbal versus nonverbal codes, the extent of consideration of others and general style of communication (verbal or nonverbal) as perceived by the interacting parties. Orientation to rules and protocol refers to the extent to which communication is guided by rules when relating to different people across various relationships and in different contexts. It also includes power relations where status and hierarchy influence communication, and the extent to which certain behaviours are tolerated in adhering to protocol. Individual dispositions are the factors related to an individual’s outlook, temperament, mood, character and propensity to hide or show emotion. It is however, through the sub-themes that the findings of this study are explained as reflected in the next section.

FINDINGS

The findings from interviews with A1 to A7 and C1 to C8 are now presented. It is important to note that these results and findings are an excerpts from a much larger study drawn in as far as they address the aims and objectives of this paper.

First an illustration of the biographical details of the sample is provided in Table 2. Showing details of the nationality, gender, age, ethnic group, marital status, occupation or position, industry sector, number of years of experience and the highest level of educational qualification of the experts interviewed.

Findings presentation format

Research questions RQ1, RQ2 and RQ3 are addressed in an integrated manner. First presented are, IC awareness perspectives of African culture given by African and Chinese

experts that depict similarity of view. Following that, perspectives that highlight differences in view are then presented.

A tabular summary (Table. 3) and a graph (Figure.1) representing a comparison of *own* and *other* IC awareness perspectives for African cultures is presented. Only those characteristics with a count greater than 3 in each cultural group are included in Table 3. However, to show the contrast between own and other perspectives in some instances where one cultural group scores greater or equal to three, the other cultural group may score zero as is depicted in the graphical illustration (Figure 1).

Furthermore, in other instances where the African experts' score less than 3 on a perspective, while the Chinese experts have a score greater than three, the score of the former is not reflected in Table 3, but is however incorporated into Figure 1 to show the contrast.

Supporting quotations for the IC awareness perspectives are provided. This process brings forward potential similarities and differences between how African people view themselves and how they are viewed by their Chinese counterparts

TABLE 2:**Biographical information of respondents**

Respondent	Nationality	Gender	Age	Ethnic group	Marital Status	Home language	Position	Industry Sector	Months in job	Highest educational qualification
A1	South African	Female	40	Coloured	Married	English	Management accountant	Manufacturing	36	Bachelor's degree
A2	South African	Male	44	White	Married	English	Managing director	Professional	240+	PhD
A3	South African	Male	34	Black	Married	English	Senior executive	Manufacturing	36	Master's degree
A4	Cameroonian	Male	37	Black	Single	French	Lawyer	Legal	240+	Master's degree
A5	South African	Female	26	White	Married	Afrikaans	Client relations officer	Legal	120	Bachelor's degree
A6	South African	Male	55	White	Married	English	Senior executive	Professional	24	Master's degree
A7	Zimbabwean	Male	35	Black	Married	Shona	Engineer	ICT*	48	Master's degree
C1	Chinese	Male	50+	Chinese/SA	Married	Chinese	Geologist	Mining	264	PhD
C2	Chinese	Male	35	Chinese	Married	Mandarin	Managing director	ICT*	144	Master's degree
C3	Chinese	Male	46	Chinese	Married	Chinese	Business owner	Manufacturing	180	Not given
C4	Chinese	Male	50	Chinese	Married	Chinese	Business owner	Manufacturing	168	Not given
C5	Chinese	Female	50	Chinese/SA	Single	Chinese	Senior analyst	Finance	252	Master's degree
C6	Chinese	Male	31	Chinese/SA	Single	Mandarin	Business owner	Legal	252	Master's degree
C7	Chinese	Male	29	Chinese	Single	Mandarin	Investment manager	Finance	30	Master's degree

C8	Chinese	Male	37	Chinese	Married	Mandarin	Human resources manager	State-owned enterprise (SOE)	24	Master's degree
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ICT*Information and Communications Technology

Source: Author's own contribution

TABLE 3:

IC awareness in African culture – own and other perspectives

AFRICAN OWN PERSPECTIVES			CHINESE PERSPECTIVES OF AFRICANS		
Interviewee	IC awareness perspective	(fi)*	Interviewee	IC Awareness perspective	(fi)*
A1; A5; A6; A7	Human centredness	12	C1; C2; C4; C7; C8	Human centredness	20
A1; A4; A6; A7	Consensus-seeking	10	C1; C3	Arrogant	6
A1; A3; A4; A5; A6	Respect	10	C1; C3; C8	Direct manner	5
A1; A3; A4; A7	Direct manner	7	C5; C7; C8	Humble	5
A1; A3; A6; A7	Humble	7	C1; C2; C5	Family orientation	5
A1; A5	Showing emotions	7	C1; C3	Curiosity	4
A1; A4; A5	Accommodating others	6	C7; C8	Showing emotions	4
A1; A4; A3; A7	Communalistic	6	C2; C3	Lots of talk	4
A1; A3; A6	Following rules and protocol	6	C8	Communalistic	3
A1; A4; A6; A7	Family orientation	5			

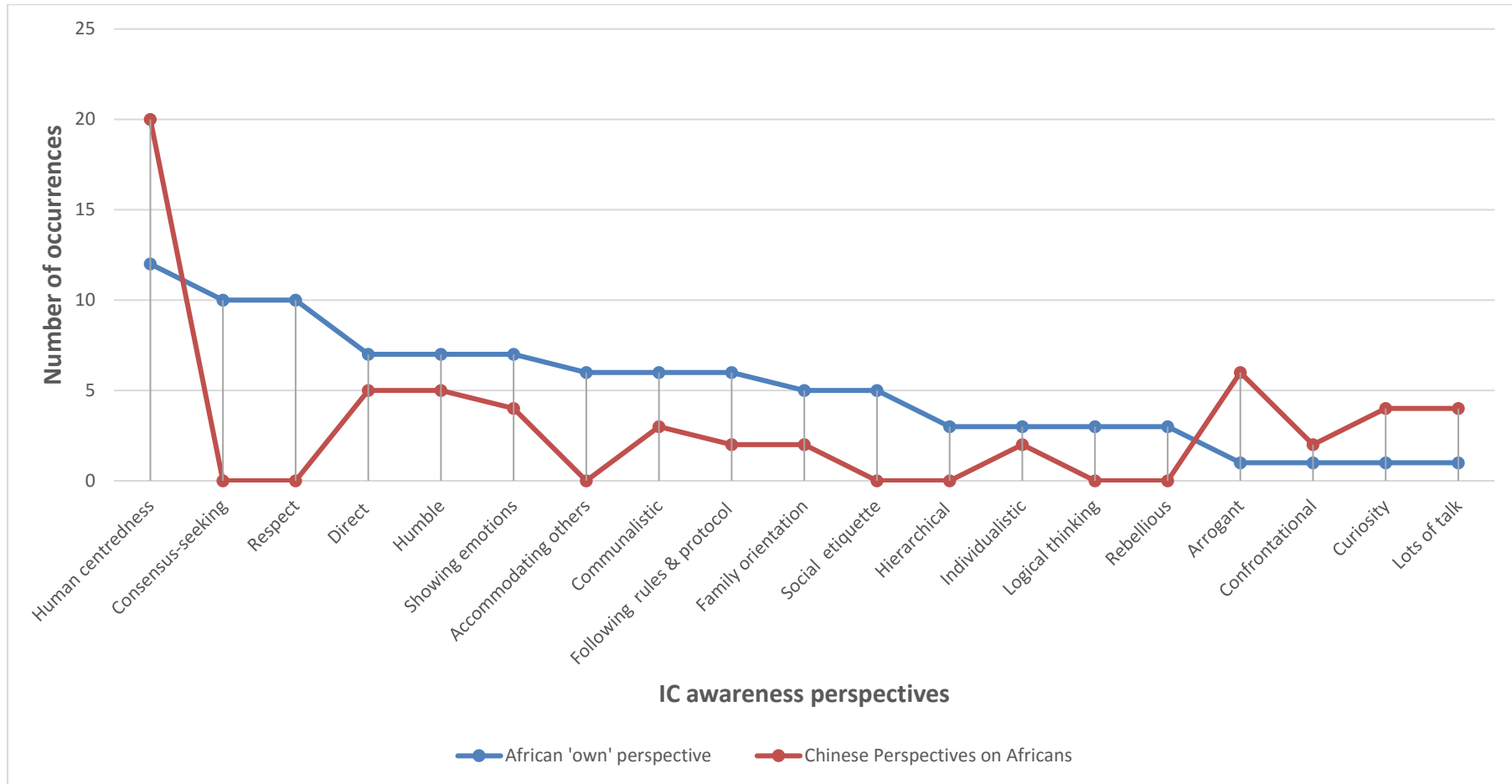
A1; A3; A7	Social etiquette	5			
A3; A7	Hierarchical	3			
A3; A7	Individualistic	3			
A2;	Logical thinking	3			
A1; A2	Rebellious	3			

* Scores under the column *(fi)* indicate frequencies based on the number of times a theme arose in interview. They do not represent the number of interviewees. Therefore as is depicted in the table *(fi)* and number of interviewees do not correspond.

Source: Author's own contribution

FIGURE 1:

IC awareness in African culture – own and other perspectives (African and Chinese experts perspectives compared)



Source: Author's own contribution

Similarities and differences in intercultural communication awareness perspectives

As is reflected in Table 3 and Figure 1, the areas of agreement regarding IC awareness of African culture by both African and Chinese experts are human-centeredness, a direct manner, being humble, showing of emotions, family orientation and being communalistic. There is however a divergence, in that Chinese people potentially view African people as arrogant, talkative and curious. Quotes in support of own and other perspectives in respect of the similarities and differences are provided in an integrated manner as previously mentioned, thereby simultaneously addressing all of research questions RQ-1 to RQ-3. A discussion centered on implications of the similarities and differences then ensues.

Similarities in intercultural communication awareness perspectives

- Human centredness

Chinese experts report that African people are patient, kind and easy to get along with. They are also described as demonstrating patience, tolerance and an accommodating spirit. Furthermore, A6 suggests that being human-centred also reflects in a concern for others and their well-being when he says;

“I think, and this is something I have learned having worked in Africa for many years – and when I say worked in Africa, I am talking about not in South Africa but in the subcontinent – is, a conversation starts off with a kind of “tell me how your family is, talk to me about how your children are” and showing positive interest in the person you are speaking to. And that is very important in the African culture.” (A6)

The views expressed by A1, A5, A6 and A7 regarding the human centeredness of African people are in alignment with the views of C2, C4 and C7 who report that, African people are patient, kind and easy to get along with. For example, C7 paints a picture of the spontaneous African who easily opens up to strangers, is non-judgmental and accommodating of others.

“African people are very easy-going and outgoing, you can basically bump into each other and sort of have a conversation on the road and joke around with strangers ... I think from a cultural perspective, I think African people are generally very friendly and very easy to talk to and they are very easy to make friends with and they don’t have a condescending sort of attitude towards other societies or other races.” (C7)

- A direct manner

African experts perspectives on own IC awareness suggest that communication in African culture is direct, with people preferring to state facts as they are, rather than “beating about the bush” whereas, “Chinese people are always veiled in their communication” C3. Examples include A3’s description of how she presents a financial issue to her Chinese manager.

“For example, there is a situation or problem that needs to be assessed, we (South Africans and business White South African) tend to be very direct about a situation: “You messed up, these are the consequences,” etc. But this is completely different with the Chinese culture.” (A3)

Chinese experts are in agreement with the perspective that African people are direct in communication, describing African people as being prone to communicating in a direct manner, with no ambiguity. In fact, experts C1 and C8 speak of the “straightforward” Africans, while C3 describe South African people as being *too* direct.

“To the White South Africans, the so-called Afrikaners, my first impression was that they are very straightforward, very frank ... The Black people and people in the Western environment tend to speak more openly, straightforward and put everything on the table.” (C1)

- Being humble

As is reflected in the comments of A7, African experts see African people as being humble. This is expressed in their views on general approaches to communication where, for example, A7 compares the Chinese practice of acknowledging title and rank to the humility of African people, where rank or title are not emphasised in communication.

“When they interact with you as well, they expect you to defer in a specific way, acknowledging those ranks that they defer to amongst themselves. But then you find that we don’t operate like that. For example we don’t call each other “Mr” in SA, if it is C7 it is C7, if it is Fungai it is Fungai, if it is Janet ... that is not how we interact, regardless of rank, right?” (A7)

Needless to say that, while A7’s views may hold true in the organisational context, it may also be Western practice, given that in traditional African culture, honorific prefixes are used when addressing the elderly and those of higher ranking. For example in Zimbabwean Shona culture, a manager Mr Edward Jones would not normally be addressed as “Edward” but rather as “VaJones”.

Regarding the view of Chinese experts on the aspect of humility, inferences made from the interviews with Chinese experts are that African people are humble, to the extent that they see themselves as inferior to other races.

I think for a short distance in their mind, the Black African mind, they still see themselves not number one, they are always thinking negatively, they are behind someone. (C5)

The humility of African people is seen as extending even to those in high office, as seen in a Chinese experts reference to a South African minister who received a Chinese delegation with great humility.

Even if they are in high position they are still friendly and humble. In this regard they are better than the Chinese people. Even the South African minister when he receives us he is very humble. Yes that is a good point. (C8)

- Showing of emotions

A5 paints a picture of Africans who easily show emotions when she expresses how Africans are,

“...overall friendlier than the Chinese, warmer [and comfortable with high contact as they] easily hug each other ... As Africans, we are warmer people.” (A5)

The “very friendly” nature of Africans (C7), ability to joke around with strangers and show gratitude and affection (C8) as enunciated by Chinese experts reflects African people who show emotion from the perspectives of Chinese experts.

The South African people are very friendly. Even if they are in high position they are still friendly and humble ... African people also thank you for the things that you do [gratitude]. They are not like Chinese people. (C7)

The showing of emotions by African may however be viewed in a both positive and negative light as could be read between the lines in the comments of C8 when he says,

“You find the South Africans saying “How are you?” “I am good” too much, hypocritical. And then they laugh and hug and each other [affection] – oh my goodness, wasting time. If you are too friendly Chinese people have doubt.” C8

- Family orientation

The value ascribed to the family in African culture is seen in A7’s view that local African people find it difficult to reconcile the Chinese practice of working very long hours at the expense of spending time with their families.

“You will find that locals do not understand why you should work eighteen hour days and neglect your family, you know? “(A7)

In their view of African culture, Chinese experts on the other hand report the existence of strong affiliation to families (C1, C2), that are largely patriarchal (C5). It would appear however that Chinese experts believe that value assigned to the family interferes with work in the organisation, as African people seem to place family before the organisation. C2 comments;

“They will take holiday or look after their family at weekends, even they talk that they will do so, they will work harder together; but in reality they don’t fulfil that task completely. In my experience.” (C2)

- Communalistic

The communalistic nature of African culture is inferred from A1’s description of how Africa people band together and support each other when events such as funerals occur. All else stops for the moment, as this is this considered an important communal occasion.

“The Chinese don’t understand when someone dies, that you need to go to the funeral. No, they want you to take leave and deduct it from your pay. That makes me angry because where I come from, if a mom dies or a dad dies or sibling, it’s very serious. We would organise a taxi and we would go as a team for those two hours and come back.” (A1)

On the Chinese experts part, there is an acknowledgement of the communalistic nature of African culture. For example C8 comments;

“African people always act equal to you and they are hospitable.” C8

Differences in intercultural communication awareness perspectives

There is however a divergence, in that Chinese people potentially view African people as arrogant talkative and curious aspects not mentioned by Chinese experts. In turn African experts view as African people as being hierarchical, individualistic, logical thinking, rebellious and practicing good social etiquette. The aspects are neither mentioned nor inferred from the interviews with the Chinese experts.

- Arrogant

Some Chinese experts view White and Black African people as being arrogant; for example, C1 says;

“The White people say they are happy with what they have now, so they don’t need to understand more.” (C1)

The comments of C3 further illuminate the perceived arrogance of African people. C3 describes his working relationship with a Black employee and his general attitude towards South Africans saying;

“Unfortunately, he had an arrogant nature and the quality of his work was poor. This young man thought highly of himself and believed himself to be smarter than other people. In my experience, many South Africans believe themselves to be exceptionally smart ... South African locals are boastful and lack credibility, so I couldn’t take their words too seriously and couldn’t keep their company, let alone have deep fellowship with them.” (C3)

- Talkative (African people talk a lot)

Chinese experts point out that the talkative nature of African people is problematic, as in most instances it is seen as a case of “all talk no action”. C2 and C3 articulate this view as is expressed in the following quotes;

“So they don’t like that the South African Black people who talk more than actions, you know? (C2)”

“South Africans have a sweet mouth with a “multitude of fine words”, but they seldom do what they say ... South African locals don’t talk much about themselves. Instead, they always tell stories about other people or talk about news in the media.” (C3)

- Curious

An interesting aspect associated with African people by the Chinese experts (C1, C3) is curiosity, suggesting that African people are likely to be open and inquisitive in communication. This assumption is understandable, in view of the perception that African people talk a lot and are human-centred and accepting of all, including strangers.

“For the Black Africans, I work with them in the mining environment, underground, on the surface, etc. My impression of them is that they are very curious about Chinese, especially. They want to know more about Chinese and what’s beyond Africa.” (C1)

DISCUSSION

There is agreement between African and Chinese experts that African people are largely human-centred. This involves observing the values of Ubuntu including caring, reciprocity, sharing, compassion, hospitality, cohabitation, cooperation and tolerance (Mbigi and Maree, 1995; Bell and Metz, 2011; Praeg and Magadla, 2014; Metz, 2014; 2015). It is therefore fitting that African and Chinese experts share the view that African people show their emotions and are generally not condescending towards other races (A7).

However, while Chinese experts view African people as human-centred, they do not always view this characteristic in a positive light. C8 believes that African people, at times, use human centredness as an excuse for poor performance, as illustrated in the extract below, from an interview with C8.

For example when Mandela died, the interpreter he made a mistake. In China it would have been a very big thing. You would be fired and you would have to apologise in the newspaper to the whole country. But here, they are too relaxed. They just say we are human beings, we make mistakes. That is why when a Chinese boss say, “Can you do this better?” they say, “I am a human being, of-course I make a mistake.” (C8)

It is still a point of agreement between African experts and Chinese experts that African people are family-orientated and humble. However, while one would expect the humility of African people to translate into humility in communication, it is surprising that Chinese people in fact see Africans as being arrogant (C1, C3). Being arrogant and direct can be associated with Western values and behaviour, where theory suggests that Western people are individualistic, independent, autonomous, ego-driven, complete and self-sufficient (Gao and Ting-Toomey, 1998; Eaton and Louw, 2000; Miike, 2002, p.6; Kim, 2007). Furthermore, although arrogance may not be an accepted trait in Black African culture, the view that the self is flexible and variable, changing between contexts and relationships (Myers, 1987; Eaton and Louw, 2000; Faniran, 2014) could provide an explanation for the differences in business and social contexts, as will be discussed in section 7.7. Furthermore, the influence of the West comes into consideration as articulated by C1 when he says;

Just remember that the so-called Western way is from America and Europe, then there is Africa with the culture of the Black people. So the modern development is now combined. So in terms of the big organisations in South Africa, there is the so-called Western way and the influence from America and Europe. But things are changing in Africa. (C1)

What these findings imply is that any attempt at developing some sort of intervention that will result in greater IC awareness and enhanced IC congruence should take into consideration the potential for multiple influences on African culture and communication.

The Chinese experts views of the talkative African perpetuate the stereotypical view of the African who “talks at length, for the purpose of simple enjoyment and not necessarily to reach any particular conclusion” (Matondo, 2012, p.43). It is likely, however, that this results from not understanding what constitutes the human centredness of African culture, where interaction with others whose intrinsic worth, dignity and effort are valued (Jackson, 1999; Kigongo, 2002; Igboin, 2011, p.99; Faniran, 2014, p.151). Vigorous talking and interaction are therefore likely part and parcel of African life, whether in business or in a social context. The challenge, in IC Sino-African organisational terms, is that talking a lot is associated with non-delivery as expressed by C2 in his statement;

“South Africans have a sweet mouth with a “multitude of fine words”, but they seldom do what they say.” (C2)

The findings suggest that it is important for Chinese people to understand and acknowledge the foundation of what it means to be African, if IC congruence is to be achieved. Likewise, this expectation holds for African people regarding their Chinese counterparts.

The findings further suggest that Chinese people do not necessarily view Africans as consensus-seeking, respectful rule-followers with good social etiquette – as the African people view themselves. A possible explanation for the differences in understanding could be that consensus is not a consideration in Chinese culture because strict rule-following is the norm (Gan, 2014); notions of consensus might not come to mind at all for the interviewees. Furthermore, Chinese people may not be aware of the rules and protocol in African culture, therefore they are not in a position to comment as such. For IC congruence therefore, it may be helpful if Chinese people were more aware of the rules and protocols of African culture.

