

LEX et SCIENTIA

International Journal

Nr. XIV / 2007

Published by « Nicolae Titulescu » University from Bucharest and
Business and Administration Faculty within University of Bucharest,
in cooperation with “Student’s Book” Publishing House

<http://lexetscientia.univnt.ro/>

contact: lexetscientia@univnt.ro

“Student’s Book” Publishing House



Phone: 004.031-402.95.90.
Phone/Fax: 004.021.322.74.93.
Matei Basarab Street No 106, Bl. 73, et. 8, sect. 3,
Bucharest, Romania
e-mail: cartea.studenteasca@rotex.ro
<http://www.rotex.ro>

CNCSIS Accredited Publishing House

Cover: Dragoş George SPĂȚARU
Make up: Dragoş George SPĂȚARU

Editorial Board

Romanian Editorial Board

Ioan Dogaru – *University from Craiova*
Dan Horia Mazilu - *University of Bucharest*
Ion Neagu – *“Nicolae Titulescu” University, Bucharest*
Viorel Cornescu - *“Nicolae Titulescu” University, Bucharest*
Ion Ignat – *„A. I. Cuza” University, Iași*
Alexandru Olteanu - *“Nicolae Titulescu” University, Bucharest*
Magdalena Platis - *University of Bucharest*
Victor Ploae – *„Ovidius University”, Constanța*
Nicolae Popa - *“Nicolae Titulescu” University, Bucharest*
Dan Popescu – *„Lucian Blaga” University, Sibiu*

International Editorial Board

Shinji Naruo, Japan
Anatol Caraganciu, Moldova
Viorica Carare, Moldova
Adeyemi Oluare, Nigeria

Editor

Elena Druică

Assistant Editor

Alexandra Apostol

Scientific Advisory Board

Romanian Scientific Board

Viorel Cornescu
Christina Suci
Alexandru Taşnadi
Vasile Macoviciuc
Cătălin Popescu
Răzvan Papuc
Daniela Mihai
Magdalena Rădulescu
Daniela Pirvu
Andrei Stănoiu
Daniela Bădoi
Rodica Ianole

International Scientific Board

Jørgen Lindgaard Pedersen - Denmark
Mika Saloheimo – Finland
Jacky Mathonnat - France
Azadeh Shafaei - Iran
Mehran Nejati - Iran
Mostafa Nejati - Iran
Forouzan Bayat Nejad – Iran
Ali A. Pourezat – Iran
Adeyemi Oluare, Nigeria
Maskov Victor - Rusia
Shinji Naruo – Japan
Azlan Amran - Malaysia
Gheorghe Costandachi – Moldova

ISSN: 1583-039X

“Lex ET Scientia” International Journal is a multidisciplinary yearly that publishes original research articles and wide-ranging review essays that contribute to the understanding of socio-legal processes. It aims to provide its readers with a unique forum for the exchange and sharing of information in this area. The journal will present socio-legal issues and social-economic problems, as expressed by legal scientists, economists, philosophers, political, historians and business academics, with their consequent ethical considerations. The combination of empirical and theoretical research with critique and appraisal of the socio-legal field, make this journal an indispensable source for the latest research and commentary in the area.

The journal welcomes articles written by professional scholars in law, economics, philosophy, political and social sciences, history and business. Of great importance are articles dealing with socio-economic problems and specific topics in law and society in the here and now. In this regard, the specialists in law, legal institutions, and legal professionals have much to offer. Some of the larger topics which fall within the interest of the journal are as follows:

- Law and sociology
- Economics
- Political science
- Social psychology
- History
- Philosophy and other social science
- Humanities disciplines

This issue is the result of our cooperation with a team of scholars from some countries and provides the opportunity for readers to find many papers presented at the First International On-Line Conference organized by ALA International Group in November 20th – 21st.

Editor, Elena Druică

Elena Druica

IOCBM2007-Summary

The First International Online Conference on Business and Management (IOCBM 2007) was successfully held during 20 to 21 November 2007. This two-day conference provided a forum for academics, practitioners, managers, consultants and doctoral students to debate current international issues and challenges in the broad area of business and management. Over 40 papers were selected for the conference and a number of 22 papers were presented online.

The conference organizers welcomed contributions from a range of disciplinary domains by authors from all around the globe such as Turkey, Romania, India, Australia, Iran, Czech Republic, Ukraine, etc.

The conference was started with the welcome message from Professor Paul Bridle, the well-known Leadership Methodologist who was selected as the 12th Most Influential Leadership of 2007. Professor Bridle sent his good luck to this event and said, "Firstly let me pass on my best wishes to conference committee and the delegates for your first International Online Conference on Business and Management. As you know I spend over 30% of my time researching successful international organizations and the leaders behind them. One of the must have qualities of a leader is the ability to learn and keep learning. The world is changing so fast, managers and leaders need to be proactive and yet responsive to that change. I welcome events like IOCBM2007, that use the technology we have today in a way that enables managers to develop new approaches on the international stage. I am just sorry that I can't join you this time."

Dr. Donald Henry Ah Pak, who is a member of the Department of Management in Xi'an Jiaotong-Liverpool University (China) and a participant in IOCBM 2007, was happy about this conference and stated that, "It was fascinating to realize how many aspects of online conferences are true powerful advantages over a physical one and to just comprehend the differences that such a novel way of communicating and collaborating truly brings to the table.

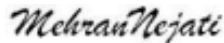
There was orderliness and it was well structured with all the key components or I rather say all the things that was actually required to take part in the online conference was there already i.e. power point slides, presentation hall, knowledge area etc and it was easy to navigate. And also I just want to thank all of conference organizers to making this conference available and I honestly look forward to more of such a kind."

On the other hand, Dr. Ibrahim H. Seyrek, a member of the Department of Business Administration in University of Gaziantep (Turkey) who also had a presentation in IOCBM 2007, says, "Thank you for all your efforts bringing this conference into live! This is the first time for me to join an online conference. It is really good to use technology for such academic purposes. We saved both money and time."

Conference organizers of IOCBM 2007 are now working hard for the next conference. For updates regarding this conference you may check www.ala.ir/en and contact us any time through nejati@ala.ir. At the end, we would like to thank all of those who help this conference to be a success and warmly appreciate the support of the editors of "Lex ET Scientia" International Journal for publishing the selected papers of this conference.

Kind Regards,

Mehran Nejadi

A handwritten signature in black ink that reads "Mehran Nejadi". The signature is written in a cursive style with a slight shadow effect.

Conference Manager

**UNE APPROCHE ETHIQUE DE LA RELATION D'AIDE DANS LA PRATIQUE DU
TRAVAIL SOCIAL
LA RELATION D'AIDE, ENTRE VIOLENCE ET AUTONOMIE**

Jean-Charles Sacchi

Université Catholique de Saint-Brieuc

Lycée Saint Charles- Saint Brieuc

Remarque linéaire sur mon expose:

Mon approche ne sera ni psychologique, ni sociologique, mais philosophique, il s'agira d'examiner l'aide en tant que relation dans une perspective réflexive et critique. Pour autant cette approche n'exclut pas l'exploitation d'études appartenant à d'autres champs disciplinaires, notamment celui de la sociologie.