Finally, it can be observed that both African and Chinese experts make both cultural and contextual references as opposed to pure communication references, in the sense of information exchange. This observation validates the assertion that culture and communication cannot be separated, as expressed by anthropologist Edward Hall, that “communication is culture” and “culture is communication” (Hall, 1959, p.169). It also emphasises the inextricability of the broader context in IC encounters, as potential influences of IC outcome.

MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

While the paper has specifically explored IC awareness of African culture to the exclusion of that of Chinese culture in Sino-African organisational contexts, it raises noteworthy insights with implications for management practice.

- As evidenced by in the areas of alignment of African and Chinese experts perspectives on African culture, Chinese people have a level of IC awareness of African culture. This is viewed in positive light, and the task management practitioners are faced with is advising Chinese colleagues how to appropriately approach their African counterparts in communication in view of this knowledge.
- In the Sino-African organisational context, African colleagues may view themselves in a different light to what may be typically referred to as African culture. For example, the view that African people view themselves as individualistic, logical thinking and rebellious is at odds with traditionally held views on African culture. As such management practitioners need to devise IC enhancing strategies that take into account the evolving culture rather than adopting blanket approaches.
- Chinese people have views of African people that is contrary to how African people view themselves. Also that these views likely emanate from African behaviours and characteristics Chinese people do not understand due to cultural differences and minimal understanding of the African context.

CONCLUSION

The study brings to light the existence of similarities and differences in IC awareness perspectives of African culture as expressed by African people and their Chinese counterparts in the organisational context. It also suggests that a lack of knowledge and understanding of African cultural, behavioural and social norms potentially influences Chinese people's perspectives of their African colleagues – the reverse likely holds true of IC awareness perspectives of Chinese culture. With that, it is plausible that this lack of alignment could have far reaching implications on approaches to intercultural communication and their success thereof. As such, this paper highlights the need for management practitioners to consider incorporating cultural exchange sessions for their intercultural teams amongst other appropriate programmes. The spinoff would be a minimisation of IC challenges that result from a lack of IC awareness as interactants' are likely to become more mindful in communication with those from different cultural backgrounds.

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Collaborative marketing: increasing weekday visits to Clarens towards a domestic tourist destination

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ABSTRACT

Tourism is a growing economic sector in South Africa. Domestic tourism contributes towards this growth, generating over half of the tourism revenue in South Africa. A tourism culture should be developed amongst South Africans to ensure further market growth. This could realise by ensuring that product owners combine marketing efforts and market their destinations collaboratively. Unlike weekends, Clarens receive insufficient visitors during the week. The need to increase weekday visitors supports the study objective – to develop collaborative marketing guidelines that product owners can use to attract visitors during the week. This was achieved by a quantitative research method. Convenience sampling was used to select respondents during data collection. Findings shows the typical visitor to Clarens is white married English women (21 – 30) in formal occupations earning up to R300 000 per year. She comes from the Free State and visit Clarens during weekends. This study suggests collaborative marketing guidelines to target weekday visitors.

INTRODUCTION

Since 2010, the tourism industry experienced an annual growth of over 4%. Furthermore, the tourism industry reached about 4.4% growth in 2015. Globally, international arrivals grew by 3.9% in 2016. The United Nations World Tourism Organisation (UNWTO) (2016) states that during 2015 most international tourists (53%) travelled for leisure and holiday purposes (NDT, 2017:3). The tourism industry is one of South Africa's fastest growing economic sectors even though international visitor numbers were negatively affected in 2014 and 2015 due to the Ebola epidemic. In 2016, however, more than 10 million international tourists arrived in South Africa. This represents a 12.8% growth.

Unfortunately, there has been a decrease in domestic tourism in South Africa. More than half of tourism's internal revenue is generated from domestic tourism, making it an important sector to develop in South Africa. The domestic market shows much more potential than that of the international market. Visiting friends, family or relatives (VFR) is a possible market to develop

within South Africa, as it comprises of about 70% of domestic tourists. Thus, domestic tourism is an essential segment of the South African tourism economy. This sector provides a foundation for sustainable development and tourism growth. A travel culture needs to be developed amongst all South Africans. One way of achieving this is by showing domestic tourists how to enjoy South Africa as a tourist destination. This could be achieved when product owners work together to market their destinations (NDT, 2017:6;18).

Tourism is essentially a collaborative industry. Tourists experience a destination in its entirety, but the success of their experience depends on how well the tourism value chain collaborate at that destination. A highly competitive tourism destination is one where product owners work together to plan, execute, assess and improve the tourism offering to increase their market share and domestic profile (NDT, 2017:11). This could directly impact on the goals set by the National Department of Tourism (NDT) – to increase the number of domestic trips (including day trips), length of stay and direct spend during peak and off-peak periods (NDT, 2017:17). There should be more focus on off-peak periods, such as weekdays, when destinations receive fewer visitors with less direct spending taking place.

LITERATURE REVIEW

The potential that the Free State have to cultivate weekday visits amongst domestic tourists is worth investigating. The Free State shares its borders with Lesotho in the east, Gauteng in the north, the Northern Cape in the west, the Eastern Cape in the south and KwaZulu-Natal in the east (Proos, 2015:40). This province offers visitors with an array of well-known destinations situated along the Big Five tourist routes. These include the Cheetah route, Eagle route, Lion route, Flamingo route and Springbok route (Free State Tourism, no date). These routes expose tourists to a variety of experiences, which include local culture, festivals, memorials, museums and heritage sites such as the Vredefort Dome (Free State Tourism, no date).

On route, tourists will come across the well-known town of Clarens. Clarens is situated in the eastern parts of these routes and is renowned for its spectacular sandstone mountains and ideal climate. That is perhaps why it is referred to as the “Jewel of the Free State” (Free State Tourism Eagle Route, no date; Clarens Tourism, 2018). The town was established in 1912 and named after the village of Clarens in Switzerland. This was where President Paul Kruger passed away during exile in 1904 (Erasmus, 2014:360; LeMaitre, 2017:360). The accessibility of Clarens makes it a popular weekend breakaway from busy cities such as Johannesburg, Bloemfontein and Durban (Proos, 2015:48).

This artistic town provides tourists with a variety of happenings such as arts and craft shops, restaurants and coffee shops. Clarens is well known for its adventure activities which includes white-water rafting, quad biking, abseiling and mountain biking. Historical and cultural activities in Clarens include monuments and remnants dating back to the early Basotho and Anglo Boer Wars. They include battlefield sites and the Basotho Cultural Village (Maloti Drakensberg Route (MDR), 2015). Attractive scenery and natural wonders on display includes the Golden Gate National Park, Mushroom Rock and Titanic Rock overlooking the entrance to Clarens. Titanic Rock was named after the infamous Titanic because of its resemblance to the hull of the ship (Free State Province, SA).

Clarens can attract many tourists on weekends but face economic challenges during weekday periods. This economic loss does not only relate to business owners in town but also to the local municipality, which may be losing a great deal of tax revenue (Tourism and more, 2009). Attracting tourists during weekdays could make the difference between tourism expansion and the possible bankruptcy of local businesses in town. This study suggests a possible solution to the “weekday blues” in Clarens. Business owners in Clarens should actively promote the town as a popular weekday destination. This could be achieved through collaborative

marketing efforts. By creating this awareness amongst tourists, weekday visits to Clarens could escalate.

One way of achieving this is by profiling tourists that already visits the town during weekends in determining their inclinations. It is important to mention that profiling could only be done during weekends as this is the only time when tourists are available. Profiling tourists are an important tool for tourism development (Qirici, 2011:1), and could assist business owners to adopt a more focussed approach to marketing. This should increase the leverage that business owners in Clarens have as well as the overall quality and effectiveness of their collaborative marketing efforts. According to Grbac, Težak and Luk (2012:286), profiling is one of the stages of market segmentation. Segmentation is an important tool to use to get better insight into a specific market (Molera and Albaladejo, 2007:759). Profiling tourists enables better planning and the development of opportunities as well as improved marketing strategies for destinations (What do you understand by profiling of tourists? 2018). Moreover, the process of profiling tourists provides business owners with the necessary tools and opportunity to collaboratively target a specific market.

Williams (2013) define collaborative marketing as the process where business owners share resources to better their positions, brands and influences in the marketplace. Many destinations have insufficient funds and resources to develop marketing strategies to encourage tourists to travel there instead of competing destinations (d'Angella & Go, 2009:429). However, collaborative marketing can address this problem. Resource sharing could help destinations work together to market their destinations collaboratively and, in doing so, guaranteeing their success and sustainability. Collaboration include the sharing of both physical and mental resources such as intellectual property.

With this said the most important aspect of marketing a destination is to identify the needs and wants of tourists and to successfully satisfy them. A strategic and collaborative marketing approach should be used to integrate a destination's marketing goals, policies and tactics into an interconnected entity (Ahammed, 2017:80).

RESEARCH PROBLEM AND OBJECTIVES

Clarens is a popular weekend destination but becomes a ghost town during the weekdays. With all that Clarens have to offer tourists, it is a waste of the town's unique character and resources and local business owners suffer financially because of it. The study proposes that this problem be addressed by local business owners that could market the town collaboratively to increase awareness of Clarens as a popular weekday destination. This could be done by profiling existing tourists that visit Clarens during the weekends. Weekday visits could boost the town economically and expand Clarens' current market profile. The study aimed to provide business owners in Clarens with a typical profile of tourists to the town as well as collaborative marketing guidelines that could be used to attract more weekday visits. The specific objectives of the study was to:

1. determine the typical profile of the tourist visiting Clarens;
2. establish the needs, wants and preferences of tourists visiting Clarens; and
3. ascertain if collaborative marketing guidelines could be developed to increase weekday visits to Clarens.

RESEARCH METHOD

This investigation adheres to the constructivism paradigm, as it believes social phenomena are constructed by social actors. Therefore, if one had a constructive ontological worldview,

one could believe that, for example, a new law is the product of the people's behaviour on whom it has an impact on. The study incorporated a quantitative research design. The aim of the study was to construct a typical profile of the tourist to Clarens as well as the development of collaborative marketing guidelines that could potentially be used by local business owners to increase weekday visits to Clarens.

Population and sampling

Israel (2013) identifies three strategies for determining sample size. They are using a census for small populations, imitating a sample size of similar studies and using published tables. For the study, the strategy of imitating a sample size of similar studies were used. The population of the study was tourists visiting Clarens during the weekends as this was the only period when they were available for questioning. According to a research report on Clarens by the Centre for Development Support (CDS) (Venter, Campbell, De Gouveia, Myburgh & Marais, 2010:1) an estimated 130 000 to 180 000 overnight visitors and another 20 000 – 30 000-day visitors travels to Clarens on a yearly basis. According to Israel (2013), if a destination has a population of 50 000, a sample size of 394 is required for the study to be valid. A sample size of 394 was calculated based on both overnight and day tourists visiting Clarens during weekends. Convenience sampling (also known as accidental sampling) was used during the study. Convenience sampling makes no pretence of identifying a representative subset of a population (Leedy & Ormrod, 2010). Overnight and day tourists to Clarens, present during the data collection, were asked to complete a questionnaire. A total of 340 questionnaires were completed.

Questionnaire construction

Data for this study was collected by means of a questionnaire. The questionnaire was constructed using a combination of previously administered questionnaires used in similar studies. The questionnaires and questions were clear and understandable. It consisted out of structured sections and questions. Section A was used to gather demographic information from respondents (age, gender, language, level of education and annual income) and section B depicted respondent feedback based on their accommodation needs, wants and preferences during their stay in Clarens. Section C consisted out of questions relating to Clarens as a tourist destination and possible reasons for visiting the town. Section D questioned respondents about the feasibility of future tourism developments in Clarens.

The questionnaire was piloted amongst staff and students at the Central University of Technology, Free State. Respondents were asked to complete the questionnaire and provide feedback on the duration of completing the questionnaire and if the questions were clear and understandable. A total of 25 questionnaires were piloted on the Bloemfontein campus of the Central University of Technology, Free State. It was determined that it took about 10 minutes to complete a questionnaire. The scope and aim of the study was explained to respondents and they deemed the questionnaire clear and easy to understand.

Data collection procedure

Data collection involved traveling to Clarens and arranging with local business owners of accommodation establishments, restaurants, service stations, coffee shops and local tourist bureau to collect data from patrons found at their premises. Data for the study was collected during a September weekend to Clarens. The questionnaires were administered to overnight and day tourists that travelled to Clarens during that specific time. Fieldworkers, comprising of B Tech Tourism Management research students, were used to assist the researchers with data collection. The fieldworkers received training on how to administer the questionnaires prior to data collection. Overnight and day tourists to Clarens were asked to complete a total of 340 questionnaires.

Data analysis

Data was captured using Microsoft Excel and analysed using the latest version of Statistica. The following section will present the research findings of the study.

RESULTS AND FINDINGS

The following section presents the research findings for the study. The questionnaire was used to develop a profile of the typical tourist travelling to Clarens during the weekend. This could be a useful way of establishing the typical tourist that would travel to Clarens during weekdays. Profiling tourists is valuable to tourism development and assist in segmenting a certain market. These become important, especially during collaborative marketing. Table 1 summarises the demographic profile of the respondents.

TABLE 1:
Demographic profile of visitors to Clarens

Age distribution:	Respondents were between 21 and 30 years of age.
Language:	34% were English, 33% were Afrikaans, 31% spoke an African language and 2% spoke other languages.
Gender composition:	59% were female and 41% were male.
Marital status:	41% were married, 38% single, 15% with a partner, 4% divorced and 2% widowed.
Country of origin:	87% were from South Africa, 10% from other African countries and 3% from other countries.
Province of origin:	39% were from the Free State, 33% from Gauteng, 14% from KwaZulu-Natal, 4% from North West, 4% from Western Cape, 3% from Eastern Cape, 2% from Northern Cape and 1% from Limpopo and Mpumalanga.
Annual income:	Respondents earned between R0 – R300 000 per annum.
Employment status:	65% were formally employed, 18% self-employed, 11% students, 3% pensioners and 3% unemployed.
Tourists status:	82% overnight in Clarens and 18% were day visitors

An 2010 investigation by the Centre for Development Support (CDS) obtained similar results (Venter, Campbell, De Gouveia, Myburgh & Marais, 2010:3) when they had more women (55.8%) that completed their questionnaires, but they were predominately white (92.1%). This study of Clarens had a more equal racial distribution. In both this study and the investigation in 2010 results revealed that most of the respondents were South African from either Gauteng (49.1%) or the Free State (18.0%). The study found that most respondents were aged between 21 and 30. The 2010 investigation drew respondents between the ages of 26 and 59. Therefore, results from the 2017 Clarens study suggests that Clarens have gained popularity amongst younger visitors.

Accommodation

This section deals with the respondents' accommodation preferences. Many of the analyses in this section was completed using Pearson Chi-Square Tests. Relationships between various categorical variables were investigated with the use of cross-tabulation tables. These tables display the relationship between two or more categorical (nominal or ordinal) variables. Table 2 shows the results of the statistical analyses between the respondents' demographics and their accommodation preferences during their stay in Clarens.

TABLE 2:**Demographics of respondents and their preferred type of accommodation**

Categorical variables	DF	p-value	Interpretation
Gender versus accommodation	4	0.079	No significant relationship exists between gender and accommodation
Age versus accommodation	20	0.001	A significant relationship exists between age and accommodation
Marital status versus accommodation	16	0.001	A significant relationship exists between marital status and accommodation
Province versus accommodation	72	0.025	A significant relationship exists between province and accommodation
Race versus accommodation	20	0.183	No significant relationship exists between race and accommodation
Level of education versus accommodation	24	0.002	A significant relationship exists between level of education and accommodation
Annual income versus accommodation	12	0.001	A significant relationship exists between annual income and accommodation
Employment status versus accommodation	24	0.002	A significant relationship exists between employment status and accommodation
Total night's stay versus accommodation	12	0.009	A significant relationship exists between total night's stay and accommodation
Size of group versus accommodation	60	0.034	A significant relationship exists between size of group and accommodation

The results revealed that most respondents preferred to stay in guesthouses. Some exceptions were found amongst respondents aged between 18 – 20 that preferred to stay with friends and family (36%) and those between 41 – 50 that favoured self-catering accommodation (32%). Respondents from the Northern Cape preferred budget accommodation (60%) which included backpackers, hostels and camping. Homemakers (50%) and those earning an annual income of R700 000 and more (43%) wanted to stay in hotels. This tendency was shared amongst respondents that visited Clarens three days and longer (46%). Learners preferred to stay with family and friends (67%).

The Pearson Chi-Square Test was also used to test the statistical relationship between the province that respondents originated from and total nights stayed in Clarens. The findings are discussed in Table 3.

TABLE 3:**Province and total night's in Clarens**

Categorical variables	DF	p-value	Interpretation
Total night's stay versus province	72	0.001	A significant relationship exists between total night's stay and province

Results indicated that group size and the frequency of visits to Clarens did not have an impact on the total nights stayed in Clarens. Overall, respondents indicated their preference to stay in Clarens for at least two nights except for respondents from Limpopo that wanted to stay three nights or more.

Clarens

This section deals with the behaviours, preferences and opinions that respondents have during their visit to Clarens. This section of the questionnaire focused on the general opinion and experience that respondents had of Clarens. Respondents were asked to state their most important reason for visiting Clarens as well as the activities they partook in during their visit.

Almost 50% of the respondents indicated that they visit Clarens at least once a year. More than half came to know of Clarens via word of mouth and 19% from previous visits. Their most positive occurrence in Clarens included culinary experiences (16%), atmosphere (15%) and the scenic beauty (16%) whilst 79% of the respondents did not experience any negative incident during their visit. The remaining 21% that had a negative experience referred to factors such as poor infrastructure, expensiveness and poor service standards at shops and restaurants.

The Pearson Chi-Square Test was used to statistically analyse the relationship between the demographical features of respondents and their main reasons for visiting Clarens. Results are indicated in Table 4.

TABLE 4:
Respondent demographics and main reasons for visiting Clarens

Categorical variables	DF	p-value	Interpretation
Age versus reason for visiting Clarens	50	0.989	No significant relationship exists between age and reason for visit
Marital status versus reason for visiting Clarens	40	0.826	No significant relationship exists between marital status and reason for visit
Income versus reason for visiting Clarens	30	0.911	No significant relationship exists between income and reason for visit
Education versus reason for visiting Clarens	60	0.913	No significant relationship exists between education and reason for visit
Race versus reason for visiting Clarens	50	0.448	No significant relationship exists between race and reason for visit

Popular reasons included adventure (29%), shopping (24%) and culinary (15%) such as beer tasting, gin tasting, and the quality restaurants located in town. Most of the respondents (98%) acknowledged that they would return to Clarens. This was mainly attributed to the peaceful atmosphere and attractiveness of Clarens. These findings are similar to those of the 2010 study that was done in Clarens. This could implicate that not much has been done to alter the perception and image that tourists have of Clarens since then. Thus, it is important for business owners in Clarens to collaborate and implement new marketing guidelines to update the perception and image that tourists have of Clarens.

PRACTICAL MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

Effective collaborative marketing involves better allocation of resources. It develops marketing campaigns, focus on priority markets and activities so that travel becomes accessible to a variety of tourist markets. The study found that the tourist visiting Clarens are profiled as being a married, white South African female, aged between 21 – 30, from the Free State or Gauteng. It is suggested that business owners in Clarens familiarise themselves with this profile so that they could develop collaborative marketing guidelines to stimulate and increase visits during weekdays. It is imperative that this includes the involvement of the relevant public and private sector stakeholders (Hattingh, 2016:159). With this said, the following collaborative marketing guidelines are recommended by this study:

Older tourists

Only 15% of the respondents were aged between 40 – 60+. This suggests that there is a general lack of interest amongst older tourists to visit Clarens. This could be because of a shortage in attractions and activities meant for them. A majority (75%) of them did indicate that they visit Clarens to rest and relax because of the peaceful atmosphere found in the town. An investigation that was done in 2010 recommended that business owners in Clarens increase their focus on these tourists since they could fill mid-week bed space. Business

owners should tap into this market and promote Clarens and its tranquil ambiance that contributes towards rest and relaxation. Business owners in Clarens should target older visitors during the week when the town is quiet and not that congested. This should advance to a more relaxed atmosphere as opposed to the weekends when many tourists are younger.

Racial integration

Approximately 56% of respondents were white. A previous investigation in 2010 suggested that racial integration be incorporated into the tourist market of Clarens. Therefore, it is recommended business owners in Clarens target minority ethnic groups such as black, coloured, Indian and Asian and develop attractions and activities that is specifically aimed towards these tourists. All marketing efforts should be centred on the media types used by this market in a language they prefer.