Mon approche philosophique se développera dans une perspective essentiellement éthique. Aussi la relation d'aide sera interrogée en tant que participant ou non à la réalisation de notre humanité. C'est en ce sens que se pose, relativement à la relation d'aide le problème de l'autonomie et son rapport avec la violence.

Concise comment about my paper

My approach will be nor psychological neither sociological but philosophical and it will be about investigating help like a relation in a reflexive and critical perspective. For all that this approach doesn't exclude the employment of studies belonging to others disciplinary areas, especially to sociology.

My philosophical approach will be developed in an essentially ethical perspective. The help relation too will be questioned in its quality of participant or not to the realization of our humanity. In this sense it raises, relatively to the help relation, the autonomy problem and its connection with violence.

Introduction générale

Je me permets pour introduire mon exposé de citer Aristote : « l'homme nous dit-il est un animal politique », ce qui signifie plus précisément « qu'il n'est vraiment homme qu'en société » ; Mais Aristote rappelle aussi que le désir le plus fort de tout homme est le bonheur. Dès lors se pose la question : comment l'homme peut-il réaliser ce désir en société ? Est-ce possible et à quelles conditions ? Pour réaliser ce désir il faudrait que chacun puisse réaliser le plus parfaitement possible son humanité. Or pour cela il nous apparaît aujourd'hui que parmi

les conditions essentielles figurent en première place la liberté et la justice. Mais liberté et justice sont-elles effectivement conciliables ? A vouloir réaliser avant tout la justice on court le risque de réduire le dynamisme économique et de devoir renforcer le pouvoir de l'Etat, à préférer l'idéal de liberté on prend le risque d'accroître les différences et les inégalités. Opposition schématiques sans doute mais qui peut nous faire comprendre combien cette tension est persistante dans les sociétés contemporaines même si elles ont pour la plupart choisi d'accorder à l'idéal de

liberté la première place, tant au niveau politique qu'au niveau économique. Privilégiant une économie libérale ou comme le disent certains néo-libérale, elles sont aujourd'hui aux prises avec les problèmes posés par une croissance des inégalités et sont interpellées sur la question de la justice sociale et les conditions de sa réalisation. L'« Etat - Providence » est fortement sollicité pour réduire les inégalités ce qu'il ne peut faire dans un système libéral qu'en espérant répartir plus justement la redistribution des biens et venir au secours des « victimes » des injustices. C'est dans ici qu'il nous faut situer les actions « réparatrices » entreprises par ce que nous appelons en France les « travailleurs sociaux ».

Le « travail social » est une activité réalisée soit par des bénévoles soit par des professionnels en vue de permettre à des personnes en situation de marginalisation ou d'exclusion sociale de bénéficier de l'aide nécessaire pour trouver ou retrouver dans la société la place qui s'accorde au mieux avec la dignité humaine. Mais bien des questions se posent. Notamment sur les notions de « travail », d'exclusion », de « marginalisation », de « dignité »...

Les « travailleurs sociaux » constituent un ensemble, d'apparence hétéroclite, composé d'éducateurs spécialisés, d'assistants de service social, d'animateurs, éducateurs de jeunes enfants, conseillers en économie

sociale et familiale!... Leur domaine d'intervention est vaste et diversifié selon les problèmes sociaux pour lesquels ils sont sollicités (maltraitements, alcoolisme, toxicomanie, logement, chômage...) Leur approche se situe au croisement de plusieurs champs disciplinaires (droit, économie, psychologie, sociologie...); quant à leur public il peut varier en fonction de l'âge, de la situation sociale, économique, culturelle. Enfin leur formation de niveau variable, depuis le niveau VI (enseignement secondaire, jusqu'au niveau I enseignement universitaire (D.E.A. et Doctorat)). Cette formation, toujours en lien avec la pratique de terrain, se fait surtout dans des centres de formation comme les I.R.T.S. (Institut Régional des Travailleurs Sociaux) en partenariat avec l'Etat ; cette formation peut se faire aussi éventuellement par le moyen de certaines universités. Si l'on s'en tient à ce qu'il y a de commun à cette pratique diversifiée du « travail social », celui-ci se présente alors comme une activité centrée sur l'aide aux personnes les plus démunies, les plus misérables, les plus vulnérables. En tant que tel ce travail est porteur d'un idéal moral de justice

En tant que telle cette activité d'aide n'est pas nouvelle. Assumée d'abord par des communautés et des ordres religieux, pratiquée longtemps essentiellement par des bénévoles désireux de venir en aide aux plus

¹ La question de la dénomination est une question sans doute importante mais difficile et problématique ici. Elle nous renvoie à une interrogation sur l'identification des personnes liées ou associées dans la relation d'aide au cœur de la pratique du « travail social » ; en outre comme on le verra plus tard cette dénomination évolue en fonction de l'évolution de la pratique.

pauvres, elle a pris la forme d'un travail professionnalisé en même temps que prenait forme, en référence à l'idéal d'égalité et de justice, l'Etat-Providence. Le travail social est apparu alors comme un des moyens dont pouvait se servir l'Etat pour tenter de réduire les effets, politiquement et humainement désastreux de la croissance des inégalités sociales (notamment en France après « les trente glorieuses » c à d à partir des années 70 et l'augmentation du chômage). La situation du travail social est donc étroitement associée d'une part à la situation économique et sociale et d'autre part à l'évolution politique de l'Etat-Providence. Dès lors on pourrait dire avec Pierre Bourdieu (cf. *La misère du monde*) que « le travail social doit compenser...les effets les plus intolérables de la logique du marché » mais il faudrait aussitôt préciser avec lui « sans disposer de tous les moyens nécessaires ».