Geographical spread

Results showed that 72% of respondents were from the Free State or Gauteng. The remaining seven provinces of South Africa did not feature much. It is suggested that business owners target tourists from these provinces. This could be done through the increased representation of Clarens businesses at trade shows, events and tourist information centres found in all parts of South Africa and not only in the Free State and Gauteng. The aim is to make Clarens a well-known popular destination that receives visitors from all parts of the country.

Familiarisation tours

Business owners in Clarens could come together and develop familiarisation tours for the media and tourism intermediaries such as tour operators and travel agencies. In this way, Clarens could showcase its attractions and activities to the rest of the South African tourism market. For this to be feasible, each business owner in Clarens should partake in this initiative. Getting the media and travel intermediaries to promote Clarens to their existing client base could provide Clarens with the much need exposure to the whole of South Africa.

Increased events

More visitors can be attracted to Clarens by increasing the number of events held in town. These events should be hosted during the week and could increase weekday visits and direct spending. Due to the central location of Clarens, both Gauteng and KwaZulu-Natal can use their status as gateways into South Africa (domestically and internationally) to attract people to attend these events. With these two gateways close to Clarens it becomes feasible to host major events such as festivals. Collaborative marketing by business owners in Clarens could be implemented before, during and after an event to the masses that would be attending the event. What better way is there than having a ready audience in Clarens that can be exposed to the marketing of the town's attractions, activities and attributes.

Combined efforts

With an equal contribution of marketing funding from all business owners in Clarens, a single collaborative marketing strategy could emphasise the strengths of the entire town. These efforts should not only focus on certain business owners, but on a united tourism front within the business district of the town. Business owners should support and uplift one another and speak out of one mouth when it comes to marketing Clarens to the rest of South Africa. It could also be useful for each business owner in Clarens to network with other towns in South Africa and collaboratively market domestic tourism in that specific area, district or municipality.

Collaborative studies

Business owners can collaborate by overseeing studies that could update them on new tourist trends in and around South Africa. Original research takes lots of time and money to produce. However, if you have various business owners working on the same study, they could share the costs associated with the research and speak out in one voice when developing marketing messages to potential visitors to Clarens.

Collaborative marketing campaign

Business owners could raise enough finances amongst themselves to launch a marketing campaign that could inspire a travel culture amongst South Africans. With a large enough budget, business owners could liaise with local or provincial government or initiatives such as Sho't Left to get Clarens on the forefront of domestic travel efforts.

Podcasts

Podcasts could be used to expose Clarens to the rest of South Africa. A podcast is a digital audio file made available on the internet for downloading to a computer or mobile device. It is typically available as a series and new instalments of which can be received by subscribers that is linked to the website. Podcasts are an ideal form of marketing content that business owners can regularly produce with other business owners as contributors. Business owners can make turns and have weekly conversations about activities, attractions and events in Clarens or any topic related to their industry. All the business owners can promote and syndicate this initiative together with the local radio stations in all nine provinces of South Africa or by means of the websites of the local and provincial tourism authorities. If podcasts do not suffice, business owners can arrange to have weekly discussions on local radio stations about the happenings in Clarens. Each week can feature a different business owner.

Cross-medium partnerships

Cross-medium partnerships is another collaborative direction worth investing in. Each business owner in Clarens must utilise their unique skill set to complement each other. This could be done to develop regular tours within Clarens that can be marketed to the domestic tourist market. For instance, accommodation owners can contribute towards a tour package by providing accommodation at affordable prices, restaurants can provide meals and the local adventure operator can arrange the activities. In this way business owners could pair up and compile a holiday experience that is only unique to Clarens. These packages can be arranged during weekdays.

Social media

Business owners can launch a social media campaign. Use Facebook, Instagram and Twitter to communicate with new, old and potential tourists to Clarens. Communicating on social media is the first step that business owners in Clarens could use to generate visitor participation, especially during weekdays. When the business owners communicate with its visitors on social media and asks for their opinions, a close relationship could be developed with them. It is a way for the brand, which would be Clarens, to get feedback on its products and services, as well as to gauge tourist opinions. These opinions might ignite other ways of attracting more visitors during weekdays.

Sunday evenings

Sunday evenings are often a midweek night. Most people must be back at work on Monday morning and it is for this reason that accommodation establishments have their lowest

occupancy rates on Sunday nights. This could change. Business owners can collaborate and arrange special events or offer discounts. Besides accommodation establishments, this could be implemented at types of businesses such as restaurants and retail stores.

Recapture weekend tourists

Business owners in Clarens could recapture weekend visitors during weekdays. By collaborating and sharing information, business owners can develop mailing lists from their regular weekend visitors and stay in touch with them throughout the week as well as times of low visitor demand. Once a month, send these visitors a list of midweek specials. Provide special offers to your best weekend visitors and encourage them to come for special midweek sales and promotions. Send these visitors “midweek welcome” discount coupons or offer free drinks or desserts for midweek visitors. It basically comes down to making it worth the visitors while to travel to Clarens during weekdays.

One-day events

It could be sensible for business owners to work together and create special one-day conferences, poetry readings, art shows and other cultural events that might attract tourists during weekdays. These are especially popular with older people (50 – 60). The study has revealed that older people prefer to visit Clarens during the week due to congestion over weekends. These are the people who are often the best visitors and have the most disposable income.

Involve locals

Collaborative marketing does not only have to be aimed at tourist and visitors. Develop tourism for the locals of Clarens. Business owners should remind locals that weekdays can be just as exciting and eventful as weekends. Business owners could communicate to locals that weekdays are the ideal time to go to restaurants and avoid crowds, they can shop at local stores and receive personal attention. Offer local discounts. This might encourage residents to invite out-of-town friends and family for a quick weekday visit to Clarens. Get locals involved in marketing efforts and they will spread word of mouth much faster than any promotional tool can achieve. Publicise the local resident in the Clarens community who have helped to find ways to attract weekday visitors.

Collaboration with schools

Collaborate with the local school in Clarens to create weekday demand. Put school children’s work on display during weekdays. These displays will not only build the children’s self-esteem but also encourage parents, grandparents and other family members, in or outside Clarens, to go into the local shops to see their children’s artwork.

LIMITATIONS AND FUTURE RESEARCH

The study had the following limitations:

- Due to time constraints, only weekend tourists to Clarens could be approached to answer questionnaires. This made it difficult to get access to the visitors that visits Clarens during weekdays;
- Many of the respondents did not show interest in completing questionnaires which decreased the sample size; and

- More inputs could have been gathered from business owners in Clarens throughout questionnaire design, but due to time constraints this could not happen. This could have given a different perspective and dimension to the types of questions that respondents were asked on the questionnaires.

Collaborative marketing could just be the first of many endeavours that business owners can undertake to strengthen their businesses but also building a brand for their destination. A chain is just as strong as its weakest link. Future research could include administering questionnaires during the week to access weekday visitors to Clarens. Similar studies can be done about other towns in the Free State.

CONCLUSIONS

Many small tourism-oriented towns, such as Clarens, can attract considerable amounts of visitors on weekends but face economic challenges during the week. These economic challenges affect every business owner in town. Attracting tourists during the week could be the difference between tourism expansion and potential business bankruptcy. While there is no one magic formula to deal with the “weekday blues”, collaborative marketing initiatives amongst business owners may be of great importance. Currently, tourists are taking control of their travels and buying processes. Business owners find themselves going deeper into the sales funnel, creating more content and using more engagement tactics as they try to make tourists aware of their products and services. All of this could be made a lot less complicated by means of collaborative marketing. Many business owners working together could make sales and marketing a lot less complicated and effective.

The main objective of the study was to develop collaborative marketing guidelines for business owners in Clarens. These should be used to attract more tourists to the town during weekdays. The recommended guidelines may only be successful if all business owners are equally invested and committed to increase tourist numbers to Clarens during the week. Tourism is a collaborative industry where every business owner plays an important role within the tourism value chain.

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Leadership role of communication management in a dynamic business environment

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Keywords: Leadership; Leadership Development; Strategic Communication Management

Background

Business organisations increasingly experience demands to comply with non-business requirements to be considered a good company and a 'neighbour of choice' (Doorley & Garcia, 2015). Simultaneously incidences of bad governance abound in the traditional and social media sphere. Recent examples of ethical slippage resulting in severe reputational harm include Steinhoff and KPMG. Against this background it is clear that threats to business continuity are multiplying with the increased focus on corporate behaviour and performance in a dynamic and information rich environment.

Problem statement

Under these conditions every business function should have a clear, discernible role to play in ensuring continuity of process, operations and reputation. The challenge in this project is to find the leadership role that communication management should fulfil in this environment. Suggesting a theoretical and conceptual framework for this communication leadership role could guide professional development of practitioners and curriculum development in tertiary institutions. It could also provide a frame for matching legitimate needs and expectations on the enterprise level of strategic leadership with realistic capabilities of the communication practitioners.

Research objective

The research objective is to determine if there is a clear and discernible leadership role that the communication management function can play to ensure business continuity in a dynamic business environment, and if so, what that role would entail.

Literature review

In the first phase of the research project, a literature review will define and explain concepts relating to leadership and leadership development; strategic communication management and

communication leadership; as well as the relationship between these concepts and the continuity of the business organisation. Some well-known international models of communication leadership (Grunig, 1992; and Berger & Meng, 2014) will be read with literature pertaining to research done in South Africa relating to the evolving strategic communication management approach (Steyn, 2000; De Beer & Rensburg, 2013). This discussion will then be set against the unique challenges of the South African business environment to find a theoretical framework for the concept of communication management leadership in South Africa.

The second phase will entail the empirical testing of the proposed framework.

This paper will only address the first phase of this project, as part of the “Work in Progress” category at the Conference. The following will provide a brief outline of the major constructs and theories addressed in this paper.

Leadership

In the iconic research project to define and describe excellence in Public Relations and Communication Management, Grunig (1992) identified twelve characteristics of excellence in public relations. Included in these is Leadership. Grunig (1992:236) concludes the discussion on the different types of leadership by stating that “...effective leaders combine direction and empowerment...”, and “.... Foster a climate for a combination of asymmetrical and symmetrical public relations, the mixed-motive, professional model”. (Grunig, 1992:236)

To this Day, et al. (2014:78) add that leadership is a complex interaction between people and environments, and that it emerges through social systems. Leadership can be viewed from an intrapersonal contexts, such as experience and learning; skills; personality; and self-development, are combined with interpersonal contexts, such as social mechanisms; and authentic leadership as a mechanism to build trust between leaders and followers (Day, et al. 2014:65).

Leadership development

Leadership development can be seen as a dynamic process that involves many interactions and persists over time (Day, et al. 2014). Dinh, et al. (2014) provided an extensive qualitative review of leadership theory to provide a process-centred answer to the way in which leadership theory and research contributed to the understanding of the process by which antecedent elements affect outcomes relating to leaders, followers and organisational phenomena. Their research included established leadership theories as well as emerging leadership theories. Their final analysis resulted in a leadership coding scheme that included twenty-three thematic category titles. Themes, constructs and concepts that relate to strategic communication management field could be identified from this framework to form part of the framework for this project.

Strategic communication management

De Beer and Rensburg (2014) described the development of the Pretoria School of Thought at University of Pretoria from 2000 onward. This emerging paradigm researches and records the development of the strategic communication management paradigm. This paradigm builds on the Excellence Study of Grunig (1992) and the development of the European Reflective Paradigm of Holmström (1996) by replicating international research to adapt and build communication management theory for the unique South African business context. The strategic communication management paradigm identified three roles for corporate communication, namely the strategist, manager and technician. It also identified communication management’s contribution to three levels of strategy formulation, namely the

enterprise strategy (strategist role), corporate communication strategy level (manager role) and operational strategy level (technician role).

Communication leadership

The idea of communicators playing a leading role in the decision making dominant coalition of the organisation is described by Grunig (1992:5): “Although public relations managers often vote in policy decisions made by the dominant coalition, we argue that their specialized role in the process of making those decisions is as communicators.”

Berger and Meng (2014:8) refer back to the work of Grunig (1992:5): “Public relations managers who are part of the dominant coalition communicate the views of publics to other senior managers, and they must communicate with publics to be able to do so. They also communicate to other senior manager the likely consequences of policy decisions after communicating with publics affected by the potential policy.”

Berger and Meng (2014) refer to this function as sense-making, sense-giving and sense negotiation.

Grunig (1992) and Berger and Meng (2014) see excellent public relations leadership as a dynamic process involving a mix of individual skills and personal attributes, values and behaviours that consistently result in the practice of ethical and effective communication, to guide organisations to achieve their goals.

The concept of leadership has a strong relationship with capabilities. The Global Alliance released a Global Capabilities Framework for Public Relations and Communication Management in April 2018. Apart from the Global Framework, various country specific frameworks were constructed. The South African PR and CM framework was constructed under the leadership of Prof Ronèl Rensburg. This information was also used to adapt international communication leadership models.

Research design

This qualitative exploratory literature review aims to analyse documents (published articles and books) to identify concepts and constructs that can be incorporated in an integrated theoretical framework. The documents will be garnered from both the emerging discipline of leadership development, as well as the emerging discipline of strategic communication management proposed at the Communication Management Division at the University of Pretoria.

Findings

As a work in progress, this paper attempts to formulate an interdisciplinary framework to be used to structure future empirical research in the incidence of leadership development in the communication management functions of South African business organisations.

The existing model for PR leadership development of Berger and Meng (2014:45) was used as a foundation for an amended model that can be tested empirically in the South African business context in further research during 2019.

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The politics of welfare, civil society and citizen deprivation

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Keywords: Social Development; Non-Profit Organisations; Deprivation; Resource Allocation

ABSTRACT

The state relies heavily on civil society for the execution of its 'social development' programmes. Non-Profit Organisations (NPOs) funded by the state to provide welfare services to socially disadvantaged citizenry are required to align the aims, objectives, administration and procedures of these organisations to meet the specifications of the Department of Social Development (DSD).

Recent events in the welfare landscape, specifically the collapse of the foster care system and the reengineering of care provided to the mentally ill, have focused attention on the intransigence of the DSD and the inadequacy of its operations. Research conducted by Engelbrecht (2016) demonstrates that state subsidisation in the form of social grants of the operating costs of NPOs is aligned with the incidence and prevalence of deprivation suffered by socially and economically disadvantaged citizens of Kwazulu-Natal.

It is proposed that Engelbrecht's cross sectional study be expanded to a longitudinal investigation of the trend in state subsidisation of its contracted NPO partners. Midgley (1995: 78) observes that "it is difficult to conceive of social development as anything except a process which results in some type of change or improvement to the existing situation". Accordingly, the proposed research seeks to establish the spatial relationship of NPOs contracted by the DSD in Kwazulu-Natal, to the dispersion of social deprivation experienced by the province's citizens. The analysis will be conducted over the period 2013 to 2017, marking the first year of NPO funding reported by the DSD and reaching to the most recent available data in the Kwazulu-Natal DSD's 2018 annual report.

Engelbrecht's 2016 study devised a multi-dimensional index of deprivation, suitably tested for validity, and applied the index to the most recent national population census data, correlating the edited data with the NPO Directorate's directory of registered NPOs. The proposed research seeks to extrapolate the incidence of social deprivation in KZN, testing for association the deprivation trend in the district municipalities, with DSD subsidisation of the NPOs contracted to execute service delivery on behalf of the state.

Principal component factor analysis is proposed to determine a representative factor that will adequately represent the experience of deprivation in the province's eleven municipal boundaries. This will enable derivation of deprivation trends through analysis of Statistics South Africa municipal level household deprivation data published over the envisaged review

period. Parallel to this extrapolation, government subsidisation can be derived from provincial DSD annual reports.

It is argued that purposive enquiry of the state-NPO sector relationship is enabled by this study. Given the reliance by government on civil society and community action to 'develop from the ground up', this research promotes a three-fold emphasis. It establishes whether government's contracting out of social service provision reaches vulnerable communities; whether government's resource allocation is efficiently targeted, and whether government's goal of social development is achieved with the prevailing model of state-civil society collaboration. It is reasoned that this will better inform the ambitions and actions of non-state actors both directly and indirectly engaging with civil society and citizen welfare.

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An exploratory investigation of visitor motivations to the Barberton Makhonjwa Geotrail; an application of the Self Determination Theory

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Keywords: Geotourism, Geotrail, Visitor Motivation, Self-Determination Theory

ABSTRACT

Geotourism is a relatively new tourism niche, representing a distinctive form of nature-based tourism. South Africa has a wealth of geological resources, many of which form the basis for tourism attractions within the country, but limited research has been conducted on the actual geotourism market. By means of a questionnaire informed by the Self Determination Theory, this study aimed to understand the motivations of visitors to the recently developed Barberton Makhonjwa Geotrail in South Africa. The main findings revealed five main motivators including, to escape, for learning and novelty, to participate in activities and networking, for fun, and for personal importance. These findings have important implications for product development and marketing.

An investigation into household sustainable transition from extreme poverty

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Keywords: Sustainable, Extreme Poverty, Aspirations

ABSTRACT

The study examined the process by which household transition from extreme poverty. Globally, about 1.3 billion people live in extreme poverty, half of them in Sub-Saharan Africa. A number of African countries have steadily increased spending on safety net programmes despite limited financial capacity to sustain such recurrent expenditures. Unless such programmes are designed to confront the processes that generate poverty, they will continue to undermine sustainable development. Two sets of disconnected yet very useful literature to this study exist. One involves work done on climate change and variability offering guidance on the nature, level and mix of capacities households require to mitigate the effects of natural shocks. Two is literature on poverty, which offers guidance on the dynamics of poverty, including its measurement and escape pathways (the trajectories out of poverty traps). The study sought to bridge the two sets of literature in a bid to tease out the different capacities through which households escape from extreme poverty traps. The study identified a population, in Kenya, defined as extremely poor, has a government safety net programme and often experiences climate related shocks. Four variables of poverty (social, economic, human capital and institutional resources) were quantified among 375 households using a closed ended survey tool. Purposively selected community representatives were facilitated through *community based inquiries* to define, categorize and map the pathways out of poverty. The research data demonstrated that for a household to escape poverty sustainably, it will have to build three forms of capacity thus absorptive, adaptive and transformative. The research data further demonstrates that aspiration (the “calling” to escape poverty) influences a household’s adaptive capacities, and consequently its poverty escape. The study reveals that diversifying income sources did not automatically lead to increased income levels but rather resilient incomes sources – particularly non-farm types. Similarly, the borrowing culture exhibited in the study area does not nurture a saving culture rather strengthens intra and inter-household social capital. Inaccessibility of information was a limiting factor in the escape from poverty. This information gap did not just relate to unawareness of existing economic opportunities and related services, but also in terms of access to early warnings that could trigger household- and community-level responses to slow-onset shocks. The results of this study provides evidence for the design of public policies that facilitate households' transition out of poverty, reduction of recurrent expenditures on social transfers while informing the basis for targeting policy interventions in developing countries.

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Open innovation: the solution to radical cost efficiency and effectiveness of innovation processes

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Keywords: Open Innovation, Crowdsourcing, Innovation Performance

ABSTRACT

Open innovation has grown exponentially as a concept of interest in scholarly research and managerial practice across the globe, providing increased understanding into how businesses capitalise on inflows and outflows of knowledge to cultivate innovation (Dahlander & Gann, 2010; Chesbrough & Crowther, 2006). Although the concept resides from a firm-centric approach to innovation, research on the topic has expanded into innovation literature beyond the business as the central level of analysis. Studies at an inter-organisational and ecosystem level of analysis have given emphasis to open innovation from the perspective of crowdsourcing. Crowdsourcing is originally defined by Howe (2006) as 'the act of taking a task traditionally performed by a designated employee and subsequently outsourcing the task by making an open call to an undefined large group of people'. Crowdsourcing has received much attention in practice and recent scholarly research (Afuah & Tucci, 2012; Callaghan, 2015).

Despite the increasing predisposition towards crowdsourcing; reports indicate that business models have not fully adapted nor have businesses exploited crowds effectively or at all. While Christensen and Karlsson (2018) sought to address this, empirical findings pertaining to the cost effectiveness and efficiency advantages of crowdsourcing research & development (R&D) have been limited since only a single case was used. The lack of knowledge as to how crowdsourced R&D contributes to radically cost efficient and effective innovation processes merits inquiry. This research seeks to provide empirical evidence pertaining to how crowdsourced R&D positively influences innovation performance through radical cost reduction and effective innovation processes.

Through a multiphase mixed-methods approach, qualitative and quantitative methods will be aligned sequentially, with each approach building on what was learned previously. Employing a grounded theory approach, 30 in-depth semi-structured interviews with R&D managers in the pharmaceutical industry will be conducted. Subsequently, the qualitative findings will be tested using a self-administered online questionnaire completed by individuals participating in crowdsourced R&D. The quantitative data will be analysed in the following manner – a univariate-analysis (descriptive statistics), a bivariate-analysis (correlations) and a multivariate-analysis (factor analyses and regressions). Furthermore, tests of moderation and mediation will be conducted using Structural Equation Modelling. This research contributes to knowledge on how crowdsourced R&D, particularly in pharmaceutical businesses, can

contribute to radically minimised costs associated with drug production and development and subsequently contribute towards the effectiveness of the overall R&D and innovation process.