De fait le « travail social » se trouve confronté dans sa pratique à de nombreux problèmes, notamment à des contradictions et des paradoxes dont les effets pervers viennent contrarier sinon empêcher la réalisation de ses objectifs et de son but. Ainsi l'intervenant doit-il tenter de résoudre des problèmes pour lesquels il n'est pas toujours compétents ou pour lesquels il n'a pas de solution. Bien souvent, sollicité par une demande sociale pressante et un appel à la solidarité il ne peut proposer qu'une offre institutionnelle limitée, dépendante de politiques sociales et d'arbitrages économiques sur lesquels il n'a aucun pouvoir. En outre comme nous le verrons

dans ce qui suit, les situations sont toujours complexes et comportent des composantes personnelles, psychologiques, sociologiques, juridiques qui interagissent. De telles situations exigent une capacité de compréhension et de communication qui relève plus de qualités personnelles que des capacités acquises par le moyen de la formation. Chaque situation étant, de ce fait, unique, comment subsumer la situation sous une règle générale et agir conformément à la demande de l'administration de tutelle en déterminant le cas auquel rapporter la situation ? Enfin il s'agit aussi de penser la relation d'aide dans une perspective éthique comme le moyen de progresser vers la plus grande autonomie possible. Comment réaliser un tel but quand l'aide est dépendante de contraintes multiples venant à la fois de l'administration (qui recherche l'efficacité), de la profession (qui exige le respect des règles de fonctionnement du système), des personnes qui sont les unes et les autres (aidants et aidés) en demande de reconnaissance ? Comment, le travail social, fondé sur une relation d'aide, peut-il permettre à chacun, dans ces conditions, de tendre vers la réalisation la meilleure de son humanité ? Avant de proposer une réponse à cette question il me semble important de relever et de souligner un de traits marquants de nos sociétés (au moins occidentales) aujourd'hui et qui tend à augmenter encore les difficultés à trouver une solution au problème des inégalités sociales, à savoir ce processus d'individualisation croissante qui tend à compromettre les liens sociaux et affaiblit les solidarités.

L'individualisme contemporain et le travail social. Caractères particuliers de « l'individualisme contemporain »

L'individualisme contemporain (tel que l'analyse, par exemple, Gilles Lipovetsky dans *L'ère du Vide*), trait marquant de nos sociétés occidentales, est porteur d'une logique apparemment contradictoire ; d'une part on peut observer une individualisation exacerbée et en même temps une homogénéisation extrême. Deux tendances qui paraissent incompatibles mais qui en réalité se complètent. Les individus contemporains se voient en effet proposer par la société de consommation à égalité, tous les biens disponibles sur le marché, indépendamment des différences de hiérarchie, de fonction, de sexe... Il en résulte comme on peut le penser des tensions sociales et des frustrations accrues éprouvées par ceux devant qui s'étalent ces biens qu'ils ne peuvent se procurer faute de disposer des moyens financiers nécessaires (la pauvreté est supportable quand tout le monde est pauvre, elle devient insupportable pour les plus pauvres quand au quotidien ils ont à côtoyer de grandes richesses qui s'affichent au grand jour).

Cet individualisme contemporain est narcissique en ce sens que ce qui le préoccupe d'abord c'est un souci de bien-être individuel qui le conduit à privilégier dans ses choix ce qui lui procure le plus de plaisir (plus que jamais le bonheur est confondu avec le plaisir). De ce fait le sens de l'intérêt général s'affaiblit. Par voie de conséquence les liens sociaux se trouvent affaiblis tout

comme les conditions de la solidarité. Les rapports à la loi et la reconnaissance de l'autorité font problème.

Et cela d'autant plus que cet individualisme contemporain tend à s'opposer à tout impérialisme des valeurs et à rejeter l'idée de valeurs transcendantes et de normes universelles. Le Vrai, le Bien, le Beau ... deviennent des valeurs relatives à l'appréciation de chacun, exprimée sous la forme d'opinion personnelle. En tout domaine c'est « à chacun ses valeurs, à chacun sa vérité... » ; La relativité se mue en relativisme. Il en résulte une pratique floue ou molle de la tolérance ; sous prétexte d'un respect de la liberté individuelle, tout ce qui ne gêne pas devient supportable et acceptable.

Cette revendication d'une liberté individuelle soumise à une prolifération de choix, sans repères universels, ni universalisables, en quête d'un « bonheur plaisir » immédiat a en réalité des effets sociaux auxquels vont se trouver confrontés les travailleurs sociaux sur le terrain. Sentiment de frustration des plus pauvres et des plus démunis, angoisse éprouvée devant la multiplicité des sollicitations et le manque de repère pour effectuer les choix, les tensions sociales et la violence, une violence endémique régulée par le moyen d'une inflation du Droit et un accroissement du système répressif ; des difficultés à sauvegarder les liens sociaux dans le cadre d'une « communauté » qui devrait partager des valeurs communes et entretenir des liens durables... Il s'en suit une tendance à la

dislocation du lien social et une réduction de la solidarité et ceci d'autant plus que les moyens traditionnels d'intégration sociale sont eux-mêmes en situation de crise (crise de la famille, de l'école, du travail..).

Dans ces conditions le travail social apparaît une nécessité en même temps que la tâche à accomplir sur le terrain risque d'être particulièrement difficile. Le travailleur social qui ne peut régler des problèmes qui le dépassent, problèmes dont la solution ne relève pas de ses compétences, se doit de trouver cependant une réponse à une demande d'aide tout en circonscrivant son intervention dans un cadre administratif, institutionnel et personnel souvent peu compatibles. Comment dans ces conditions peut-il pratiquer une aide véritable qui permette à la personne aidée de trouver une solution au problème auquel elle est confrontée ?

Le « travail social en mutation »

Ce problème déjà complexe a pris une autre forme, en France notamment, après ce qu'il est convenu d'appeler les trentes glorieuses. Les années d'après guerre ont été des années de forte croissance et de progrès économique et social. Dans ce cadre le travailleur social était le plus souvent sollicité pour assurer une meilleure intégration de l'aider dans la société. Il disposait de moyens venant de son administration. Le problème était alors de bien identifier le cas pour savoir quels étaient ses droits. Restait alors à faciliter les différentes démarches auprès des services compétents.

La situation de crise qui a suivi les « trente glorieuses » a été caractérisée particulièrement

par une amplification croissante du chômage vers un chômage de masse et une fragilisation du lien social. La disparition progressive des grandes idéologies du progrès social a accentué la perte de confiance en l'avenir social et personnel ; d'où une sorte de désinvestissement relativement à l'avenir et une attention accrue accordée à l'actuel, à l'instant présent, au court terme. Le pragmatisme dominant laisse alors en suspend la dimension personnelle au profit de la recherche de solution efficace. Le travail social est alors confronté à une double problématique celle de l'intégration sociale d'une part mais en même temps celle de la souffrance psychique des personnes. La pratique du travail social va se centrer de plus en plus sur la personne et de moins en moins sur le cas proprement dit dont l'identification va se montrer de plus en plus difficile. Examinons de plus près ce changement et ce qu'il implique en ce qui concerne la pratique du travail social.

Si nous caractérisons le « travail social » comme « une relation d'aide ou de service, entre un professionnel doté de compétences et un client ou usager porteur d'un problème qu'il ne peut résoudre lui-même » (cf. E.Goffman), la pratique du travail social pose alors un certain nombre de questions :

A qui (client ? usager ? demandeur d'aide ?...) s'adresse le « travailleur social » ? Quel est le problème qu'il doit examiner ? De quels moyens peut-il disposer pour traiter précisément ce problème ? En vue de quel objectif ? Quelle finalité ?...

Chacune de ces questions fait problème aujourd'hui. Avant les années soixante dix (en

France) la réponse la question relative à l'identification du demandeur pouvait trouver assez facilement une réponse dans la mesure où la demande pouvait s'inscrire dans le cadre juridique et institutionnel des ayants droit. Le problème pour l'intervenant était alors de vérifier, de contrôler que les droits revendiqués par le demandeur ou son représentant légal correspondaient bien aux droits auxquels il pouvait prétendre. Pour ce faire il suffisait d'identifier le cas et de le situer dans une grille institutionnelle donnée. On répondait à la demande par l'octroi d'allocations, par la réalisation de démarches auprès des services compétents... Pour identifier le cas on pouvait par exemple se référer à une catégorisation socioprofessionnelle, identifier le demandeur en tant que « mère de famille », « enfant d'ouvrier », ...ou encore le situer dans une classe d'âge « jeune enfant », « adolescent », « adulte »,...ou la situation relativement au travail (« actif », « retraité »), relativement à l'emploi, au type de problème (toxicomanie, chômage, maltraitance, absence de papiers administratifs, de logement...) ... Or aujourd'hui cette catégorisation de nature sociologique ou (et) psychologique, s'est brouillée et sa pertinence devient problématique.

En effet dans une société où le travail, les institutions traditionnelles (famille, école, Eglises,...) ... sont en crise, une même personne peut cumuler des handicaps (santé, chômage, rupture familiale, perte de logement, perte de papiers administratifs, toxicomanie ...) qui interagissent et s'amplifient. Le premier travail à faire est alors un travail d'identification non du cas mais de la personne

elle-même. A qui avons-nous affaire ? Or le seul élément d'identification stable ne peut être alors que l'individu dont le premier marqueur pertinent est la présence physique. Au problème posé par l'identification du « demandeur » viennent alors s'ajouter d'autres problèmes.

Si on ne peut identifier clairement la situation du demandeur il s'avère difficile d'identifier la demande, le problème, les moyens nécessaires pour sa résolution, les dispositifs appropriés... De ce fait aussi le travailleur social voit se brouiller ses repères et de là résultent une interrogation sur sa pratique du travail social et peut-être même sur le sens et la finalité de cette pratique et ceci d'autant plus qu'il est confronté à des demandes sans commune mesure avec les solutions institutionnelles qu'il peut proposer ; il est alors dans une situation où paradoxalement il se doit de justifier une pratique professionnelle pour laquelle il est payé, et de valoriser l'institution dans le cadre de laquelle il travaille tout en reconnaissant qu'elle ne lui donne pas les moyens de bien travailler. Cette contradiction devient paradoxale lorsque devant les protestations de celui qui s'adresse à lui et n'obtient pas de solution satisfaisante, il doit prendre la défense de l'institution dont intérieurement il dénonce les carences ! On comprend que l'on puisse parler aujourd'hui de la souffrance du « travailleur social ».

Cette singularisation des situations a eu en outre des conséquences sur le lieu de la pratique du travail social. Le travail social a eu tendance en effet à passer du bureau au terrain. Ce changement peut s'expliquer pour

une part par un souci de meilleure compréhension de la situation du demandeur. Mais on peut comprendre aussi que au fur et à mesure que la situation du demandeur se complexifie, se singularise il devient plus difficile pour la personne « fragilisée » par sa situation, d'entreprendre les démarches administratives (et donc relativement impersonnelles) et d'opérer le déplacement nécessaire. Ainsi le travailleur social peut avoir désormais à travailler dans la rue auprès de personnes qui ont comme on le dit parfois « tout perdu » ou presque et dont l'identité est devenue une identité « négative » (**sans**-papiers, **sans**-travail, **sans** domicile fixe, **sans**-abri²....).

Le travail social va, par voie de conséquence, se pratiquer de plus en plus dans une situation de « face à face ». Le « cas » tend à se dissoudre derrière une situation personnelle, une présence personnelle avec une manière de s'exprimer, des attitudes, une façon d'être, des paroles, des silences...Ce face à face peut en certaines occasions déstabiliser le travailleur social car celui-ci est sollicité pour ses compétences professionnelles, pour lesquelles il est, en principe du moins, préparé par sa formation. Mais sont attendues aussi des compétences personnelles pour mener à bien un travail essentiellement relationnel. Comment va-t-il s'y prendre avec cette personne ? Comment va-t-il pouvoir identifier le problème dont la demande est porteuse (on vient par exemple lui demander une aide

financière et en réalité le problème est d'abord un problème familial, ou un problème de toxicomanie ou un problème d'identité, de reconnaissance ; ou bien encore l'urgence peut être la prise en charge d'une souffrance personnelle ...) ? Comme on peut alors s'en rendre compte le relationnel prend le pas sur l'institutionnel et c'est de la relation qu'il va falloir d'abord se préoccuper.

L'interrogation se déplace maintenant vers « le travailleur social ». Quelles doivent être les compétences requises pour mener à bien ce travail relationnel ? Quel est alors l'objectif premier ? La finalité ? Comment bien identifier le problème ? Quelle démarche mettre en œuvre ? De quel dispositif se servir ? Pour quelle solution ?

A une singularisation croissante du demandeur correspond une singularisation croissante à la fois de l'intervenant, de l'intervention et de la relation. Quant à la finalité elle s'est elle-même personnalisée. La réinsertion dans le tissu social exige maintenant un travail personnel « sur soi » qui permette de transformer une demande d'assistance en une demande d'autonomie. Dès lors le travail social aura pour finalité de permettre à la personne de devenir « acteur » de sa réinsertion. Le travail social devient un travail de la personne, sur la personne, une personne en perte d'identité sociale et personnelle, une personne en situation de souffrance psychique. Un tel travail se réalise dans le cadre d'une relation interpersonnelle qui met en présence deux partenaires ! C'est dans ce cadre qu'il s'agit de repenser le travail social en tant que relation d'aide ; une relation

² Le tiret signifie qu'il y a là comme une identité caractérisée par ce type de nomination. Il en résulte aussi bien souvent une stigmatisation de certaines populations « marginalisées » ou en voie de « marginalisation ».

qui devra avoir des vertus thérapeutiques, réparatrices, reconstructives...et qui nécessitent la référence à des valeurs éthiques.

Caractériser le travail social, comme nous venons de le faire, nous conduit à examiner la relation d'aide dans le cadre d'un « face à face » pour lequel l'expérience de l'entretien devient un des modèles les plus emblématiques. Il faut toutefois faire remarquer que cette situation ne recouvre pas toutes les interventions possibles et que subsistent des interventions dont les formes sont plus traditionnelles. Les situations qui font ici l'objet de notre attention sont bien entendu celles qui sont les plus caractéristiques d'une évolution sensible et celles qui de ce fait aussi sont devenues les plus problématiques et les plus difficiles à vivre pour les intervenants en travail social.

Le travail social en questions : une approche « pragmatique³ » et éthique de la relation d'aide

L'interprétation que nous proposons ici de la relation d'aide dans le cadre de la pratique du travail social nécessite de notre part quelques précisions préalables sur les présupposés épistémologiques,

métaphysiques et éthiques sur lesquels nous la fondons.