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Is the quality of education impacting the global competitiveness of the South African business environment?

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Keywords: Quality Education, Global Competitiveness, Income Inequality, GDP Per Capita

ABSTRACT

South Africa is confronted with almost the highest levels of both unemployment (Keeton, 2012) and income inequality (Molapo & Mutedi, 2015) in the world. Businesses operate in an external environment which significantly impact their sustainable viability. It is thus becoming increasingly important for governments / countries to create a competitive business environment through having a workforce with relevant skills. In this paper, the impact of the quality of education on global competitiveness, GDP per Capita, unemployment and income inequality have been measured, using predominantly the Global Competitiveness Index (GCI). It was established that there is a very significant relationship between the quality of education in a country and its global competitiveness along with GDP per Capita, income inequality and levels of unemployment. The paper highlighted the dismal performance of the South African government in terms of providing quality primary and secondary education to the majority of the population and the devastating impact of education on income inequality, GDP per Capita and unemployment.

INTRODUCTION

The developing world is often characterised by poverty, extreme income inequality and unemployment and politicians would often use these issues as major topics of contention (Hunter, Martinez & Patel, 2016). To achieve economic growth and prosperity, we need to have a competitive business environment. The World Economic Forum developed the Global Competitiveness Index (GCI), ranking and comparing the competitiveness of the business environment in countries annually. Competitiveness is defined as “the set of institutions, policies and factors that determine the level of productivity of a country”. The World Economic Forum (GCI) uses 12 pillars, such as Institutions, Infrastructure and Macroeconomic Environment (Schwab & Sala-i-Martin, 2016) to measure the global competitiveness of a country.

Two of these pillars relate to education (Pillar 4 – Health and primary education and Pillar 5 – Higher education and training). According to the Global Risks Report, Africa's readiness to compete in the knowledge economy is to some extent limited by the role of education and inherently the quality of research institutions. Income inequality has been declining in the industrialized world over the last 30 years, but not in many developing countries such as South Africa, with the quality of education sited as one of the main reasons for this phenomenon (Global Risks Report, 2017:11). Several research studies focused on establishing relationships amongst concepts such as competitiveness, levels of total and youth unemployment, economic prosperity and growth, income inequality, education and labour (Graham, 2016; Dihn, Mavridis, & Nguyen, 2010; Hunter, Martinez & Patel, 2016; Schwab & Sala-i-Martin, 2016; Hanushek, 2016; WIID, 2017). The South African issues of unemployment and specifically youth unemployment (Banerjee, Galiani, Levinsohn, McLaren & Woolard, 2008; Yu, 2013; Hog, 2011; Mthimkhulu, 2015), the quality of education (Malan, 2016; Lam, Liebrandt & Mlatsheni, 2008; Spaul, 2013) and the problem of income inequality (Keeton, 2012; Hunter *et al.*, 2016) are popular and sometimes extremely contentious research topics for discussion. This study is aiming to link the quality of education to global competitiveness in an attempt to find possible explanations for the high levels of unemployment, income inequality and the weak economic performance in South Africa.

LITERATURE REVIEW

South Africa faces at least three major socio-economic problems, namely low economic growth, unemployment and income inequality. In the period 1994-2004, the South African economy had favourable economic growth resulting in 3.5% average annual GDP growth with exceptional growth of more than 5% from the period 2005 to 2007 (StatsSA, 2016). Conversely, in the period since, economic growth has waned averaging 1.8% annual GDP growth (World Bank, 2015). Indeed, as asserted by Lipton (2016), deputy director of the International Monetary Fund (IMF), at its current economic growth trajectory, South Africa's economic growth in 2017 will not be sufficient to create employment. In fact, economic growth for 2017 projected at lower than 1.7% will put GDP per capita at 2010 levels (Lipton, 2016).

Regardless of the post-apartheid economic growth, it is often argued that the majority of the growth has evaded huge parts of the population. Keeton (2012) acknowledges that South Africa is among the most unequal societies in the world with the richest 10% earning 58% of the national income, while the poorest 10% earned just 0.5%. A Gini coefficient of 63.38% for South Africa confirms the levels of income inequality in the country (World Income Inequality Database, 2017). Considering the fact that most South Africans derive the majority (70%) of their overall income from labour income (Bhorat, Hirsch, Kanbur and Ncube, 2014), it is unsurprising to find in a country characterised by high unemployment has inherent to it income inequality. According to Spaul (2013) the inequality is evident as early as primary education, given the dualistic education system at present.

Unemployment is another problem seriously impacting social and political stability in South Africa. In the fourth quarter of 2016, the unemployment rate (as per narrow definition) was 26.5% (StatsSA, 2017). When the broad definition of unemployment is applied to include persons that are discouraged and have since gave up to find work along with the economically inactive, the unemployment figure expands to 36% (StatsSA, 2017). A historical overview of post-apartheid South Africa reveals the inaptness of the economy to absorb the labour force. Since 1994, unemployment has averaged at 24.2 percent per annum (World Bank, 2015). The lowest recorded unemployment rate was in 1995 at 16.9%. However, since then unemployment increased to above 20%. In the early to mid-2000s unemployment began to decrease, the largest improvement evidenced by an unemployment rate of 22.3% in 2007. This decrease in the unemployment rate was synonymous with the GDP growth South Africa was experiencing at the time. However, post 2008 unemployment has continued to increase (Graham, 2016) with almost no prospects of improving in the near future.

Although there are a plethora of factors that influence the prevalence of unemployment in South Africa, such as the lack of economic growth, poor quality education and poverty, one of the population groups that continue to bear the brunt of unemployment is the youth. Youth unemployment in South Africa exceeds 52%, and again, is almost the highest in the world (World Bank, 2015). While there are numerous reasons attributable to the occurrence of youth unemployment, studies have evidenced that a lack of access to information regarding job opportunities, high expectations, inapt education and technological advancements influence the current state of youth unemployment in the country (Banerjee, Galiani, Levinsohn, McLaren, Woolard, 2003; Levinsohn, 2007; Yu, 2013). Unemployed youth that enter the labour market with only a secondary school qualification are less likely to be employed; this is due to the fact that the labour market demand for this cohort of employees is low due to capital augmenting labour-saving technology (Lam, Liebbrandt & Mlatsheni 2008). Upon obtaining a tertiary education, young jobseekers may face the challenge of inapt skills. As asserted by Yu (2013), graduates from the humanities and education are less likely to find employment compared to their counterparts from engineering and medicine. This reality of no or the wrong skills, to some extent, further impedes advances against both youth unemployment and income inequality.

A logical deduction to be made is that improved economic growth could address South Africa's problems of income inequality, poverty and unemployment. However, economic growth in recent times has often been associated with global competitiveness. Technology has opened up a world-wide market for big and small businesses, increasing the levels of competition significantly. Ball, Geringer, Minor & Mcnett (2012) acknowledge this phenomenon, indicating that international trade has increased by almost 470% over the last 20 years. Hough, Thompson, Strickland & Gamble (2011) describe the business environment as "*a competitive battlefield where there is no end to the jockeying for buyer patronage*". Furthermore, Tidd & Bessant (2013) view the external environment as both complex (competitors, customers, regulators etc.) and fast changing (technical, political, social and economic change). The European Commission identifies competitiveness as a country's ability to provide sustainable high living standards at the lowest unemployment rates possible (Keser, 2015:59), thus establishing the link between global competitiveness versus economic growth and prosperity. Keser also recognizes knowledge and education as the most important drivers of competitiveness.

In an international survey, CEOs acknowledge that the world is changing at a tremendous speed and, at the same time, recognize the availability of key (new) skills as a critical driver of a country's global competitiveness. These CEOs conclude that a skilled, educated and adaptable workforce is pivotal to business growth and prosperity (PWC, 2017). The question, however, is whether the South African workforce is sufficiently educated to be a skilled, productive and adaptable workforce?

Schwab and Sala-i-Martin (2016) found that South Africa's performance in terms of primary and secondary education is exceptionally bad. A study conducted by Spaul (2013a:4) found that 27% of South African Grade 6 pupils were illiterate, since they could not read a short and simple text and extract meaning, and only half (49%) of all Grade 6 pupils in Limpopo were literate. The Democratic Alliance (2014) noticed that the Grade 12 pass rate in 2013 was 78.2%. However, when learners in Grade 9 were assessed through the Annual National Assessments in 2013, it became clear that only 37% were considered literate and only 3% numerate. Malan (2016) stresses that the South African education system is in serious trouble and patently unfair. He acknowledges that education is one of the only means to correct the unequal distribution of wealth in the country, but claims the government is failing dismally in providing quality education. According to Malan (2016:109) South Africa spends \$1 225 per child on primary education (ranked 144th), while Kenya spends only \$258 per child with a 44th ranking on the Global Competitive Index in 2015/16 in terms of primary education.

A small percentage of schools in South Africa are characterised by functionality, access to resources and educational output performance that is not dissimilar to schools in developed countries. In contrast, most typical government schools are characterised by management inefficiencies, poor resources and educational outputs; in effect, these schools can be described as dysfunctional. Learners from middle class and wealthy families are mostly exposed to the former while their poorer counterparts enter the latter schooling system. A result of the dualistic primary education system; the quality of education differs significantly for learners. Consequently, those from dysfunctional (low quality) schools end up in the poverty trap (Van der Berg, Burger, Burger, de Vos, du Rand and Gustafsson, 2011). The poverty trap can be understood as learners receiving poor primary education, which in turn fails to provide them with sufficient skills to perform adequately in high school. The end result is that these learners perform badly throughout their schooling career and dropout or pass 12th grade poorly. Subsequently, the majority of this cohort is unable to enter further education and opt (or are compelled) to enter the labour market with almost no option but as unskilled, blue collar workers. Their counterparts from the other side of the spectrum are mostly faced with an entirely different outcome, wherein they are furnished with the necessary skills to perform well in high school and obtain tertiary education, thus entering the labour market with both further education and greater skills.

The contrast between the need for skilled, educated employees as opposed to the quality of the South African education system is highlighted with the following statistics. In the period 2001 to 2012, one million highly skilled jobs were created in South Africa, while only 768 000 medium skilled and 613 000 low skilled jobs were created in the same period (Bhorat, Hirsh, Kanbur & Ncube, 2014). The contrast is truly problematic; the quality of education for the majority of South Africans leave them with only the option of being unskilled, while the trend in the world is for skilled workers. Unemployment and income inequality has vast implications, ones that are intertwined and structural in nature. In other words, addressing the country's income inequality is not as simple as creating more job opportunities. There are structural issues such as the dualistic education system that impedes on economic growth, employment and business competitiveness in South Africa.

Hanusbek (2016) asked the question whether education would lead to higher economic growth and came to the conclusion that education addresses the issue of standard of living, income potential and therefore could address income inequality, but will not necessarily lead to increased economic growth in a country. He also accentuates the importance of focusing on primary and secondary education rather than tertiary education. Keser (2015:59) associates better education with improved productivity and competitiveness of businesses which, in turn, will lead to higher personal income and lower poverty levels as well as higher economic growth in a country. Hunter, et al. (2016) questions whether countries with higher growth necessarily have less unemployment or more equal income. Thus, how to address the problems of unemployment, income inequality and poverty in South Africa might not be as simple as higher economic growth or better quality education, or is it?

PROBLEM INVESTIGATED

South Africa is characterized by exceptionally low levels of economic growth, massive unemployment and one of the most skewed distributions of wealth in the world. Molapo and Mutedi (2015) accentuate the importance of stimulating and improving the competitiveness of the South African economy to address these issues. High levels of unemployment, combined with an unequal distribution of wealth, are not only impacting the economic wellbeing of people, but are also potentially creating social tension. Ernst and Young (2013:3) conclude that if governments are serious about economic prosperity, reducing unemployment and fast-tracking growth, it is essential to create an entrepreneurial and business friendly environment for high growth businesses to prosper.

However, South Africa's readiness to compete might be limited by the quality of its education. The Global Risks Report (2017:14) confirms that CEOs over the world fear up to 47% job losses, specifically amongst blue collar workers, because of rapid advances in robotics and machines replacing labour. The level and quality of education could therefore seriously impact a country's ability of having a work force with the relevant skills. According to the Global Competitiveness index (2016/17), South Africa's ranking, out of 140 countries, in terms of "quality of the education system" (138th) and "quality of maths and science education" (140th), are exceptionally poor (Schwab and Sala-i-Martin, 2016). The research question addressed in this study is to ascertain whether the quality of education, as highlighted in the Global Competitiveness Index, has a significant impact on South Africa's weak economic performance, high levels of unemployment and unacceptable income inequality. Without a globally competitive environment, businesses find it extremely difficult to survive and prosper.

RESEARCH OBJECTIVE

The primary research objectives to be addressed in this paper is to ascertain the impact of the quality of Higher Education and Training (as measured in the Global Competitiveness Index) on the Global Competitiveness of countries, and whether, in turn, the Global Competitiveness impact income levels and inequality, as well as on unemployment, comparing countries in the rest of the world to African countries with specific focus on South Africa (RSA). To answer the primary research question, the following secondary research questions have been formulated:

- How do African countries, with the emphasis on South Africa, compare to countries in the rest of the world regarding socio-economic issues such as unemployment, income inequality, as well as both the levels and growth of wealth as measured by the GDP per Capita?
- What is the relationship between the Global Competitiveness of countries and these socio-economic issues?
- What is the relationship between the standard of higher education and training and the Global Competitiveness of countries?
- Can we improve individual wealth, income inequality and unemployment by improving the quality of education in South Africa?

RESEARCH METHOD

Statistical Analysis

In this paper, the statistical analyses, such as cross tabulation, chi-square, one-way analysis of variance (Independent T-test), regression analysis, and Pearson correlation coefficient were done using excel and the Statistical Package of Sciences (SPSS) statistical software. Comparing means (Independent T-test) were used to measure the mean, standard deviation, skewness and significance of the differences between two groups of countries, namely African versus countries in the rest of the world, regarding variables such as the Global Competitiveness Index, various measures of education, GDP per Capita, Unemployment and economic growth. Regression, Pearson correlation, standardized beta and adjusted R squared were used to determine the direction and the significance of the relationship between Innovation and Competitiveness, Competitiveness and GDP per Capita, as well as between various measures of Innovation.

Testing for the symmetry of the standard deviation (normal distribution), the following measure of Skewness (Hair, Black, Baben, Anderson & Tatham, 2006:80-81) was used (Z value exceeding ± 2.58 indicates non-normal distribution at a significance level of 0.01):

$$z_{skewness} = \frac{\text{skewness}}{\sqrt{\frac{6}{N}}}$$

Where n is the number of countries in the sample. The level of Skewness for population, GDP and GDP per Capita were too high, leading to the use of natural logarithms (NLog) to solve the issue of Skewness. Where appropriate, the median rather than the mean (average) were used.

Data

The 2016 Global Competitiveness Index (GCI) was used to measure the level of competitiveness of 140 countries, using twelve pillars which were combined into three categories or sub-indexes, namely basic requirements, efficiency enhancers and, lastly, innovation and sophistication factors (Schwab and Sala-i-Martin, 2016:6). For the purposes of this paper, only the Global Competitiveness Index (Ranking) and Pillars 5 (Higher Education and Training) plus two elements from Pillar 4 (Primary Education) as measures to compare countries on competitiveness and education were used. These 140 countries represents 95.1% of the world's population and 98.6% of the world's GDP. World Wide Unemployment Data was used to compare the levels of, and change in, unemployment for African countries versus the rest of the world (ILO, 2016), while the GDP, population, GDP per Capita for the different countries were obtain from the data bases of the World Bank (2016). Income inequality was also measured using the Gini Coefficient of Income Inequality (WIID, 2017).

RESULTS AND FINDINGS

The Global Competitiveness Index (GCI 2015) classifies countries into factor-, efficiency- and innovation-driven countries, with factor-driven countries typically being poor and focusing on basic commodities (Schwab and Sala-i-Martin, 2016). Africa represents 36 and the rest of the world 104 countries of the 140 countries included in the GCI. In Africa, 75% of the countries are factor-driven (poor), while in the rest of the world, 79% are either efficiency- or innovation-driven, clearly indicating how poor, on the average, are African countries compared to the rest of the world. In Table 1 the socio-economic performance, focusing on total and youth unemployment, income inequality and GDP per Capita and the growth in GDP per Capita, of Africa (and South Africa) are compared to the rest of the world (the GDP for 2016 was not yet available).

TABLE 1:

Socio-economic Indicators: Africa (+RSA) versus the rest of the World

PERFORMANCE:	Mean			Sig.	RSA
	Africa	Rest	Total		
Unemployment 2016	10.5%	7.8%	8.5%	0.019**	25.9%
Unemployment (2010-16)	-0.1%	0.7%	0.5%	0.076*	-1.2%
Youth Unemployment 2016	19.2%	18.2%	18.4%	0.000***	52.3%
Youth Unemp. (2010-16)	-0.7%	0.8%	0.4%	0.015**	-1.1%
INCOME INEQ. (GINI)	43.36	37.10	38.76	0.287	63.38
GDP PER CAPITA:					
GDP/Capita 2015 (NLog)	1 454	9 867	5 952	0.000***	5 724
% Δ in GDP/Cap (10-15)	7.6%	9.0%	8.6%	0.734	-22.6%
Change GDP/Cap (10-15)	54.7	370.2	176.1	0.912	-1 669

***Significant at 1%; **Significant at 5%; *Significant at 10%

At 10.5% and 19.2%, African countries have, on average, significantly higher levels of unemployment and specifically youth unemployment than the rest of the world. Regarding both total and youth unemployment since 2010, the unemployment situation in African countries worsened, while the rest of the world improved their levels of employment. Using the Gini Coefficient (WIID, 2017) as a measure of income inequality, African countries, although not significant, have higher levels of income inequality than countries in the rest of the world. In this study GDP per Capita in US Dollar terms and the growth in GDP per Capita (GDP/Cap) are used as measures of the levels of personal wealth (or poverty) and economic growth. Natural logarithms were used to address the issue of Skewness of GDP per Capita in the sampled countries. Again, African countries mostly have significantly lower levels of personal wealth than the rest of the world. On average, Africans earn 6.8 times less than people in the rest of the world. Regarding the change in GDP per Capita from 2010 to 2015, both in US Dollar terms and as a percentage, the rest of the world did better than Africa, but not significantly so.

However, focusing on South Africa, the situation is looking much worse. Unemployment, both total and youth, are almost three times higher than the world average. Income inequality as measured by the Gini coefficient at 63.38 is almost the highest in the world (WIID, 2017). Although the South African GDP per Capita is higher than in Africa and similar to the world average in 2015, the situation has deteriorate substantially with a 22.6% decline in GDP per Capita in US Dollar terms. The weakening of the exchange rate explains in part the decline in income levels. The questions whether the competitiveness of countries, as measured by the Global Competitiveness Index (GCI), impact economic wealth and growth, unemployment and income inequality, are addressed in Table 2.

TABLE 2:

Impact of Global Competitiveness Index (GCI) on Socio-economic Issues

Impact of GCI on Economic Issues	Mean	Pearson Cor.	Sig.	Adjusted R Square	Stand. Beta
GCI (Independent)					
Unemployment (Total)	8.5%	0.197	0.021**	0.039	0.197
Youth Unemployment	18.4%	0.096	0.263	0.009	0.096
GDP per Capita 2015 (Nlog)	\$5 952	-0.854	0.000***	0.728	-0.854
Growth in GDP/Cap (10-15)	8.6%	0.297	0.000***	0.082	0.033
Income Inequality (Gini)	38.76	0.313	0.000***	0.091	0.313

***Significant at 1%; **Significant at 5%; *Significant at 10%

Using regression analyses in Table 2, it was established that the global competitiveness of countries significantly impact not only the wealth of a nation, but also the levels of income inequality, economic growth as well as total unemployment. Focusing on the Pearson correlation, the significantly negative relationship between GDP per Capita and GCI is the strongest relationship, implying that the worse (higher) a country ranks on global competitiveness, the lower the personal wealth of the nation. The significantly positive relationship between income inequality and the GCI confirms that uncompetitive countries have higher levels of income inequality. The global competitiveness also impacts unemployment and the growth in GDP per Capita in a country, but focusing on the adjusted R square and standardized beta, the impact is relatively small. Regarding the growth in GDP per Capita, the positive relationship is a surprise. It implies that the weaker the global competitiveness of a country, the higher the growth in GDP per Capita. Table 3 relates growth in GDP per Capita to unemployment.