Les présupposés

Le présupposé épistémologique

Les situations dans lesquelles se trouvent placés les acteurs de cette relation d'aide sont essentiellement complexes car demandeur, intervenant et relation sont en interaction continue et forment en ce sens système. Ce système est soumis à des règles du jeu explicites pour certaines et implicites pour d'autres ; certaines de ces règles ont une fonction homéostatique d'équilibrage du système. Chacun reconnaîtra dans ce qui précède l'importance accordée ici à une approche systémique des situations. Cette approche systémique me paraît nécessaire aussi bien de la part de l'intervenant que de la part de celui qui comme je le fais ici tente de comprendre la pratique du travail social.

Le présupposé métaphysique

Ceci nous renvoie à un présupposé qui serait plutôt de nature métaphysique et anthropologique sur la personne humaine et dont il est nécessaire de dire quelques mots sans entrer pour autant dans une étude plus approfondie qui risquerait de nous éloigner de notre sujet. Disons simplement que si nous pouvons reconnaître dans la philosophie de Descartes le moment de l'avènement de la subjectivité, la naissance du sujet « moderne », nous devons reconnaître aussi que le solipsisme qui lui est associé chez Descartes ne rend pas bien compte du vécu personnel. La phénoménologie (Husserl, Merleau-Ponty...) en redonnant au vécu sa première place

³ Le mot « pragmatique » ne renvoie pas ici au pragmatisme en tant que conception philosophique mais à la pragmatique telle qu'elle s'est constituée d'abord dans les travaux des logiciens qui remarquant que la signification des expressions du langage quotidien ne pouvant être saisie qu'en contexte il était nécessaire de prendre en compte ce contexte jusqu'à faire figurer dans ce contexte les acteurs et participant de l'acte de communication (cf. par ex. les recherches et travaux d'Austin et ses prolongements dans les travaux d'Habermas ; cf. en épistémologie le travail que j'ai réalisé sur le développement des théories scientifiques et le problème posé par l'incommensurabilité des paradigmes.

permettra de « réconcilier la subjectivité avec l'intersubjectivité et même de les rendre solidaires. D'autres études comme celles de Francis Jacques en France, prenant acte de ce qu'il est convenu d'appeler le « *linguistic turn* » conduiront à penser que la subjectivité est comme l'émanation de l'intersubjectivité. Ce qui est premier ce n'est plus l'individu ou la personne mais la relation. Le sujet en d'autres termes se construit dans et par sa relation à l'autre. D'où l'intérêt aussi pour la compréhension de l'humain d'interroger ces relations interlocutives au cours et par le moyen desquelles il se construit ou se reconstruit en tant que personne. C'est la voie que je tente de suivre ici.

Ceci veut dire aussi qu'il nous faut être attentif à ce qui concerne la question de la reconnaissance car elle prend une dimension fondamentale dans la conscience de soi, la confiance en soi, le respect de soi, l'estime de soi comme le montrent bien les analyses de Axel Honneth. Or pour bien appréhender la situation relationnelle qui est en jeu dans la relation d'aide et la façon selon laquelle se réalise cette relation et avec elle prennent forme les existences personnelles, il est nécessaire d'accorder à la communication entre les personnes une place centrale.

Le présupposé éthique

De ce fait aussi il résulte une interprétation de la relation d'aide comme relation entre des personnes dont la finalité est la promotion personnelle de chacune, en tant que personne. La relation d'aide prend alors une dimension éthique, soumise

conformément à sa finalité à des exigences éthiques prenant en compte les quatre dimensions de la personne humaine (cf. à ce propos mon article dans la revue *LEX et SCIENTIA* N°XII/2006). Le travail social pour être bien mené exigerait alors un travail proprement éthique lequel se caractérise par la recherche avec les autres dans la relation avec les autres des conditions de réalisation de la plus grande humanité possible pour chacun. Le travail éthique est un travail d'humanisation qui n'est possible qu'avec les autres et dont l'un des objectifs dans le cadre particulier de la relation d'aide sera permettre de s'approcher du but recherché : entre autre, de permettre pour chacun l'accès à la plus grande autonomie⁴ possible (cf. J.F.Malherbe); ou encore : permettre à un être « délié », « désaffilié », en perte d'identité, en manque de reconnaissance (manque de confiance en soi, de respect de soi, d'estime de soi), de se reconstituer comme une personne

⁴ Si on se réfère à l'étymologie, être autonome c'est se donner à soi-même sa propre règle, n'obéir qu'à soi-même, n'être dépendant de personne d'autre, ne devoir qu'à soi-même ce qu'on possède, ce qu'on est. Conçue de cette façon l'autonomie serait garante de la liberté. Au fond être autonome et être libre ce serait la même chose. Toutefois l'autonomie ainsi entendue est illusoire irréaliste et autodestructive. L'autonomie ne peut pas consister, non plus, dans cette représentation d'une volonté indépendante de tout intérêt, de toute motivation...comme le souhaitait E.Kant. L'autonomie devra donc être pensée dans le cadre de relations interpersonnelles, sans lesquelles aucun homme ne peut se réaliser en tant qu'homme ; mais il serait illusoire de vouloir penser cette autonomie sans prendre en compte la personne humaine dans toutes ses dimensions. Il nous faut alors concevoir un nouveau concept d'autonomie qui soit dynamique et évolutif et qui prenne en compte l'humanité de l'homme dans ses quatre dimensions. L'autonomie ainsi conçue, est, non plus un état mais ce qui se construit en situation dans et par les relations que nous entretenons avec les autres. Par voie de conséquence, le sujet autonome est celui qui, en situation, assume son humanité dans ses quatre dimensions : Biologique et corporelle, Psychique et relationnelle, langagière et symbolique, historique et singulière.

autonome, responsable, un être « capable » de former un projet, tenir un engagement, se projeter dans l'avenir (cf. Paul Ricoeur 1990).

La relation d'aide comme « travail d'humanisation »

La notion d'aide a, en effet, d'emblée, une connotation moralement positive. Venir en aide à quelqu'un d'autre, cela paraît d'emblée un acte altruiste qui manifeste ouvertement le souci de l'autre, d'une part, et qui semble d'autant plus méritant qu'il a nécessité plus d'efforts, de sacrifices de la part de l'aidant. Ainsi l'aidant peut-il apparaître digne d'estime ; mais qu'en est-il de la personne aidée ? Qu'en est-il de cette relation même ; est-elle toujours garante de plus d'humanité ? L'expérience montre, en effet, que si « aider » est une attitude dont l'intention est généreuse et altruiste, en fait, en pratique, il n'en va pas toujours ainsi. La relation d'aide peut aussi bien être source de dépendance, d'aliénation et de perte d'autonomie. L'aide peut donc faire problème et l'on peut non seulement s'interroger sur sa finalité, sur ses objectifs, sur ses effets, mais encore sur ses conditions (cf. l'aide et le soutien pédagogiques dont les effets ne sont pas toujours à la hauteur des espérances ni des attentes !).