TABLE 3:**Impact of % increase in GDP per Capita on Unemployment**

Impact of % increase in GDP/Cap on Unemployment (total + youth)	Mean	Pearson Cor.	Sig.	Adjusted R Square	Stand. Beta
Growth in GDP/Cap (10-15) (Ind.)					
Unemployment (Total)	8.5%	-0.388	0.000***	0.145	-0.388
Youth Unemployment	18.4%	-0.388	0.000***	0.151	-0.388
Youth Unemployment (2010-16)	0.4%	0.198	0.018**	0.039	0.198

***Significant at 1%; **Significant at 5%; *Significant at 10%

As was expected, Table 3 clearly indicates the significance of the need for higher economic growth to combat both the levels of total and youth unemployment in a country. Countries with higher levels of economic growth since 2010 have lower levels of unemployment and also improved their levels of employment significantly (sig.=1.8%**) more than those countries with low levels of economic growth.

TABLE 4:**Relationship between Higher Education and Training (Pillar 5) and GCI**

Impact of Education on Global Competitiveness Index (GCI)	Pearson Cor.	Sig.	Adjusted R Square	Stand. Beta
Pillar 5 (Education and Training) and GCI (Independent)	0.863	0.000***	0.743	0.863

***Significant at 1%; **Significant at 5%; *Significant at 10%

In Table 4 the impact of higher education and training (Pillar 5) on the Global Competitiveness Index is measured. Although Pillar 5 is part of the GCI, it is only one of twelve pillars impacting the global competitiveness of a country. The exceptionally high correlation, R square and beta all confirm that the quality of education must be one of the pillars with the strongest impact on the global competitiveness of a country. In Table 5 the impact of the relative quality of education (Pillar 5) on economic issues are measured.

TABLE 5:**Relationship between education and socio-econ. Issues**

Relationship between Pillar 5 (Educ. & Train. Versus Socio-Econ. Issues)	Educ. & Train (P5)	
	Cor.	Sig.
Pillar 5: Education and Training	1.000	
GDP/Cap 2015 (Nlog)	-0.876	0.000***
% increase in GDP/Cap 2010-15	-0.035	0.343
Income Inequality (Gini)	0.397	0.000***
Unemployment 2016 (Total)	0.074	0.194
Unemployment 2016 (Youth)	-0.022	0.400

***Significant at 1%; **Significant at 5%; *Significant at 10%

From Table 5 it is clear that the level and quality of higher education and training impact both personal economic wellbeing and income inequality in a country significantly. The very high negative correlation of -0.876 confirms that countries with a negative ranking (high) in terms of higher education have significantly lower levels of GDP per Capita. Interestingly it seems

as if higher quality education and training do not significantly impact the growth in GDP per Capita since 2010, nor both the levels of total and youth unemployment. Table 6 focusses on the elements (sub-pillars) of higher education and training (Pillar5) and also include two elements from Pillar 4 (focusing on primary education) and its impact on income inequality, poverty and unemployment.

Table 6 confirms the importance of all elements of education on both the economic wellbeing and the income inequality of a nation. Both the significance and the size of the correlations accentuate the relevance of quality primary, secondary and tertiary education as drivers to improve both the GDP per Capita and income inequality in a country. Elements of education also impact the level of employment in a country, although to a lesser extent than it impacts GDP per Capita and income inequality (using both the levels of significance and the correlation). Of the ten elements of education measured against unemployment, five show significance of less than 5% and two of less than 10%.

TABLE 6:

Impact of components of education on global competitiveness of countries

EDUCATION (GCI)	Pearson Correlation			Significance		
	Gini	GDP/Cap	Unemp.	Gini	GDP/Cap	Unemp.
Quality of primary education	0,419	-0,696	0,076	0.000***	0.000***	0,187
Primary education enrollment	0,437	-0,515	0,134	0.000***	0.000***	0.059*
Secondary education enrolment	0,312	-0,804	-0,009	0.000***	0.000***	0,459
Tertiary education enrollment	0,412	-0,747	-0,012	0.000***	0.000***	0,445
Quality of the education system	0,281	-0,538	0,182	0.001***	0.000***	0.016**
Quality of math & science educ.	0,475	-0,611	0,139	0.000***	0.000***	0.052*
Quality of management schools	0,161	-0,698	0,143	0.032**	0.000***	0.047**
Internet access in schools	0,426	-0,795	0,184	0.000***	0.000***	0.015*
Avail. of research / training serv.	0,228	-0,725	0,193	0.004***	0.000***	0.012*
Extent of staff training	0,072	-0,639	0,177	0,205	0.000***	0.019*

***Significant at 1%; **Significant at 5%; *Significant at 10%

In the last table, Africa, and specifically South Africa, are compared to the countries in the rest of the world regarding elements of education.

TABLE 7:

Mean Ranking of Education & Training – Africa versus the Rest

PERFORMANCE:	Mean			Sig.
	Africa	Rest	RSA	
EDUCATION & TRAINING (Pillars 4 & 5)				
Quality of primary education	98.2	60.9	127.0	0.000***
Primary education enrolment	92.7	62.4	102.0	0.000***
Secondary education enrolment	107.8	57.6	12.0	0.000***
Tertiary education enrolment	113.8	53.6	93.0	0.000***
Quality of the education system	87.0	64.8	138.0	0.004***
Quality of math and science educ.	94.0	62.4	140.0	0.000***
Quality of management schools	93.9	62.4	24.0	0.000***
Internet access in schools	110.6	56.6	119.0	0.000***

***Significant at 1%; **Significant at 5%; *Significant at 10%

Table 7 highlights a major problem Africa and specifically South Africa faces and that is education. On all the elements of education African countries rank significantly weaker (higher) than countries in the rest of the world. South Africa's ranking out of 140 countries regarding quality of primary education (127th), quality of the higher education system (138th), quality of math and science education (140th) and access to internet at schools (119th) are, to say the least, shocking.

IMPLICATIONS AND RECOMMENDATIONS

Africa's competitiveness, according to Schwab and Sala-i-Martin (2016:24) has been weakening year on year. The primary purpose of this paper was to ascertain the extent to which the quality of education contributes to the competitiveness of African countries and specifically South Africa. The Global Competitiveness Index, comparing 140 countries across the globe, was the primary data source used in this study. Of the 140 countries included in the GCI, 36 were African countries. The problem of Africa is highlighted in Table 1 with 75.0% of sampled African countries being amongst the poorest, while only 21.1% of countries in the rest of the world are factor-driven (poor). Central on the agendas of all governments should be to improve economic prosperity and growth with the intent to address issues such as poverty, unemployment and unequal distribution of wealth in their countries and specifically in Africa.

Not only is unemployment in Africa at 10.5% significantly higher than in the rest of the world, it also increased since 2010 while the mean levels of unemployment were decreasing in the rest of the world. African countries experience higher levels of income inequality, although not significantly so. Even more concerning is the significantly higher poverty levels of African countries with an average GDP per Capita of \$1 454, almost seven times less than the \$9867 of countries in the rest of the world. Although not significant, the growth in the GDP per Capita since 2010 for Africa was worse than the rest of the world. South Africa stands out with substantially high levels of both unemployment and income inequality, combined with a negative growth in GDP per Capita since 2010 in US Dollar terms.

This study confirmed that the level of global competitiveness of a country significantly impacts the poverty levels ($\beta = -0.854$) and income inequality ($\beta = 0.313$) of that nation. Global competitiveness also impacts unemployment and the growth in GDP per Capita significantly, but focusing on R squared and beta, the effects are much smaller than on poverty and income inequality. The importance of economic growth was also confirmed with the significant relationship between the growth in the GDP per Capita and unemployment. Focusing on the primary objective of the study, it is clear that the quality of education and training significantly impact the competitiveness of that country ($R^2 = 0.743$; $\beta = 0.863$). The quality of education and training also impacts the poverty levels and income inequality of a nation significantly, but surprisingly enough, shows insignificant relationships with unemployment and economic growth. Hanushek (2016:538) came to similar conclusions that improving the quality of higher education in a country would lead to lower poverty levels, but not necessarily to higher levels of economic growth.

Focusing more on specific issues/elements of education, the quality of primary, secondary and tertiary education, the quality of maths and science education and the availability of internet access significantly impacts poverty levels, income inequality, and, to a lesser extent, the levels of unemployment in a country. It is clear that African countries, and specifically South Africa, are performing significantly poorer in terms of most of these elements of education. Out of 140 countries, South Africa ranks 127th on quality of primary education, 138th on quality of the education system and last (140th) on quality of maths and science education. In summary, the quality of education impacts the global competitiveness significantly, which, in turn, impacts the poverty levels and the income inequality of a country significantly.

All South Africans, politicians, businesses and general public alike, should recognize the seriousness of addressing the problems of inequality, poverty, economic growth and unemployment in the country in a rational, rather than emotional manner. Playing the blaming game and using popular rhetoric seem to be a very dangerous way of avoiding the reality. We need economic growth to address the problem of unemployment. We need to improve the quality of education, and specifically primary and secondary education, to address the problems of poverty and income inequality in the country.

CONCLUSION

South Africa, like many African countries, are confronted with high levels of unemployment, income inequality and poverty. South Africa also faces a declining GDP per Capita and extremely high levels of specifically youth unemployment. These economic and social problems are severe, need urgent attention and are potentially an economic and political time bomb. But, what should be done to address these issues? Improving the levels of global competitiveness, as measured by the GCI, are positively associated with less poverty (improving GDP per Capita), more economic growth, less income inequality and more job creation. We also experienced that higher economic growth is directly impacting levels of both total and youth unemployment.

However, the main focus of the study was on the impact of education on global competitiveness. With a correlation of 0.863 it was clear that the quality of higher education and training impacts the global competitiveness of a country significantly. To address the income inequality and poverty levels of South Africa, the quality of education at all levels are crucial. Keser (2015) acknowledges that quality primary and secondary education is even more important than tertiary education. The quality of primary and secondary education in South Africa for the masses who cannot afford to pay for better schooling, is shocking. Malan (2016:145) stresses that the South African education system is “grossly inefficient, severely underperforming and patently unfair.” CEOs over the world fear up to 47% job losses, specifically amongst blue collar workers, because technology makes manual labour potentially redundant (Global Risks Report, 2017:14), thus accentuating the importance of quality education.

Before we talk of radical economic transformation, the South African government must realize the importance of quality education to address poverty, job creation and income inequality. Unfortunately, this is no short term fix and it might take up to two decades to improve the quality of primary and secondary education in South Africa. The South African government is already spending a significant part of the national budget on education, but as Malan (2016) highlighted, it is not the amount but how it is managed that is the problem. If we are serious about addressing the economic and social problems of poverty, unequal income and unemployment, there is not a magical short term solution, but improving the quality of primary and secondary education in South Africa will be a huge step in the right direction. Without a well-educated workforce, businesses will find it increasingly difficult to survive and prosper in South Africa.

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A theoretical perspective towards route tourism development

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Keywords: Theoretical Framework, Route Tourism, Tourism Development

ABSTRACT

The tourism industry has experienced continued growth over the past few decades and is becoming one of the fastest growing economic sectors in the world. The long-term outlook for international tourist arrivals worldwide is expected to increase by 3,3% per year between 2010 and 2030 to reach 1.8 billion by 2030. With this expected increase in visitor numbers, there will be strong competition between the different tourism role players to attract additional visitor numbers. Thus, a tourism destination region will have to be in possession of an exceptional tourism offering to ensure maximum benefit deriving from the expected growth in tourism. Ensuring the uniqueness of a tourism offering is thus of utmost importance. One way of ensuring the uniqueness of a tourism product is through the development of route tourism. Route tourism refers to an initiative to link an array of activities and attractions under one unified theme. The aim of this investigation is to provide tourism role players with a theoretical framework for route tourism development.

Numerous research has been conducted on managerial topics concerned with route tourism and development. However, in literature there is still an absence concerning a theoretical framework for route tourism development based on sound theory. One way to potentially bridge this absence is by referring to the Social Development Theory of Vygotsky (1978). The framework was initially developed to promote student learning and to facilitate the construction of meaning between role players, in Vygotsky's case students and teachers. According to Vygotsky, social learning tends to come before development. The Social Development Theory comprises of three components namely, social interaction, the more knowledgeable other (MKO) and the zone of proximal development (ZPD). The Social Development Theory applies to this investigation in the sense for route tourism development to be successful there needs to be social interaction between the various role players that are responsible for successful implementation of route development. In this case, it would potentially involve the product owners and government officials. Social interactions could include meetings, email correspondence etc. The MKO could be knowledgeable individuals (academics, product owners, etc.) that are able to provide guidance to the stakeholders on the development and/or implementation of route development. The MKO could also assist in determining the status of current infrastructure and tourist sites. The ZPD could apply in the sense that the stakeholders need to collaborate as peers and equal partners in establishing a Destination Marketing Organisation (or a route forum) that needs to manage and market the route. Through the theoretical perspective, the importance of social interaction between tourism role players is evident to ensure route tourism development. The anticipated results of this investigation is to provide tourism role players with a theoretical framework for route tourism development.

Guest experiences of shared values in hotels using online guest reviews

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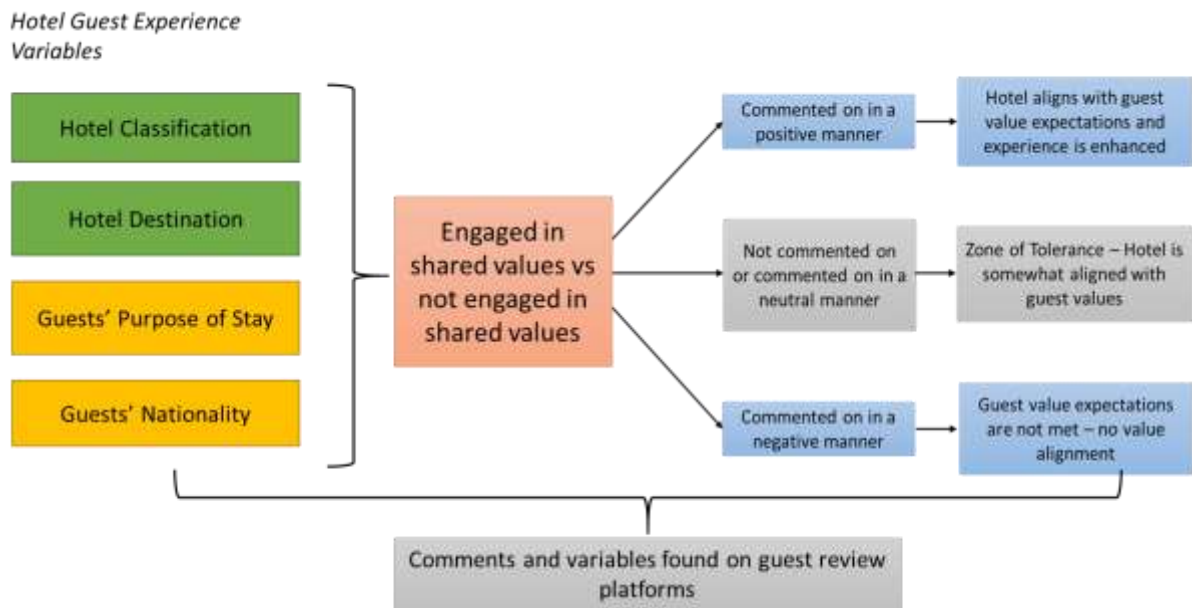
ABSTRACT

This study aims to evaluate how hotel guests comment on shared values in hotels and determine how the shared values influence their overall hotel guest experience. This will be done using big data from online guest reviews.

For hotels to be successful, they need to bridge the gap between guest expectations and experience and exceed those expectations (Zeithaml, Bitner & Gremler, 2009). Therefore, if hoteliers pay more attention to guest review data and what it has to offer in terms of valuable guest feedback, they can move closer to exceeding expectations by identifying universal factors that contribute to a positive or negative guest experience (Watkins, 2014; Schegg & Fux, 2014; UNWTO, 2014; Tefera, 2015). With a focus on sustainable business efforts, it is unclear whether guests' experiences are affected by shared value initiatives in hotels. Businesses can increase profits through social initiatives that reduce poverty, poor waste disposal and preventable diseases. This is referred to as 'shared value' (Pfitzer, Bockstette and Stamp, 2013; Kramer and Pfitzer, 2016:86-88). Based on the limited available literature, it is possible that shared values in hotels could impact how hotel guests experience their stay. This is valuable information to hoteliers who need to understand all aspects of their guests' experiences and how those experiences can affect their level of satisfaction.

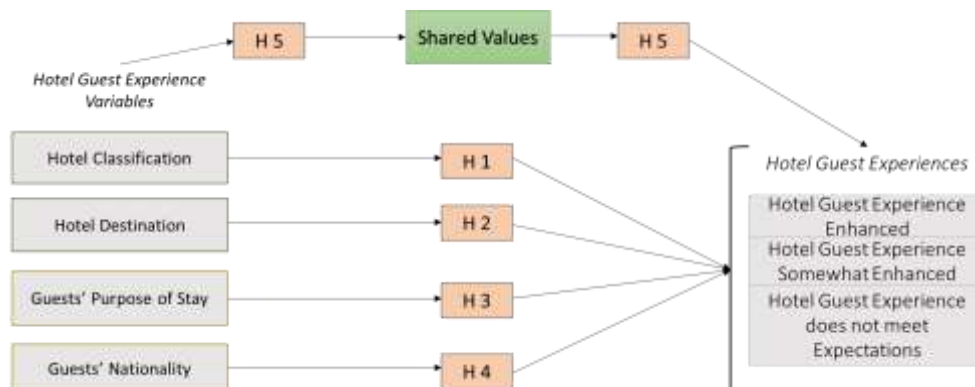
A literature review (Zeithaml *et al.*, 2009; Hensens, 2011; Walls, Okumus, Wang and Kwun, 2011; Arrifin and Maghzi, 2012:197; Berezan, Raab, Yoo and Love, 2013:231; Kucukusta and Chan, 2013; Martínez and del Bosque, 2013; Walls, 2013:187; Walsh and Bartikowski, 2013; Benavides-Velasco, Quintana-García and Marchante-Lara, 2014:84; Berezan, Miller and Raab, 2014:15; Gao and Mattila; 2014; Accor 2015; Chen, 2015; Liu and Mattila, 2016; Xiang, Du, Ma and Fan., 2017:51) assisted in proposing a theoretical framework and a hypothesised framework for the study as depicted in Figure 1 and Figure 2.

FIGURE 1:
Theoretical Framework of the study



Source: *Researcher's own model*

FIGURE 2:
Hypothesised Framework of the study



Source: *Researcher's own model*

To empirically test the hypothesised framework in Figure 2, a mixed methodology where written content is quantified and statistically analysed, will be used. During the first phase of the study, Olery (an online reputation management company for the hospitality industry) will be given a data proposal that will allow for collection of relevant review data that will pertain to this study. Reviews for the data set will be selected based on the destination of the hotel. Twenty popular city destinations will be selected with a wide geographical spread and varied attractions. During this initial collection, Olery will use word recognition using sentiment analysis to gather reviews that can be linked to shared values as commented on by guests. Once the pilot produced useable data, further data will be collected (from a database of 20 000 online reviews) and categorized to become the database for phase 2 of the study. During phase 2, the database created in phase 1 will be statistically analysed.

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South African financial advisors' perceptions of the importance of some selected antecedents of swift trust

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Keywords: Swift Trust, Financial Services Industry, Financial Advisors, Antecedents, Financial Planning Process, Relationships

ABSTRACT

The financial services industry is one of the least trusted sectors worldwide. Sensitive information has to be shared, early on in the relationship, for an advisor to do an accurate financial analysis for a client. Therefore, trust cannot develop naturally, but will have to be accelerated. This is known as swift trust. The purpose of this paper is to investigate South African financial advisors' perception of the importance of the antecedents of swift trust. 364 financial advisors from all over South Africa completed the quantitative questionnaires. Most of the respondents recognise that it is extremely important for a client to trust his/her financial advisor. They also recognised the importance of years' experience in the industry, their personal - and professional reputation, level of education and whether they follow the six-step financial planning process as antecedents of swift trust. Strangely, membership to professional bodies were not regarded as that important to swift trust.

INTRODUCTION

"The ability to establish, grow, extend, and restore trust is the key professional and personal competency of our time." – **STEPHEN M.R. COVEY** (Covey, 2008:299)

The global economic crisis of 2008 caused such reputational damage to the financial services industry, that it is still consistently listed by consumers as one of the least trusted sectors (Edelman, 2018).

Unfortunately, the relationship between a financial advisor and his/her client is one based on mutual trust (Verhoeven, 2009). To develop a holistic financial analysis for a client the financial advisor needs to obtain accurate information from the client. More often than not, this information is of a sensitive nature, for example a client's income, debt and medical information (Botha, Rossini, Geach, Goodall and Du Preez, 2018).

If trust is lacking in a financial advisor/client relationship, the client will be less inclined to share information or to be truthful about the information that they share (Verhoeven, 2009).