Comme on le voit la relation d'aide mérite un examen plus attentif notamment quant à sa nature éthique et sa capacité à faciliter l'accès à l'autonomie ; c'est d'ailleurs un problème récurrent que l'on rencontre par exemple dans l'éducation : Comment, se

demandait Kant, apprendre à un enfant à être libre alors que pour ce faire on doit le soumettre à des contraintes ? N'y a-t-il pas contradiction entre le but recherché, l'autonomie, et les moyens utilisés en vue de sa réalisation ? On peut penser que la relation d'aide porte en elle-même une contradiction de ce type ; reste à savoir comment faire pour bien faire, comment éviter que « aidant » et « aidé » soient « piégés » par la relation qu'ils entretiennent ? Les risques ici sont d'autant plus grands que l'on a affaire dans la situation de la pratique du « travail social » à des personnes fragilisées psychologiquement et parfois aussi physiquement ; une telle personne est atteinte dans ses quatre dimensions (cf. note 4 plus haut). La dimension éthique du travail social devient alors manifeste.

Le caractère asymétrique de la relation d'aide et ses conséquences dans la pratique du « travail social »

Schématiquement elle pourrait se présenter de la façon suivante :

Une personne adresse à une autre personne une demande relativement à une incapacité, un manque.... Dont elle a conscience et qui, dans son histoire personnelle, à ce moment, fait problème (par ex. par rapport à un projet....)

La personne à laquelle cette demande est adressée est supposée par la première être capable de répondre à cette demande, soit de façon directe et immédiate, soit de façon indirecte et différée, soit en proposant des

solutions permettant de satisfaire cette demande à court, moyen ou long terme.

Du côté de l'aidé le manque peut-être un manque de biens, de moyens, d'être....

Dès lors cette relation est à la fois dissymétrique et complémentaire. L'un étant supposé disposer de compétences, d'aptitudes ou capacités personnelles.... Institutionnelles, professionnelles qui précisément manquent à l'autre pour pouvoir venir à bout par lui-même de la difficulté rencontrée.

Les obstacles à l'autonomie dans la relation d'aide

Demander une aide met d'emblée celui qui la demande en situation de dépendance.

- Il doit justifier sa demande et donc s'expliquer et pour cela il devra parler de lui-même, de ses difficultés, il livrera ainsi une part de son intimité ; il se livre, il s'expose, il met « en scène » son histoire, avec ses angoisses, ses inquiétudes, ses interrogations sur sa situation, sur lui-même, sur l'aide et l'aidant.

- Le manque ainsi manifesté est de ce fait significatif de la conscience d'une incapacité qui peut être exprimée par un : « Je ne sais pas » où « je ne peux pas » ou « je n'ai pas les moyens de » « je n'ai pas les aptitudes nécessaires pour... résoudre le problème auquel je suis confronté ». Il se reconnaît alors devant autrui comme « incapable ».

- L'aidant peut aussi, par le fait de cette relation d'aide, stigmatiser l'aidé, l'identifier à un « cas » et le confirmer dans

son manque de confiance en soi, sa mésestime de lui-même. Mais l'aidé peut, quant à lui, se montrer exigeant, réclamer l'aide comme un dû, objectiver l'aidant, le renvoyer à sa fonction, l'instrumentaliser, faire pression...

- L'aidé peut encore transférer sur cette relation sa souffrance, son mal être...sa révolte contre la société, la famille....

- Il peut y avoir aussi une tension entre la tendance de l'un de l'autre à « psychologiser » la relation et la tendance de l'autre à la « dépsychologiser »⁵.

Ainsi l'un et l'autre peuvent par leur attitude, leurs paroles « travailler » à l'encontre de leur objectif commun et faire obstacle à leur autonomisation. La position de chacun dans cette relation d'aide de nature asymétrique, peut être telle que chacun veuille imposer à l'autre sa volonté. Ainsi cette relation peut prendre la forme d'une relation dialectique dans laquelle chacun cherche à se faire reconnaître comme une valeur supérieure par l'autre ; on retrouverait ici l'analyse que fait Hegel de la dialectique du maître et de l'esclave. La relation d'aide peut être le lieu d'une grande souffrance chez l'aidé comme chez l'aidant, l'un et l'autre, l'un avec l'autre, contribuant malgré eux, à désespérer toujours plus des effets attendus de cette relation⁶.

⁵ La relation d'aide comporte nécessairement une dimension affective qui peut conduire à beaucoup de violence. Par ex. il peut y avoir de la séduction pour mieux assurer un pouvoir sur l'autre, il peut y avoir aussi une tendance à penser, décider à la place de l'autre « pour son bien » !

⁶ Chacun peut aussi se servir de l'autre, l'instrumentaliser, pour assurer, confirmer son statut, sa position hiérarchique, sa fonction. Ainsi l'aidant peut

Dès lors peuvent être fragilisés :

- La confiance en soi
- Le respect de soi
- L'estime de soi.

La relation d'aide peut être de ce fait porteuse de violences multiples et ceci d'autant plus que cette relation a pu s'établir entre personnes victimes, chacune de violences dans leur histoire personnelle. C'est bien souvent en tant que « victime » de violences sociales, professionnelles, personnelles...que l'aidé s'adresse à l'aidant, tandis que celui-ci doit faire face aux exigences parfois agressives de l'aidé, dans un cadre institutionnel lui-même violent !

D'autres obstacles se présentent encore, inhérents à la situation de communication. Si l'on tente de comprendre la relation d'aide dans une approche « communicationnelle » sous la forme d'un rapport réglé entre interlocuteurs.

- Il faut faire remarquer alors que dans cet échange chaque interlocuteur est d'abord dans un « monde étranger » à l'autre. Chacun a ses attentes, ses exigences ses présupposés. Lesquels prennent sens dans un contexte institutionnel et personnel différents.

chercher le moyen de se faire confirmer comme aidant d'où une double conséquence possible.

- a) Le maintien de la relation de dépendance. (il faut qu'il ait besoin de moi, je dois donc faire en sorte de me montrer indispensable).
- b) La stigmatisation de l'aidé comme incapable de se passer de l'aide et le renvoi à sa négativité. Il est celui qui n'a pas, n'est pas capable de, n'arrivera jamais à...

De ce fait la relation d'aide « travaille » alors à l'encontre de l'autonomie de l'aidé mais aussi de l'aidant qui a besoin du manque d'autonomie de l'autre pour confirmer sa fonction et son rôle.

- Chacun use d'un « jeu de langage »⁷ différent qui fait qu'il peut disposer d'un langage différent ; ou bien il peut se faire qu'employant un langage apparemment semblable ou identique, les symboles, les mots signifient autre chose pour l'un et pour l'autre parce qu'ils renvoient à des contextes d'usage différents.

- Un problème plus spécifique peut encore se poser dans la mesure où la situation qui fait l'objet de la réflexion et de l'échange fait écho au vécu et à l'histoire de chacun ; elle peut éveiller des représentations, des affects. Dès lors se pose le problème de la juste distance à l'autre. Sans empathie difficile de se comprendre l'un l'autre, trop d'empathie empêche de voir clair, affaiblit les défenses que chacun élabore pour se rendre moins vulnérable. Se rapprocher, affectivement de l'autre permet de mieux comprendre son vécu, prendre ses distances permet de penser plus clairement la situation et d'élaborer des solutions plus réalistes.....

- Enfin les contraintes institutionnelles, comme les contraintes plus spécifiques de temps peuvent empêcher une évolution favorable de la relation et l'empêcher d'aboutir.

Comment alors penser cette relation d'aide pour qu'elle puisse permettre à chacun des partenaires de s'assumer de mieux en mieux comme sujet autonome capable de se passer progressivement de cette relation d'aide ?

⁷ Cf. Les analyses de L.Wittgenstein, dans ses **Recherches Philosophiques**.

La relation d'aide en tant que travail de coopération

Penser la relation d'aide sous la forme d'une coopération nous confronte à plusieurs paradoxes :

a) Pour que la relation d'aide permette cette progression vers plus d'autonomie il est nécessaire que chacun fasse confiance à l'autre avant même que cette confiance puisse être établie. Pour qu'il y ait confiance il faut la présupposer. La confiance ne s'établit que dans la mesure où elle est déjà présente.

b) Si l'une des finalités essentielles de la relation d'aide est l'autonomie, vouloir que l'autre soit autonome peut paraître paradoxal. « Sois autonome » ! Ne faut-il pas alors commencer par penser l'autre comme Sujet autonome pour qu'il le devienne ? Si je commence par penser que l'autre est incapable d'assumer sa liberté comment serait-il possible de lui reconnaître la responsabilité de ses choix et si je veux le protéger parce que je le pense ou le crois incapable d'assumer cette responsabilité comment pourra-t-il en devenir capable ? Comment pourra-t-il avoir confiance en soi ? Dès lors ne faut-il pas ici aussi supposer l'autre autonome pour qu'il le devienne ?

c) Enfin penser la relation d'aide comme ce qui peut permettre la subjectivation, comme ce qui doit permettre à chacun d'exister pour l'autre comme sujet n'est-ce pas penser qu'au commencement de la relation tel n'est pas encore le cas ? Mais comment cette relation pourrait-elle permettre à chacun de se réaliser comme sujet si dès le commencement chacun ne commence pas par reconnaître en l'autre un

sujet ? S'il y a confiance réciproque (ce qui nécessite du point de vue déontologique la garantie du secret) et si chacun se reconnaît d'abord comme sujet, alors peut se réaliser une relation d'aide qui prendra la forme d'une coopération parce que, se reconnaissant l'un l'autre comme sujets, se trouve ainsi transformée la dissymétrie structurelle de la relation, chacun devenant partenaire à part égale, en tant que sujet, sans que pour autant soit remise en question le caractère complémentaire de la relation d'aide. Ce caractère complémentaire peut même se retrouver renforcé.

1. On peut maintenant tenter de représenter le « travail social » comme un travail de coopération caractéristique de la relation d'aide et nous interroger sur les conditions éthiques de sa réalisation.

2. Les partenaires doivent s'engager l'un et l'autre à entreprendre un travail de coopération conformément aux règles juridiques, déontologiques et éthiques qui encadrent la démarche (se rappeler à ce sujet que lorsqu'il y a difficulté dans l'application de la loi, ce qui importe c'est plus l'esprit de la loi que la lettre de la loi. Ainsi pourra-t-on se demander, comme le préconise Aristote : « Qu'aurait décidé le législateur si lorsqu'il a pensé sa loi il s'était trouvé en présence de ce cas particulier »⁸ ?). Ne rien cacher à l'autre qui soit nécessaire à la poursuite de la relation d'aide, au bon traitement du problème...

3. Se mettre d'accord sur une représentation commune de la situation c à d construire ensemble une représentation de la situation

⁸ Cf. à ce sujet la distinction aristotélicienne entre « justice » et « équité ».

qui soit satisfaisante pour l'un et pour l'autre ; ceci implique une re-contextualisation de la demande ; Ceci suppose aussi de pouvoir accéder à toute information utile ce qui signifie par exemple une collaboration entre différentes personnes, pouvant relever de différents services ou différentes institutions. Ceci suppose donc que puissent se rencontrer en même temps (et non séparément et successivement) toutes les personnes concernées par la situation, le problème. (comme on peut s'en rendre compte, d'un point de vue épistémologique, le présupposé ici est systémique et constructiviste)

4. Identifier correctement la demande ; Se mettre d'accord sur le problème et se proposer de le redéfinir ensemble.
5. Faire le point sur les échecs éventuellement déjà rencontrés.
6. Se mettre d'accord sur les objectifs et les mesurer aux capacités anticipées de l'aidé.
7. Construire ensemble une stratégie permettant d'atteindre l'objectif.
8. Se mettre d'accord sur les contraintes nécessaires et leur respect de part et d'autre.
9. Se mettre d'accord sur les critères permettant de s'assurer que l'objectif a été atteint.
10. Se donner une limite de temps, quitte à la renégocier ensuite.

Dans ce travail de coopération objectif, moyens... peuvent bien entendu évoluer chemin faisant. Il s'agit bien d'une démarche dynamique qui prend la forme d'un bon accompagnement personnalisé, à la condition de ne pas confondre accompagner, avec : « faire à la place de » ou « penser à la

place de ... », « décider, assumer ...à la place de... ». Ici accompagner l'autre en tant que sujet c'est le reconnaître comme personne singulière se construisant elle-même dans et par sa relation à l'autre dans le cadre d'un environnement donné, dans lequel, par lequel, ses actes prennent sens. C'est le reconnaître comme responsable de ses choix, de ses engagements, de son devenir ; ce n'est donc pas le protéger ou le déresponsabiliser c'est au contraire lui permettre de mieux assumer sa responsabilité. Aider, accompagner c'est faire alors un bout de chemin ensemble, non en empruntant un chemin déjà tracé mais en construisant pas à pas le chemin parcouru, un peu au sens où l'on dit quelquefois de quelqu'un d'autre qu' « il fait son chemin ». Ce qui comporte alors une part d'incertitude, de doute, de risque, qu'il faut bien accepter. Quant à la responsabilité de l'aidant on peut la comprendre comme « la responsabilité de la responsabilité d'autrui »⁹ selon le mot de E.Lévinas (*Ethique et infini*, Fayard, Paris 1982 p.16).

Ce travail de coopération se fera d'autant mieux que l'échange langagier avec l'autre contribuera à le reconnaître comme sujet dans l'échange.