Swift trust was a concept that was introduced in 1996 and described “organizational one-night stands”. This unique form of trust was developed for temporary groups where trust between the individual members had to form at an accelerated pace for them to complete tasks together successfully. There was not time for trust to develop naturally but it had to be imported from various external factors/antecedents (Meyerson, Weick and Kramer, 1996:167). Within the first few meetings with the client this sensitive information has to be obtained, which means that trust cannot develop naturally, but will have to be accelerated in order to retrieve the best possible information from the client (Lamprecht, 2017).

The South African public places a high premium on the importance of trust in the financial services industry, but are currently experiencing a decline in their levels of trust within this industry (Edelman, 2018). The financial advisor needs his client to trust him/her, in order to provide the best possible service to the client. Therefore, the purpose of this paper is to investigate South African financial advisors’ perception of the importance of the antecedents of swift trust.

The paper is structured in such a way that it provides an overview of the importance of trust for the financial advisor, the occurrence of swift trust, as well as the antecedents to swift trust, which includes the application of the six-step financial planning process, the level of education of the financial advisor, years of experience of the financial advisor, membership to professional bodies and the reputation of the financial advisor. The methodology the study is based on will be discussed in more detail. The quantitative data was collected by distributing online questionnaires to financial advisors throughout South Africa. Potential implications, recommendations and concluding remarks will follow the discussion of the findings.

BACKGROUND

In his first State of the Nation Address, President Cyril Ramaphosa stated that South Africans should put the era of diminishing trust behind them, as the country is seeing a new dawn (SONA, 2018). South Africans have a lack of trust in government, media, business and non-governmental organisations. This was demonstrated in the 2018 Edelman Trust Barometer. The level of trust South Africans have in the financial services industry specifically, declined with six points from 2017 (Edelman, 2018) and South Africa’s Overall Trust Index decreased by four points, making it the third least trusting market of 28 countries (Rittenberry, 2018). Organisational trust is extremely important for South Africans. According to the Overall Trust Index, the general public expect CEO’s to ensure that their companies are trusted (Ritterberry, 2018).

Financial advisors are a part of the financial services industry that has also not been left untouched by the lack of trust. In a study that was conducted by Momentum in partnership with the University of South Africa, it was found that South Africans do not make use of financial advisors as they do not trust that they will act in their best interest (Financial Wellness Index, 2015). This lack of consumer trust in financial institutions is therefore not only a South African phenomenon, but also a global occurrence (Close, 2016). In a report that was prepared for the Financial Services Compensation Scheme it determined that globally the financial services industry is the second least trusted industry (Chater, 2015). The Financial Planning Standards Board Ltd. (FPSB) conducted a global survey in 2015 and one of the most interesting findings was that 75% of consumers stated that the main barrier in working with financial professionals was that they did not know whom to trust in obtaining accurate financial planning advice (FPSB, 2015).

To try to address this decline in trust in the financial services industry, especially after the global financial crisis, the National Treasury issued a policy document titled: “A safer financial sector to serve South Africa better” (National Treasury, 2011). This led to the drafting of the Financial Sector Regulations Act 9 of 2017. Section 7 of this Act states that the objective of

this Act is to achieve a stable financial system that works in the interests of financial customers and supports balanced and sustainable economic growth.

To regulate an industry should, in essence increase the level of trust that a consumer has in that industry (Bachmann, 2018). However, when taken into consideration that the financial services industry has been regulated from as early as 2002, with the implementation of the Financial Advisors and Intermediary Services Act 37 of 2002 (FAIS), and consumer trust in the industry is declining, it might not be an effective tool to increase the levels of consumer trust.

When institutional trust is lacking as is indicated by the current decline in trust in the financial services industry, one of the solutions to repair such trust relationship is to try to increase the trust consumers feel towards individual role players in the institution. Therefore, if clients are dealing with qualified and well-trained financial advisors, the relationship of trust can be increased not only on an individual level but also in the financial services industry as a whole (Bachmann, 2018).

THE FINANCIAL ADVISOR AND TRUST

A financial advisor is an individual role player in the financial planning industry who provides a unique type of service to his/her clients. They have to analyse a client's information and interpret that information in order to give holistic advice on a number of different areas, which include investments, retirement planning, estate planning and tax planning (Botha et al, 2018). This means that clients have to be willing to share very personal and sensitive information pertaining to all aspects of their lives with the financial advisor in order to conduct an accurate analysis and provide appropriate advice.

Most financial advisors in South Africa follow the six-step financial planning process, which is prescribed as "best practice" with regard to financial planning, by the Financial Planning Standards Board (Ltd) and the Financial Planning Institute of South Africa (Botha et al., 2018: 17).

These six steps are:

1. Establish and define the relationship with the client
2. Collect the client's information
3. Analyse and assess the client's financial status
4. Develop the financial planning recommendations and present them to the client
5. Implement the client's financial planning recommendations
6. Review the client's situation (Botha et al, 2018).

If a financial advisor follows this process, he/she has to establish a relationship with a client and collects relatively sensitive information almost instantly. In practise, this will translate to an average of two appointments (Lamprecht, 2017).

There is a direct correlation between a person's willingness to share information with an individual or institution and the level of trust that the person feels (Meyerson et al., 1996). When clients trust their financial advisor, they are more likely to feel comfortable to share information and critical knowledge that is required to ensure a successful collaboration between the parties (Robert, Dennis and Hung, 2009).

The traditional trust idea is mostly based on long-term relationships, where you have time to earn a person's trust depending on a number of factors (Botha et al., 2018). Financial advisors, however, do not have the luxury of establishing a long-term relationship with a client before the client have to reveal sensitive financial information. Step two of the six step financial planning process is to collect information about the client's financial situation (FPSB, 2018). Initially either the trust relationship has to develop quickly or both parties have to act as if trust has already developed and effectively so, in order for the client to provide accurate information on which a precise financial analysis can be based (Meyerson et al., 1996).

SWIFT TRUST

The concept of swift trust was introduced in 1996 in a book called "Trust in Organizations" where it was described as "a unique form of collective perception and relating that is capable of managing issues of vulnerability, uncertainty, risks, and expectations (Meyerson et al., 1996).

Swift trust was initially developed and applied in temporary groups where tasks had to be performed by relative strangers in a short amount of time. The authors argued that the traditional notions of the establishment of trust would not be effective in these short-term situations (Cook and Blomqvist, 2018).

In these types of relationships, individuals did not have the luxury to let trust develop naturally, but had to rely on one another to complete tasks and successfully achieve targets. Therefore high levels of trust had to be built in an unnaturally short time span and individuals had to incorporate trust from different contexts, both external and internal (Robert, Dennis and Hung, 2009).

It can there for be stated that swift trust is determined more by individual characteristics than individual behaviour. These initial perceptions of trust have a bigger influence on the subsequent long-term trust relationship, than was previously believed (Robert, Dennis and Hung, 2009). With our study, we evaluated which characteristics are external and determinable antecedents of swift trust e.g. level of education and membership to professional bodies, and how financial advisors perceived these external characteristics to increase the levels of trust that their clients have in them (McKnight, Cummings, and Chervany, N.L., 1998).

The ideal relationship between a financial advisor and their client ought to be a long-term one where trust can develop naturally over time. However, a paradoxical level of trust must exist right at the beginning of the relationship - in a relatively short time – in order for the client to be comfortable enough to share sensitive information with the advisor, which will enable him/her to conduct an accurate analysis and give correct advice. The concept of swift trust will therefore be very effective in this dyadic relationship between a financial advisor and a new client, as it was found that the higher the level of swift trust between two people, the higher their willingness to share knowledge (Verhoeven, 2009).

Swift trust and real/traditional trust should replace one another as the relationship between the financial advisor and the client develops, but, if it is possible to anticipate and cultivate the antecedents of swift trust, it could ultimately lead to a stronger trust relationship (Verhoeven, 2009) .

ANTECEDENTS TO SWIFT TRUST

By its very nature it is clear that swift trust will be established on different antecedents than traditional trust concepts and that the parties involved in this relationship will import their willingness to trust more from the individual roles and the expectations that one might have of these roles (Robert, Dennis and Hung, 2009).

Not only are there cognitive processes involved in the development of swift trust, but also social processes (Meyerson et al., 1996). The antecedents to swift trust between a financial advisor and their client in the wide sense will be factors such as the clear identification of the role of the financial advisor (Verhoeven, 2009), communication (Cook and Blomqvist, 2018) expertise, competence (Sekhon, Ennew, Kharouf and Devlin, 2014), and ability and integrity (Robert, Dennis and Hung, 2009). In this study the focus is only on the antecedents to individual swift trust that is determinable and a financial advisor will be able to control, develop and cultivate and not on internal and emotionally based factors, such as an individual's propensity to trust.

a) Application of the six step financial planning process

Studies have shown that clear role descriptors increase the level of swift trust (Verhoeven, 2009). Therefore, if financial advisors use the six-step financial planning process, they will implement step one by establishing and defining the relationship with clients during the first consultation and subsequently clients will be more comfortable as clear communication of goals and objectives will create realistic expectations (Lamprecht, 2017). Documentation provided by the financial advisor to the client during this initial meeting should clearly define the scope of engagement with the client (Botha et al, 2018). Effective communication has proven to be an antecedent to building a trustworthy relationship (Sekhon, Ennew, Kharouf and Devlin 2014), as well as increasing swift trust (Cook and Blomqvist, 2018).

b) Level of education

One of the most important shortcuts to creating trust would be an individual's level of education. It is assumed that the better an individual is qualified in a certain area, the greater the level of trust he/she will have in their ability to provide accurate advice. The level of education of an advisor can therefore supply an individual with strategic information to determine if a financial advisor is trustworthy or not (Raaphorst, Van de Walle, 2018).

c) Years of experience

Expertise and competence is important to enhance trustworthiness (Sekhon, Ennew, Kharouf and Devlin 2014). There exists a correlation between expertise and competence and the relevant experience of the salesperson (Doney, Cannon, 1997). The number of years of experience a financial advisor has, should therefore increase the individuals' perception of the expertise and competence of the financial advisor and therefore also their trustworthiness.

d) Membership to professional bodies

When an individual belongs to a professional body, the perception exists that due to the rules and regulations prescribed for members, the individual will be more credible and therefore more trustworthy (Patel, 2014). In a global survey by the FPSB, it was found that consumers rated members who were Certified Financial Planner® professionals much higher on characteristics like honesty and integrity and placing the clients' interests first. It also stated that client confidence in CFP® professionals is 45% higher than in other financial advisors (FPSB, 2015).

e) Reputation

Before a client enters into a relationship with a financial advisor, he/she will usually accumulate some knowledge of the advisor's ability and integrity (Sekhon, Ennew, Kharouf and Devlin 2014). Many times the initial method of introduction between financial advisors and clients are referrals from existing clients. Research has shown that positive word-of-mouth referrals increase the relationship of trust between individuals (Rajaobelina and Bergeron, 2009).

Therefore, the client will already have received some background information on the financial advisor with regard to his/her level of service and reputation. A study done in 2017 found that trust related factors, like referrals, reputation and experience are some of the most important considerations for clients when they begin their relationship with their primary financial services providers (Nason, 2017).

The antecedents of swift trust that are measurable for this specific study is therefore the application of the six-step financial planning process, the level of education of the financial advisor, years of experience of the financial advisor, membership to professional bodies and the reputation of the financial advisor.

METHODOLOGY

The research approach in this study is of a quantitative nature, making use of questionnaires to collect data. A five-point Likert scale was used to indicate the respondents' perceived level of agreement attached to the various measurable antecedents of swift trust, as well as other statements relating to the perception of the financial advisors. The statements made in the questionnaire were self-generated. The five-points on the Likert scale were (1) *Strongly Disagree*, (2) *Disagree*, (3) *Undecided*, (4) *Agree* and (5) *Strongly Agree*.

The target population comprised of members of the Financial Planning Institute (FPI). The Financial Planning Institute of Southern Africa is the recognised professional body for financial advisors in South Africa (Botha et al., 2017). The FPI is a non-profit organisation and also an affiliate and founding member of the Financial Planning Standards Board (FPSB) and sets the standard for the industry in South Africa. During 2017, the FPI had 4766 active members.

In order to make provision for non-response, it was decided to use the whole population (all FPI members). When populations are relatively small and easily accessible, accuracy will be increased by using a census rather than sampling (Cooper and Schindler, 2006). The questionnaires were distributed by the FPI to their members and therefore a census method was used. A total of 364 useable questionnaires were returned.

Questionnaires were created by the Evasys programme and a link of the online questionnaire were e-mailed to the respondents. The Protection of Personal Information Act 4 of 2013 (POPI) was adhered to and the researchers did not, at any point, possess the details of the respondents. The research project was also afforded the applicable ethical clearance by the Faculty of Economic and Management Sciences of the University of the Free State. The ethical clearance number for the project is available on request.

Reliability of the questionnaire was tested through internal consistency, which provided a relatively high Cronbach Alpha of 0.842. Content validity was ensured by establishing relevant antecedents of swift trust in applicable literature. Descriptive statistics, frequencies and percentages were used to analyse the demographic data (type of financial advisor, number of years' experience and gender). Additional results were obtained by making use of correlation coefficients and linear regressions.

RESULTS

Demographic profile of the respondents

The respondents were asked to provide the following demographic information in the questionnaire: gender, age, the number of years' experience as a financial advisor, qualifications, as well as the professional bodies they belong to.

Of the total 364 responses, 66.2% were male and 31.3% female. A total of nine responses (2.5%) did not complete this question. Table 1 provides the data obtained in terms of the respondents' ages.

TABLE 1:

Ages

Age groups	Frequency	Percentage
From 21 to 30	31	8.5
From 31 to 40	64	17.6
From 41 to 50	66	18.1
From 51 to 60	106	29.1
From 61 to 70	49	13.5
Older than 71	14	3.3
Missing values	34	9.3
Total	364	100

Almost 30% of the respondents were between the ages of 51 and 60, with quite a few respondents (16.8%) continuing to work after retirement age. Table 2 provides the number of years' experience that the respondents have.

TABLE 2:

Years' experience

Number of years	Frequency	Percentage
Less than 5 years	42	11.5%
From 5 to 10 years	55	15.1%
From 11 to 15 years	56	15.4%
More than 15 years	191	52.5%
Missing values	20	5.5%
Total	364	100.0%

The results indicate that more than half of the respondents have more than 15 years' experience, while relatively equal percentages have less than five, between five and ten and between 11 and 15 years' experience. The qualifications of the respondents were, as expected, advanced in the majority of the cases. Respondents were asked an open question to list their highest relevant qualifications. Table 3 provides the results.

TABLE 3:

Qualifications

Qualifications	Frequency	Percentage
Applicable industry certificates and diplomas	69	19.0
Degrees	11	3.0
Post-graduate qualifications	261	71.7
Missing values	23	6.3
Total	364	100

One of the requirements of being a certified financial planner is to have relevant qualifications and training. There are various pathways of obtaining these qualification, of which the most popular (almost 72% of the respondents) would be in this case, to complete a degree and continue with postgraduate studies that specialises in financial planning. Therefore, the majority of the respondents are highly qualified in the financial planning field, as would be expected from FPI members.

The respondents were asked to indicate to which professional bodies they were members. The largest majority (approximately 75%) indicated that they were a member of one professional body, while more than 20% were members of two professional bodies. Almost

5% of the respondents indicated that they were members of three and more professional bodies.

Empirical results

Respondents were firstly asked to indicate their level of agreement of certain antecedents of swift trust statements on a five-point Likert scale. The choices available to the respondents were *Strongly disagree* (1), *Disagree* (2), *Undecided* (3), *Agree* (4) and *Strongly agree* (5). In Table 4 *Strongly disagree* and *Disagree* were grouped together (*Disagree group*), as well as *Agree* and *Strongly agree* (*Agree group*) were incorporated into one group. The mean is also included and the closer the value is to 5, the more the respondents agreed with the statement.

TABLE 4:
Swift trust antecedents' statements

Statements	Disagree group %	Undecided %	Agree group %	Mean
The Six Steps Financial Planning Process assist you to build a relationship of trust with your clients.	3.7	12.5	83.8	4.2
Your level of education assist you to build a relationship of trust with your clients.	5.5	3.9	90.6	4.4
Your level of experience assist you to build a relationship of trust with your clients.	0.9	1.7	97.4	4.6
Your membership to a professional body assist you to build a relationship of trust with your clients.	17.2	25.2	57.6	3.6
Your personal reputation assist you to build a relationship of trust with your clients.	0.6	2.2	97.2	4.6
Your professional reputation assist you to build a relationship of trust with your clients.	1.1	2.2	96.7	4.6
It is important for a client to trust his/her financial advisor.	0.6	1.1	98.3	4.8

From the table it is clear that the statement *It is important for a client to trust his/her financial advisor* scored the highest, indicating that the highest percentage of respondents agreed with this statement. In terms of the specific antecedents to trust that was tested, their level of experience, personal reputation and professional reputation were found to contribute the most to trust between themselves and their clients, while their level of education scored slightly lower and membership to a professional body were the lowest, with only approximately half of the respondents agreeing with this statement. In Table 5 a bivariate correlation analysis was drawn between the five antecedent variables and the statement relating to the importance for a client to trust his/her financial advisor.

TABLE 5:

Correlations between the antecedent variables and *It is important for a client to trust his/her financial advisor.*

Antecedent variables	N	Spearman rank correlation	R²	Sig
Personal reputation	359	0.341**	11.6%	0.000
Professional reputation	357	0.338**	11.4%	0.000
Level of experience	359	0.296**	8.8%	0.000
Following the Six Step Financial Planning Process	357	0.273**	7.5%	0.000
Level of education	359	0.241**	5.8%	0.000
Membership to a professional body	358	0.135*	1.8%	0.010

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

* Correlation is significant at the 0.05 level (2-tailed).

Five of the six antecedents to swift trust was found to be statistically significant at the 0.01 level when correlated with the dependent variable (*It is important for a client to trust his/her financial advisor*). The only correlation that was found to be statistically significant at the 0.05 level, was the respondents' perception that membership to a professional body was important to build a client's trust towards their financial advisor.

The Spearman correlation value indicates the strength of the correlation relationship between the dependent variable and the antecedents, while the R² column (coefficient of determination) percentage indicates the change in the perception of the respondents in terms of the importance of trusting the financial advisor that can be accounted for by a change in the perception of the importance of the specific antecedent of swift trust. The variables are listed in Table 5, from the strongest relationship to the weakest. The perception of the respondents is thus that the advisor's personal reputation assists the most in creating trust, then the advisor's professional reputation, after which the level of experience is significant. The two weakest correlations at the 0.01 level were found to be whether the advisor follows the "best practise" process and the advisor's level of education. Lastly, significant at the 0.05 level, were membership to a professional body, which was a very surprising result.

Lastly, a regression analysis model was constructed in order to determine which of the antecedent variables can predict the importance of trust for the financial advisor. The results are displayed in Table 6 and only the significant variables are shown.

TABLE 6:

Linear Regression analysis between the antecedent variables and *It is important for a client to trust his/her financial advisor.*

It is important for a client to trust his/her financial advisor	Beta Coefficient	t	Sig
Following the six step financial planning process	0.368	6.995	0.000
Professional reputation	0.186	3.654	0.000
Membership to a professional body	-0.117	-2.181	0.030

When all the variables are tested together, following the six-step financial planning process, as well as the professional reputation of the advisor is seen as significant variables in the model, which corresponds with the results in Table 6. These two variables were the highest correlated with the dependent variable. Surprisingly, membership to a professional body (which were found to be significantly correlated, but the only antecedent at the 0.05 level) have a statistical significant relationship with *It is important for a client to trust his/her financial advisor*. However, this relationship is inversely correlated to predicting the respondents' perception of the importance of trust between the client and the advisor. That means that

following the six-step process and have a good professional reputation, impacts significantly on the respondents' perception of the importance of trust, while membership to a professional body is significantly negatively correlated to their perception of trust, which indicates that the more a respondent perceives membership to a professional body as unimportant to trust, the higher their perceived importance of trust will be.

DISCUSSION AND PRACTICAL IMPLICATIONS

It is clear from the results that an overwhelming majority of the respondents recognise that it is extremely important for a client to trust his/her financial advisor. The concept of trust and providing products and advice in the financial services industry cannot be seen as separate from one another. The antecedents that most of the respondents felt were very important for trust, were the number of years' experience they have in the industry, personal reputation and professional reputation. Furthermore, their level of education was mentioned, following education, and whether they follow the six-step financial planning process. According to the respondents, the least important antecedent to swift trust and also lagging considerably behind the rest, were their membership to professional bodies.

This result was also echoed in a correlation analysis where all the antecedents were correlated with the respondents' perception of the importance of client trust. All the antecedents, showed statistical significance at the 0.01 level, except for membership to a professional body (significant at the 0.05 level), which indicates that an improvement in all antecedents (education, experience, personal reputation, professional reputation a membership to a professional body), would – according to the respondents – lead to higher levels of trust by their clients.

Lastly, a linear regression model was run and when all the antecedents of swift trust were incorporated as the independent variables and the level of trust a client has towards his/her financial advisor were the dependent variable, there were only three variables that were found to be statistically significant. According to the model, the most important variable is whether the advisor follows the six-step financial planning process. Next to the process, the professional reputation of the advisor was regarded to have the most impact. Both of these variables' impact were found to be positive, which means following the process and having a good professional reputation will increase client swift trust.

Interestingly, membership to a professional body was found to negatively impact on the importance of client trust. This indicates that the respondents are of the opinion that the more important they perceive the trust of the client towards the advisor to be, the less important they feel that membership to professional bodies are. With a myriad of membership bodies that an individual working in the financial services industry can be a member of, it seems that the actual members do not regard these bodies to be that important to their businesses and building trust with their clients. This perception is in direct contrast to what was established in previous global studies that found that membership to professional bodies are of vital importance to clients in building swift trust and trust in general (FPSB, 2015).

It was an unexpected observation that financial advisors recognised that their level of education and their years' experience were important elements for them, but that they did not believe it is sufficiently important to build or increase the level of trust between them and a client. They rather felt that their professional reputations were of greater significance. Education and experience are known factors to increase swift trust.

The practical implication of the results is however, that the financial advisors who belong to professional membership bodies do not necessarily see the important benefits thereof, specifically when it comes to building client swift trust. There could be many reasons for this inaccurate perception, for example that the advisors are not aware of all the services or

reputational benefits that professional membership bodies provide. Fortunately, due to legislation most advisors are required belong to these professional membership bodies and further studies could be attempted to determine the reasons for the negative correlation between increasing trust and membership to professional bodies. The practical actions that could be implemented by financial advisors, in order to cultivate swift trust with new clients, is to ensure that they have the necessary and required education according to industry standards, but to also continuously expand and develop their skills in the financial planning environment.

CONCLUSION

The financial services industry is one of the least trusted industries in South Africa, even though it is highly regulated. In order for a financial advisor to provide effective and appropriate advice to their clients, these clients have to provide accurate, and in most cases, sensitive information to the advisor, very early in the advisor-client relationship. The financial advisor therefore does not have the luxury to let a trust relationship develop naturally over time, but would have to accelerate the process in order to be effective.

The establishment of swift trust is a relatively new concept and there are certain antecedents that can escalate the development of swift trust between parties. A financial advisor can place emphasis on these antecedents, in an effort to establish the relationship with the client in the initial stages of their relationship and then let traditional trust mature over time. The measurable antecedents that were focussed on in this study specifically, was the financial advisor's level of education, years' experience, personal and professional reputation and membership to professional bodies.

The results from 364 financial advisors from all over South Africa indicated that they realise the importance of trust that a client must have. All antecedents were found to have an impact on a client's trust – according to the advisor. A regression analysis indicated that the only three antecedents perceived by the financial advisors impacting on client trust were; following the six-step financial planning process, professional reputation and membership to professional bodies. The latter showed a negative relationship, while following the process and professional reputation showed a positive relationship. Important antecedents such as level of education and years' experience were not found to be significant.

Regardless of whether a financial advisor is affiliated with an institution and can therefore rely on some of the institutional trust and reputation that surrounds this institution, or have an independent business, the relationship will always be between the advisor and the client. In this relationship, trust is paramount to the success of the advisor-client relationship. To be able to correctly identify these tangible antecedents to swift trust and incorporate and cultivate it in their business model, could lead to stronger client-advisor relationships. As swift trust will allow the client to trust the advisor sooner and accordingly share sensitive information with the advisor, it will enable the advisor to provide accurate and factual financial analysis to the client right from the start. This will have a positive effect on the financial advisors' business, his client retention and subsequently increase his/her bottom line.

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The influence of media and politics on the image of South Africa as tourism destination

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ABSTRACT

The concept of image is defined as the quintessence of all attitudes that consumers have towards a product, service or a general notion which constitutes direct and indirect experiences (Gabler, 2012). A positive image is a desirable feature of any tourism destination, especially when the respective market is highly competitive. Its formation are subject to much academic discussion in tourism research (Baloglu & McCleary, 1999; Chen & Tsai, 2007; Tasci & Gartner, 2007). However most of these studies have been conducted in developed countries where the return rate of visitors is fairly high, which is not applicable to South Africa, where visitor numbers are growing slow and return rate low. The attraction of international tourists to South Africa is important since they contribute to foreign exchange earnings, an increase in employment opportunities and much more. The attraction of tourists are however affected by various factors such as marketing information, media exposure, political position, perceptions of the country and the image of the country. The tourist destination image consists of three main components, affective components, cognitive components and conative components (Dann, 1996; Gartner, 1993) which also formed the basis of measuring tourist destination image in this study. Because of a tourism product's intangibility, it depends on aspects (influencers) such as media to portray a positive image, which could lead to tourists revisiting a destination (George, 2011). South Africa is usually seen as a country which has difficulty with its politics, crime and security and, as a result, is portrayed negatively through media (Cornelissen & Swart, 2006). Once a negative image is portrayed and tourists' perceptions are influenced negatively, it is difficult to repair or change their feeling towards a destination. Therefore the question remain: What are the direct influence of media messages and political aspects on the image of South Africa as tourism destination?

To measure the tourist destination image (57 variables; 42 cognitive aspects, 12 affective aspects, 3 conative aspects, all on a 5-point Likert-scale) (Beerli & Martin, 2004a; Echtner & Ritchie, 1993; Stepchenkova & Morrison, 2008; Fakeye & Crompton, 1991; Esper & Rateike, 2010; Kim & Perdue, 2011; Mackay & Fesenmaier, 1997) of South Africa a questionnaire was

developed and administered amongst international visitors at the OR Tambo International Airport in South Africa (N=451). The principal axis factor analysis revealed 13 reliable cognitive image factors, one factor for affective image, one factor for conative image, one factor for media and one factor for politics. Two models will be tested on each of the exogenous constructs, Media (Cornelissen & Swart, 2006; Beerli & Martin, 2004a; Gren & Gunnarsdóttir, 2008; Castellort & Mäder, 2010) and Political (Beerli & Martin, 2004a; Castellort & Mäder, 2010), with regard to the endogenous constructs namely cognitive, affective and conative image using structural equation modelling.

Results from the cognitive image analyses revealed Nature and Scenery to be the more important factor followed by the Conative Aspects. The preliminary analyses revealed a direct relationship between media and the tourist destination image as well as between politics and the tourist destination image. Media and political events directly influence the image of South Africa as tourism destination but cannot be controlled. South African Tourism thus needs to be more pro-active and forward thinking in their approach to media and the reporting of political events. Immediate reaction in the media is extremely important as it contributes to the country's ability to effectively deal with these events. This is not the responsibility of only one government department and a more integrated approach to manage the media and reporting of political events should be followed.

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Professional related factors influencing the organisational commitment of financial planners in South Africa

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ABSTRACT

A key strategy for the Financial Planning Institute of South Africa is to retain qualified financial planners and to increase the number of qualified financial planners. However, financial planners also move between financial planning firms for various reasons which are not clear. Therefore, the purpose of this paper is to investigate the influence of four professional related factors (*Qualification, CFP status, Tied agent status and Salary structure*) on the *Affective, Normative and Continuance commitment* of financial planners. The results revealed that all four the professional related factors influence *Affective commitment* while three of the four professional related factors (*Qualification excluded*) influence *Normative commitment*. However, only *Qualification* and *Tied agent status* have an influence on *Continuance commitment*. Therefore, if financial planners obtain appropriate qualifications, have the CFP designation, are not tied agents and have a flexible salary structure, then financial planners will show more *Affective* and *Normative commitment* towards their firms.

INTRODUCTION AND PROBLEM INVESTIGATED

Organisational commitment is described as a state of being where employees demonstrate a genuine apprehension for their firm's success and wellbeing (Luthans, 2007:147). Employees that are committed value their job performance and are willing to take on challenging activities within the firm (Nguyen, Mai and Nguyen, 2014:7; Fu, Bolander and Jones, 2009:336). It is also believed that committed employees will be loyal employees even during difficult times and act in the firm's best interests (Meyer and Allen 1991:68). Furthermore, empirical evidence exists that highlighted the significance of organisational commitment as it positively related to, inter alia, decreased employee turnover, increased profitability, improved employee behaviour and increased job satisfaction (Nazari and Emami, 2012:484; Bagraim, 2010:97; Meyer and Allen, 2004:2; Meyer, Stanley, Herscovitch and Topolnytsky, 2002:20). Therefore, organisational commitment remains a significant research area to be investigated (Beukes and Botha, 2013:7; Clayton, Petzall, Lynch and Margret, 2007:61; Sharma and Irving, 2005:25; Arnolds and Boshoff, 2004:1).

Although there is an abundance of empirical evidence on organisational commitment (e.g. Alimohamaddi and Neyshabor, 2013; Batool and Ullah, 2013; Kaur and Sandhu, 2010; Nguyen *et al.*, 2014) across various industries, cultures and countries, empirical evidence of organisational commitment of financial planners in South African is lacking. A key part of the strategy of the Financial Planning Institute (FPI) is to retain qualified financial planners with the certified financial planning (CFP) designation and to increase the number of financial planners with the CFP designation, which should be a must-have for all financial planners (Nti, 2017:5; Nti, 2016:3). Since retaining qualified financial planners is a priority, it is essential for firms to prevent their financial planners to move, with their clients, to competing firms. Competing firms may provide financial planners with incentives to consider alternative employment opportunities (Perches, 2012:1; Philbin and Driebusch, 2012:1). In addition, financial planners may decide to leave their firms to establish an independent practice (Perches, 2012:1; Philbin and Driebusch, 2012:1).

However, significant long-term benefits may be achieved by firms if they can attract and retain their financial planners by nurturing organisational commitment. Financial planners provide essential services to clients, that is, assisting clients to gain control of their financial situations (Botha, Rossini, Geach, Goodall, Du Preez and Rabenowitz, 2016:5). In order for financial planners to provide a quality service to their clients, the financial planners are required to continuously update and build their professional knowledge that contributes to the industry professionalisation (Botha *et al.*, 2016:107; Murphy and Watts, 2009:7). Although there is an increase in the relevance of financial planners and a growth in the number of financial planners (Nti, 2016:3; Smith, 2009:1), research regarding the organisational commitment of financial planners is lacking (Clayton *et al.*, 2007:62). More specifically, there is a lack of empirical evidence regarding the influence of professional related factors on organisational commitment of financial planners.

The justification for doing this research lies in the firms' needs to attract and retain skilled financial planners to obtain a competitive edge in a dynamic and competitive business environment. Therefore this paper focuses on the influence of four professional related factors (qualification, CFP status, tied agent status and salary structure) on organisational commitment of financial planners in South Africa.

LITERATURE REVIEW

The work of Meyer and Allen (1991) on organisational commitment constitutes a multidimensional approach to commitment that include affective, normative and continuance commitment. The ideal employee commitment will exist when all three dimensions are strong or when affective comment or both affective and normative commitment dominate. However, if all three dimensions are weak or if continuance commitment dominates, then there will be a lack in employee commitment (Meyer, Kam, Goldenberg and Bremner, 2013:381).

Affective commitment

The affective commitment dimension of Meyer and Allen's (1991) approach is mainly based on the attitudinal perspective of organisational commitment (Wasti, 2003:539) and therefore refers to an employee's identification with, and emotional attachment to their employing firm (Beukes and Botha, 2013:2; Meyer and Allen, 1991:67). Employees with strong affective commitment will have a belief in, and identify with, organisational goals and values. This may lead to a strong emotional loyalty to the firm. In essence, these employees will remain with a firm because they wish to do so (Colquitt *et al.*, 2013:64; Meyer and Allen, 1991:67). Therefore, in this study *Affective commitment* refers to a financial planner having commitment based on an identification with, and an emotional attachment to, his/her firm.

Normative commitment

Normative commitment focuses on employees' obligatory feelings towards their firm that motivate them to retain members of the firm (Wasti 2003:539). Employees with high levels of normative commitment will feel a moral duty to their firm. As such, employees will continue their membership with their firm because they feel they ought to do so (Colquitt *et al.*, 2013:64; Meyer and Allen, 1991:67; Suma and Lasha, 2013:44). Employees may also hold long lasting sense of gratitude after receiving their first job from the firm, leading employees to oblige to reciprocate (Aamodt, 2004:323; Meyer and Allen, 1991:72). Furthermore, normative pressures may develop within employees after entering the firm. This can be a result of positive experiences with the firm, the employee accepting the terms of a psychological contract with the firm, the firm's previous investment in the employee, or previous rewards and benefits received, which the employee feels need to be paid back by demonstrating commitment behaviour (Vallejo, 2009:380; Aamodt, 2004:323; Meyer and Allen, 1991:72). Therefore, in this study *Normative commitment* refers to a financial planner having commitment based on a sense of duty and moral obligation towards his/her firm.

Continuance commitment

The continuance commitment dimension of Meyer and Allen's (1991), which is based on the behavioural perspective of commitment, views this dimension of commitment as a continuation decision based on employees' perceived costs and risks associated in withdrawing from the firm (Yiing and Ahmad, 2009:56; Meyer and Allen, 1991:64). Employees experiencing continuance commitment are often anxious regarding the investments they have put into a firm over time, which they risk losing if they leave (Wasti, 2003:539). In addition, the level of continuance commitment is influenced by situations increasing employees' perceived personal costs of leaving their firm. These costs may include the employee giving up tenure, benefits provided by firms, previous firm-specific training, losing relationships with co-workers or even a fear of not finding similar employment elsewhere (Meyer and Allen, 1991:77). Employees will therefore remain with the organisation as they feel they have to do so (Colquitt *et al.*, 2013:64; Meyer and Allen, 1991:67). As a result, if employees' commitment profiles are dominated by continuance commitment, they may exhibit high levels of work stress and anxiety (Meyer *et al.*, 2013:381). Therefore, in this study *Continuance commitment* refers to a financial planner having commitment to his/her firm based on the perceived costs associated with leaving the firm.

The influence of qualification on the dimensions of commitment

The results of a study by Iqbal (2010:21) at textile firms in Pakistan concur with the results of studies by Cohen (1992:543) and Mowday, Porter and Steers (1982:30) who found an inverse relationship between education and organisational commitment. The reason cited for this inverse relationship is that the higher an employee's education, the more expectations the individual may have. The firm may however be unable to meet these expectations (Mowday *et al.*, 1982:30). However, Lee *et al.*'s (2000:799) meta-analysis found no relationship between education and organisational commitment. This finding is supported by Akinyemi (2014:104) who also found no relationship between the education and organisational commitment of employees within the Nigerian banking sector. No studies could be found to show relationships between *Qualification* and the three dimensions of organisational commitment respectively. Based on this discussion, the following null hypothesis is formulated:

H₀^{1a-c}: There is no relationship between the professional related variable *Qualification* and a financial planner's *Affective*, *Normative* and *Continuance commitment*.

The influence of CFP status on the dimensions of commitment

A study amongst financial planners in the United States found that 60% of surveyed firms believed that CFPs averaged longer terms of employment compared to non-CFPs (FPSB 2014:1). However, no previous research could be found that has specifically investigated the organisational commitment of CFPs. The CFP designation, which is seen as the pinnacle of the financial planning profession (Botha *et al.*, 2016:50; Botha *et al.*, 2013:15), requires the completion of a postgraduate diploma or honours degree in financial planning, relevant work experience, passing a board exam as well as gaining a predetermined amount of approved continual professional development (CPD) points per reporting period. Due to the assumed cost of obtaining and keeping a CFP designation, which may be subsidised by the employing firm, it is of interest to include the CFP status of respondents in this study. Therefore, the following null hypothesis is articulated:

H₀^{2a-c}: There is no relationship between the professional related variable *CFP status* and a financial planner's *Affective, Normative and Continuance commitment*.

The influence of salary structure on the dimensions of commitment

The traditional revenue models of financial planners are commission-based. Due to negative publicity and calls to end the commission-based system (Ma, 2017; Marotta, 2012:1, Cull, 2009:2), there has been a gradual international trend moving away from the commission-based revenue model towards a professional, fee-only model. However, the revenue model of the majority of financial planners in South Africa are still commission-based (FPI, 2014:2-5; Botha *et al.*, 2013:27). In addition, the FPI (2014:6) highlighted that commission-based systems have contributed to the negative image many individuals may have of the financial planning industry in South Africa and that the commission-based systems often have little direct influence over employee performance (Furtmueller, Van Dick and Widerom, 2011:260). Furthermore, financial planners may, however, be employed under a variety of possible employment contracts, including commission-only contracts, fixed salary plus commission contracts and fixed salary only contracts. However, individual performance ratings based on commissions earned and competitive sales targets are often not in the best interests of their clients. Therefore, the commitment of financial planners to their co-workers, teams and clients may be hampered (Furtmueller *et al.*, 2011:272). Industry experts who were consulted suggested the inclusion of salary structures due to the perceived significance and controversy within the financial planning industry. Against this background, the following null hypothesis is proposed:

H₀^{3a-c}: There is no relationship between the professional related variable *Tied agent status* and a financial planner's *Affective, Normative and Continuance commitment*.

The influence of tied agent status on the dimensions of commitment

Within the South African financial planning industry, certain financial planners may be restricted by their employing firm to only sell a particular firm's products. These financial planners are often referred to as "tied agents" (Fin24, 2013:1). A limitation on financial planners' product offerings may hamper their ability to offer clients the product that is most suitable to the individual needs of their clients (Stokes, 2011:1). Industry experts who were consulted for the purpose of the present study noted that product restrictions would be an interesting aspect to consider, as it may lead to helpful, industry-specific findings for employing firms. After a comprehensive review of existing literature, no previous organisational commitment research could be found relating to tied agents or product restrictions. Therefore, a fourth null hypothesis is formulated as follows:

H₀^{4a-c}: There is no relationship between the professional related variable *Salary structure* and a financial planner's *Affective, Normative and Continuance commitment*.

RESEARCH OBJECTIVES AND/OR HYPOTHESES

The main objective of this study was to investigate whether selected professional related factors (*Qualification, CFP status, Tied agent status* and *Salary structure*) have an influence on the *Affective, Normative and Continuance commitment* of financial planners in the financial planning industry in South Africa. In order to achieve the main objective, the study scrutinised the literature surrounding the professional related factors influencing the three dimensions of organisation commitment. An empirical investigation was undertaken to assess whether relationships exist in order to recommend to firms employing financial planners on how to create a more commitment workforce.

Therefore, based on the literature review, twelve null hypotheses were formulated and empirically tested in this study. Figure 1 presents the hypothesised model of the professional related factors influencing *Affective, Normative and Continuance commitment* of financial planners in South Africa.

Based on the Figure 1, the following four null hypotheses were formulated:

H₀^{1a-c}: There is no relationship between the professional related variable *Qualification* and a financial planner's *Affective, Normative and Continuance commitment*.

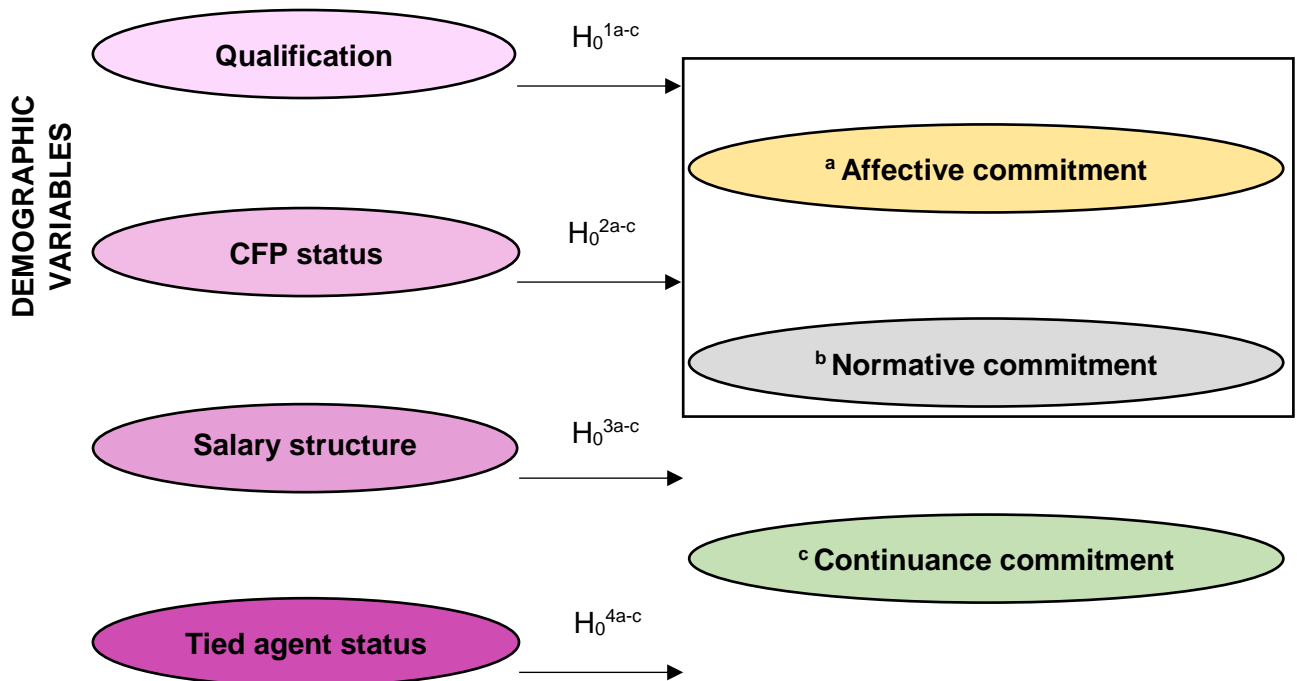
H₀^{2a-c}: There is no relationship between the professional related variable *CFP status* and a financial planner's *Affective, Normative and Continuance commitment*.

H₀^{3a-c}: There is no relationship between the professional related variable *Tied agent status* and a financial planner's *Affective, Normative and Continuance commitment*.

H₀^{4a-c}: There is no relationship between the professional related variable *Salary structure* and a financial planner's *Affective, Normative and Continuance commitment*.

FIGURE 1:

Hypothesised model of professional related factors influencing affective, normative and continuance commitment of financial planners in South Africa



Source: Researchers' own construction

RESEARCH METHODOLOGY

Methodology, sample and sampling technique

A positivistic paradigm, associated with quantitative methodologies, was adopted in study. The study's population was all the financial planners in South Africa employed by a firm with a minimum of ten employees and who hold no ownership in the organisation. Due to unavailability of a database containing the names of all financial planners in South Africa, convenience and snowball sampling techniques were adopted to draw the sample for this study. Business directories and online searches were conducted in order to obtain the contact information of financial planning firms and financial planners across South Africa. Financial planning firms and financial planners were contacted telephonically requesting their participation in the study. Family members and friends in the financial planning industry were also approached to identify suitable respondents who could be invited to participate in this study. Once permission was obtained from the financial planning firms and/or individual financial planners, a link to the cover letter and a self-administered self-developed structured questionnaire were e-mailed to the respondents for completion. The cover letter included the purpose of the study and the ethical clearance number obtained for the research. A total of 921 questionnaires were made available to potential respondents via email. Of this total, four e-mails were returned as undeliverable, making the effective sample size 917, of which 231 usable questionnaires were return, indicating a response rate of 25.19%.

Measurement Instrument

Section 1 of the questionnaire comprised of 15 items focusing on affective (five items), normative (five items) and continuance (five items) commitment of financial planners. The respondents were requested to indicate the extent of agreement with each of the items by clicking the appropriate column on a seven-point Likert-type interval scale ranging from 1

(strongly disagree) to 7 (strongly agree). Such a scale excels in objective accuracy, perceived accuracy and ease of use (Finstad, 2010:108). The 15 items used to measure the three dimensions of organisation commitment were obtained from previously tested scales (all with Cronbach's alphas of at least 0.82) and are presented in Annexure A.

Section 2 of the questionnaire gathered demographic information regarding the respondents using nominal scales while Section 3 requested the name of possible respondents to assist in expanding the sample size. The demographic information collected comprised of individual related and professional related information. Individual related information include the respondents' gender, age and race as well as the type of organisational employed in. Professional related information include the qualification, CFP status, salary structure and tied agent status of the respondents. Table 1 summarises the operationalisation of each variable under investigation in terms of the scales used to measure each variable.

TABLE 1:

Operationalisation of the three dimensions of organisational commitment and professional related variables

	Variable	Items	Source
Organisational commitment	Affective commitment refers to a financial planner having commitment based on an identification with, and an emotional attachment to, his/her organisation.	5	Meyer et al. (1993); Allen & Meyer (1990)
	Normative commitment refers to a financial planner having commitment based on a sense of duty and moral obligation towards his/her organisation.	5	Meyer et al. (1993); Allen & Meyer (1990)
	Continuance commitment refers to a financial planner having commitment to his/her organisation based on the perceived costs associated with leaving the organisation.	5	Bagraim (2004); Meyer et al. (1993)
Professional related variables	Qualification refers to the highest education level of the financial planner and comprises of Matric/National certificate, National diploma, Bachelor's degree, Post graduate diploma/Honours, Masters/Doctorate.	5	Akinyemi (2014); Iqbal (2010) Lee et al. (2000); Cohen (1992); Mowday et al. (1982)
	CFP status refers to whether the financial planner has completed a postgraduate diploma or honours degree in financial planning, has relevant work experience, passed the board exam and gained a predetermined amount of approved continual professional development (CPD) points per reporting period.	3	Botha et al. (2016); FPSB (2014); Botha et al. (2013)
	Salary structure refers to whether the financial planner's monthly income comprises of a guaranteed set salary, guaranteed base salary plus commission or commission only.	3	FPI (2014); Botha et al. (2013); Marotta (2012); Barrett (2011); Cull (2009)
	Tied agent status refer to whether the financial planner is restricted by the employing firm to only sell the particular firm's products.	2	Fin24 (2013); Stokes (2011)

Collection and analysis of data

The collected data was analysed using Microsoft Excel and Statistica (version 12). In order to ensure that the measuring instrument was valid and reliable, various tests were undertaken (Collis and Hussey, 2014:53). A pilot study among 30 financial planners which did not form part of the main sample was conducted to ensure content validity (Struwig & Stead, 2013:146-150). In addition, ten senior managers were asked to commitment on the inclusion of demographic variables they see fit to be included in the study. An Exploratory Factor Analysis (EFA) was conducted to assess the construct validity of the scales measuring *Affective*, *Normative* and *Continuance commitment* (Hair, Black, Babin and Anderson, 2014:115).

Factors with at least three items with factor loadings greater than 0.4 displaying no cross-loadings were retained for further analysis (Hair *et al.*, 2014:115). Cronbach's alpha coefficients were calculated to assess the inter-item reliability of the items and factors with coefficients of at least 0.7 was regarded as reliable (Hair *et al.*, 2014:115,123). Descriptive (frequencies, mean and standard deviations) and inferential (ANOVAs and t-tests) statistics were used to analyse the data (Hair *et al.*, 2014:670; Struwig and Stead, 2013:159). Post hoc Tukey tests were calculated to determine significant differences between means and Cohen's *d* values were calculated to establish practical significance (Hair *et al.*, 2014:670).

RESULTS

Sample description

The sample comprised of slightly more males (51.95%) than females (48.05%). The majority of the respondents were either in the age category 18 to 29 years (31.60%) or between 30 to 39 years (30.17%). Nearly a quarter of the respondents were aged between 40 and 49 (24.24%), while 11.26% of the respondents were in the age category 50 to 59% with only 1.73% of the respondents older than 60 years. The race groups represented in this sample were White (43.29%), Black (33.77%), Coloured (17.32%) and Asian (5.63%) race groups. The organisational tenure of the respondents were between one and five years (40.69%), six and 10 years (38.96%), 11 to 20 years (19.05%) and 21 to 30 years (1.30%).

Most of the respondents obtained a Bachelor's degree (39.83%) or Matric/ National Certificate (31.60%), followed by respondents with a postgraduate diploma/Honours degree (15.15%) and a National diploma (13.42%). The majority of the respondents were not qualified as a CFP (63.20%), followed by those working towards CFP accreditation (24.24%) and those qualified as a CFP (12.55%).

The respondents were working for various types of organisations. The majority of the respondents were employed by banks (32.03%), followed by independent brokers (single = 19.48%; national = 16.02%), agencies representing assets managers or insurers (19.05%) and private wealth brokerages/companies (13.42%). With regard to the salary structure, the majority of the respondents received guaranteed base salaries and commission (54.11%), followed by commission only (38.10%) and guaranteed set salaries (7.79%). The majority of the respondents were not tied agents (58.97%) with only 41.13% being tied agents.

Validity and reliability of the measuring instrument

All five items used to measure *Affective commitment* obtained factor loadings between 0.789 and 0.632. The five items used to measure *Normative commitment* recorded factor loadings between 0.809 and 0.771, while *Continuance commitment* had factor loadings ranging from 0.844 and 0.717. The Cronbach's alphas for the three dimensions of commitment were 0.84, 0.89 and 0.88 respectively. Therefore, sufficient proof for construct validity (all factor loading > 0.4) and inter-item reliability (all Cronbach's alphas > 0.7) were provided. The items and factor loadings for each item as well as the Cronbach's alphas for each factor are presented in Annexure A.

Descriptive statistics of variables

As evident in Annexure A, the mean scores (ranging from 4.22 to 4.40) for the three dimensions of commitment indicated that the respondents agree with the items used to measure *Affective* (50.13%), *Normative* (48.83%) and *Continuance* (45.11%) commitment. The standard deviations ranging between 1.28 and 1.36 showed that the responses of the respondents were closely knitted together.

Analysis of variance and t-test results

The results of the ANOVA and t-test regarding the influence of qualification, CFP status, salary structure and tied agent status of the respondents on their affective, normative and continuance commitment are presented in Table 2.

TABLE 2:

Anova and t-test results regarding the professional related factors on affective, normative and continuance commitment

Dependent variable	Affective commitment (H ₀ ^a)		Normative commitment (H ₀ ^b)		Continuance commitment (H ₀ ^c)	
	F-value	Sig.(p)	F-value	Sig.(p)	F-value	Sig.(p)
Qualification (H ₀ ¹)	5.64	0.0010*	1.54	0.2048	4.32	0.0055*
CFP status (H ₀ ²)	5.48	0.0047*	3.22	0.0419*	0.33	0.7208
Salary structure (H ₀ ³)	14.29	0.0000*	8.06	0.0004*	1.74	0.1774
Independent variables	t-value	Sig.(p)	t-value	Sig.(p)	t-value	Sig.(p)
Tied agent status (H ₀ ⁴)	3.30	0.0011*	2.93	0.0037*	-3.85	0.0002*

*p<0.05

Source: Compiled from statistical analysis

Based on the results presented in Table 2, it is evident that *Qualification*, *CFP status*, *Salary structure* and *Tied agent status* of respondents have statistically significant relationships with *Affective commitment*. Furthermore, *CFP status*, *Salary structure* and *Tied agent status* of the respondents have statistically significant relationships with *Normative commitment* while only *Qualification* and *Tied agent status* of the respondents have significant relationships with *Continuance commitment*. Therefore, hypotheses H₀^{1a}, H₀^{2a}, H₀^{3a} and H₀^{4a} are rejected as statistically significant relationships were found between the four professional related variables (*Qualification*, *CFP status*, *Salary structure* and *Tied agent status*) and *Affective commitment*. Hypotheses H₀^{2b}, H₀^{3b} and H₀^{4b} are rejected as statistically significant relationships were found between the three professional related variables *CFP status*, *Salary structure* and *Tied agent status*, and *Normative commitment*. Only two statistically significant relationships (*Qualification*, *Tied agent status*) were found between the professional related variables and *Continuance commitment*, therefore H₀^{1c} and H₀^{4c} are rejected. To conclude the hypotheses testing, hypotheses H₀^{1b}, H₀^{2c} and H₀^{3c} are accepted as no statistically significant relationships were found between *Qualification* and *Normative commitment* and between the two professional related variables *CFP status* and *Salary structure* and *Continuance commitment*.

Post hoc Tukey test results and conclusions for *Affective commitment*

Post hoc Tukey tests were calculated to determine where significant differences exist between two variable means only if the ANOVA results showed that significant differences were present. In addition, Cohen's d values were calculated to establish practical significance.

With regard to *Qualification*, the post hoc test (p<0.05) revealed that respondents with a bachelor's degree (\bar{x} =4.49; d-value=0.51), as well as respondents with a postgraduate qualification (\bar{x} =4.74; d-value=0.74), scored significantly higher than those with a matric or national certificate (\bar{x} =3.8). The Cohen's d-values indicate a medium, practical significance for these differences. Therefore, financial planners with a bachelor's degree or postgraduate qualification are perceived to have greater *Affective commitment* than financial planners who only hold a matric or national certificate. Additionally, the post hoc test (p<0.05) revealed that the mean score for *Affective commitment* is significantly lower when the financial planner does

not hold a CFP qualification ($\bar{x}=4.14$) than when the financial planner does hold a CFP qualification (mean=5.03). The Cohen's d-value (0.66) indicates medium practical significance for this difference. It is thus concluded that financial planners holding a CFP qualification are perceived to demonstrate higher degrees of *Affective commitment*. Regarding *Salary structure*, the post hoc test ($p<0.05$) revealed that respondents earning a basic salary plus commission ($\bar{x}=4.72$) scored significantly higher than respondents earning commission only ($\bar{x}=3.76$). A Cohen's d-value of 0.77 provides evidence of a medium, practical significance. Therefore, financial planners who receive a basic salary plus commission incentives are perceived to have greater *Affective commitment* than those who receive commission only.

The t-test revealed ($p<0.05$) that *Affective commitment* was influenced by the respondents' *Tied agent status*. Respondents who were not tied to a particular organisation reported significantly higher mean for *Affective commitment* ($\bar{x}=4.55$) than those who were tied ($\bar{x}=3.96$; d-value=0.44). However, the difference is of small practical significance.

Post hoc Tukey test results and conclusions for *Normative commitment*

Although the ANOVA revealed that *CFP status* exerted a statistically significant influence ($p<0.05$) on *Normative commitment*, a post hoc test revealed that no practical, significant difference between the different sub-sample groups and the *Normative commitment* of respondents exists. Furthermore, the post hoc test ($p<0.05$) revealed that respondents earning a basic salary plus commission ($\bar{x}=4.69$) scored significantly higher than respondents earning commission only ($\bar{x}=4.00$). Therefore, financial planners who receive a basic salary plus commission incentives are perceived to have greater *Normative commitment* than those who receive commission only. A Cohen's d-value of 0.57 provides evidence of a medium, practical significance.

The t-test revealed ($p<0.05$) that respondents' *Tied agent status* has an influence on their *Normative commitment*. Therefore, respondents who were not tied to a particular firm reported significantly higher mean for *Normative commitment* ($\bar{x}=4.60$) than those who were tied ($\bar{x}=4.11$; d-value=0.39). However, the practical significance of this influence is small.

Post hoc Tukey test results and conclusions for *Continuance commitment*

With regard to *Qualification*, the post hoc test ($p<0.05$) revealed that the mean score for *Continuance commitment* is significantly higher for respondents with a matric/national certificate ($\bar{x}=4.61$) than those with a postgraduate degree or diploma ($\bar{x}=3.69$). The Cohen's d-value (0.74) indicates a medium, practical significance for this difference. Therefore, financial planners with a matric or national certificate are perceived to demonstrate greater *Continuance commitment* than their fellow financial planners who hold postgraduate qualifications.

Based on the t-tests, the *Tied agent status* has an influence on the respondents' *Continuance commitment* ($p<0.05$). Respondents who were not tied to a particular firm did however report significantly lower mean for *Continuance commitment* ($\bar{x}=3.95$) than those who were tied ($\bar{x}=4.60$; d-value=0.39). This influence is of medium practical significance.

PRACTICAL MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

The professional related variables *Qualification* and *CFP status* were found to significantly influence two of the three dimensions of commitment. More specifically, financial planners with a bachelor's degree or postgraduate qualification have higher levels of *Affective commitment* than financial planners who only hold a matric or national certificate. Similarly, financial planners who hold a CFP qualification demonstrate higher levels of *Affective commitment* than those who do not have the qualification. These results contradict previous research who either

found a negative relationship (e.g. Iqbal, 2010:21; Cohen, 1992:543; Mowday *et al.*, 1982:30) or no relationship (e.g. Akinyemi, 2014:104; Lee *et al.*, 2000:799) between qualifications and organisational commitment. A possible explanation is that these financial planners have dedicated significant time and effort to their qualifications and may feel a sense of emotional attachment to their profession and organisation, particularly if the organisation assisted them to attain the qualifications. On the other hand, financial planners who only hold a matric or national certificate demonstrate greater *Continuance commitment* than their counterparts with postgraduate qualifications. Concurring with the research of Iqbal (2010:21), Cohen (1992:543) and Mowday *et al.* (1982:30), a possible explanation can be that financial planners with postgraduate qualifications have more employment opportunities available to them, possibly resulting in fewer costs associated with leaving their current employer.

The results showed that *Salary structure* has a significant influence on the *Affective* and *Normative commitment* of financial planners. More specifically, financial planners who receive a basic salary plus commission incentives have greater levels of both *Affective* and *Normative commitment* than those who receive only commission. Financial planners who only earn commission may feel that, as their firms has not committed to them by offering a guaranteed salary, the firm does not deserve their emotional or obligational commitment in return. As no previous organisational commitment research which tested salary structures and organisational commitment could be found, the results could not be compared with existing literature.

Tied agent status has a significant influence on all three dimensions of organisational commitment. Financial planners who are restricted by their employer in that they can only sell a particular firm's products, demonstrate significantly higher levels of *Continuance commitment*, but significantly lower levels of *Affective* and *Normative commitment* when compared to financial planners who are not tied to only selling a particular firm's products. As a result, the imposition of product restrictions could possibly cause financial planners to feel less emotional or obligational commitment to their firm. They may however, feel that leaving the firm and finding alternative employment will be costly. A possible explanation is that these financial planners may feel that their skills, experience and expertise have become restricted to the products and processes of their current employer. Due to the specific nature of this professional related variable, a comparison with existing literature could not be made.

Based on the results and the discussions, the following recommendations are put forward to financial planning firms in South Africa:

- Firms should actively recruit financial planners who already hold a bachelor's degree, postgraduate qualification or CFP qualification. Holding a specific financial planning qualification, such as a CFP, may increase financial planners' emotional attachment to their profession and their organisation.
- Firms should strive to assist current financial planners to attain such degrees and qualifications.
- Firms may need to implement specific commitment strategies and interventions to increase the commitment amongst their financial planners who hold postgraduate qualifications.
- Firms should consider including a basic salary as part of their financial planners' salary package, as a commission-only arrangement may reduce their emotional attachment to the firm.

- As *Continuance commitment* is considered less desirable than *Affective* or *Normative commitment* in this study, firms should endeavour to avoid limiting their financial planners' professional discretion by tying them to a single product provider.
- Firms should allow their financial planners some professional discretion, as their feelings of attachment and obligation towards their firm may increase.

CONCLUSIONS

The successful retention of skilled and qualified financial planners requires an understanding of the organisational conditions required to drive such commitment. In order to achieve the desired level of commitment, this paper has put forward a number of practical recommendations to firms employing financial planners on how they could improve or assist to improve the professional related factors influencing the commitment of their financial planners. It is recommended that the results of this paper will be practically applied and therefore may contribute to a mutually beneficial working environment for both firms and financial planners.

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ANNEXURE A
FACTOR LOADINGS AND DESCRIPTIVE STATISTICS
OF AFFECTIVE, NORMATIVE AND CONTINUANCE COMMITMENT

AFFECTIVE COMMITMENT							
Code	Item						Factor loading
AC1	I feel a strong sense of belonging to this organisation						0.736
AC2	I would be very happy to spend the rest of my career with this organisation						0.690
AC3	This organisation has a great deal of personal meaning for me						0.789
AC4	I enjoy discussing my organisation with people outside of the organisation						0.704
AC5	I feel emotionally attached to this organisation						0.632
Descriptive statistics							
Variance	CA	Mean	Std dev	Disagree	Neutral	Agree	
3.02%	0.84	4.31	1.36	31.95%	18.92%	50.13%	
NORMATIVE COMMITMENT							
Code	Item						Factor loading
NC1	I feel obligated to remain with this organisation						0.809
NC2	I feel a sense of moral obligation to remain with this organisation						0.729
NC3	I owe a great deal to my organisation						0.809
NC4	This organisation deserves my loyalty						0.788
NC5	I would feel guilty if I left my organisation now						0.771
Descriptive statistics							
Variance	CA	Mean	Std dev	Disagree	Neutral	Agree	
3.44%	0.89	4.40	1.28	24.33%	26.84%	48.83%	
CONTINUANCE COMMITMENT							
Code	Item						Factor loading
CC1	Staying with this organisation is a matter of necessity						0.752
CC2	It would be very costly for me to leave this organisation right now						0.796
CC3	For me personally, the cost of leaving this organisation would be far greater than the benefit						0.717
CC4	Right now, leaving this organisation would involve making many sacrifices						0.844
CC5	I might consider working elsewhere if I had not already put so much of myself into this organisation						0.755
Descriptive statistics							
Variance	CA	Mean	Std dev	Disagree	Neutral	Agree	
3.39%	0.88	4.22	1.32	33.51%	21.39%	45.11%	

Source: Compiled from statistical analysis