La qualité des décisions ne sera-t-elle pas, en effet, fonction de la qualité de la communication qui se sera établie, de la compréhension de l'information et de la qualité de la relation. Mieux chacun sera reconnu comme sujet dans sa relation à l'autre et meilleure sera d'un point de vue éthique la décision qui sera prise.

⁹ Cité par Martine Beauvais : « vers une éthique de l'accompagnement ».

Ainsi une des questions qui peut se poser est de savoir à quelle condition une intercompréhension est-elle possible et quelles sont les conditions d'une relation véritablement éthique à l'autre ? Au fond quelle est la forme idéale du rapport langagier à l'autre qui soit tel que les interlocuteurs parviennent par un travail commun, une co-opération langagière, à une intercompréhension ? La réponse à cette question est relativement simple : il s'agit du dialogue. Car un véritable dialogue nécessite des conditions proprement éthiques. On peut même prétendre que l'apprentissage de l'éthique consiste dans l'apprentissage du dialogue. Encore faudrait-il préciser que le véritable dialogue se reconnaît aussi par la place accordée à la pensée questionnante, la pensée interrogative. L'art de questionner, de se questionner, est ici un art majeur si chacun est bien reconnu en tant que sujet, comme personne interlocutrice au même titre l'un que l'autre, dans le respect réciproque. La pratique du dialogue¹⁰

¹⁰ Il faut bien reconnaître que parmi les moyens dont nous disposons pour établir et entretenir une relation qui puisse permettre à chacun de « cultiver son autonomie en cultivant l'autonomie des autres » (J.F. Malherbe), figure en première place, le dialogue. Mais le véritable dialogue a de traits spécifiques qui le distinguent de tout autre échange langagier avec les autres. Ainsi :

- Dans un véritable dialogue chacun doit être reconnu comme interlocuteur au même titre et à égalité avec l'autre.
- Dans un véritable dialogue chacun est reconnu dans sa différence.
- Dans un véritable dialogue chacun a le souci d'écouter l'autre, ou si l'on peut dire de s'adresser à l'autre en prenant l'oreille de l'autre.
- Dans un véritable dialogue chacun a le souci de rechercher la vérité et de participer avec l'autre à un consensus éventuel.
- Dans un véritable dialogue chaque interlocuteur a le souci de favoriser

pour l'autre l'expression la meilleure, l'argumentation la plus solide du point de vue qu'il exprime.

devient alors la forme idéale d'échange langagier avec l'autre dans la relation d'aide. Sont exigées pour ce faire les règles éthiques sans lesquelles un tel dialogue est impossible (cf. le rappel de ces exigences dans la note ci-après.). Il faut encore préciser avant de conclure : Le « travail social » tel que nous l'avons considéré ici nécessite de plus en plus un travail de collaboration avec tous les partenaires concernés par les problèmes dont il faut s'efforcer de chercher et trouver les solutions. On peut attendre d'une telle collaboration le moyen d'une plus grande lucidité dans la compréhension de la situation et les dispositions à prendre pour la recherche des solutions ; mais aussi un soutien dans la rencontre des souffrances psychiques. Enfin, le « travail social » tel que nous l'avons présenté compte tenu des exigences personnelles et éthiques qu'il nécessite pour être réalisé conformément à son but n'appartient pas exclusivement à des « professionnels de l'aide ». Qu'il s'étende au-delà du champ traditionnel du travail social peut aussi apparaître aujourd'hui plutôt réconfortant.

- Dans un véritable dialogue chaque interlocuteur se montre sincère et authentique c'est-à-dire s'efforce de faire connaître par exemple les présuppositions qui sont susceptibles de mieux révéler le sens de ce qui est dit en dévoilant par exemple les intentions.
- Dans un véritable dialogue la parole échangée porte en elle la double origine des interlocuteurs, elle est parole construite à deux, elle est coproductrice d'un sens. (cf. à ce sujet ce qu'en dit Maurice Merleau-Ponty dans son livre *Phénoménologie de la Perception*).

N.B. Cette note est une reprise de l'article publié dans la revue *Lex et Scientia* XIII, 2006

Conclusion générale

Le « travail social » peut bien comme nous venons de le voir, contribuer par une « intégration » ou une « réintégration » de la personne dans la société à une meilleure réalisation de la justice sociale. En ce sens il est utile et même très souvent nécessaire compte tenu de l'individualisme contemporain et des inégalités sociales, conséquences pour une part d'un libéralisme économique dominant. Dans ce contexte social spécifique il faut pallier à la désaffiliation et la fragilisation des liens sociaux. Si le travail social apparaît comme un travail « réparateur » il ne peut cependant réussir que dans la mesure où, comme nous l'avons vu, sont pris en compte dans la pratique, la complexité des situations et le caractère personnel des problèmes. Dès lors ce travail a une dimension éthique qu'il est nécessaire de prendre en compte. Ce n'est qu'à cette condition qu'il pourra aussi, sans prétendre pouvoir résoudre les problèmes résultant d'un certain fonctionnement de nos sociétés modernes, contribuer pour une part à favoriser une plus grande humanisation de soi et de l'autre.

Bibliographie sommaire

- O. Abel, L'éthique interrogative, éd. P.U.F., Paris, 2000
- H. Arendt, Responsabilité et jugement, trad. J.L.Fidel, éd. Payot, Paris, 2005
- Aristote, Ethique à Nicomaque, trad. J.Tricot, éd. Vrin, Paris, 1997
- Pierre Bourdieu, La misère du monde, Paris, éd. Le Seuil, 1993
- Esprit (revue) Les nouvelles figures du soin, janvier 2006
- A pensée Ricoeur, mars-avril, 2006

Erving Goffman, Les cadres de l'expérience, éd. Minit, 1991

Axel Honneth : La lutte pour la reconnaissance ; éd. Cerf, Paris, 2002 ; La société du mépris, éd. La découverte, Paris, 2006 ; La réification, éd. Gallimard, Paris, 2007

Jacques Ion et al., Travail social et souffrance psychique, Dunod, Paris, 2005

« Faire du social sans social ? » in Micoud, Ce qui nous relie 2000, p.33-43

Le travail social en débats (sous la direction de J.Ion), Paris, 2005, éd. La découverte

Christian Laval ; « La relation d'aide à l'épreuve de la souffrance psychique et sociale », in Micoud, Ce qui nous relie, p.45-55

Gilles Lipovetsky : L'ère du vide, Paris, éd. Gallimard, 1983

Jean-François Malherbe, Les ruses de la violence dans les arts du soin, éd. Liber, Montréal, Québec, 2003 ; Déjouer l'interdit de penser, éd. Liber, Québec, 2001 ; Compromis, dilemmes et paradoxes en éthique clinique, éd. Artel-Fides, Québec, 1999

Edgar Morin, La Méthode, T.5, L'identité humaine, éd. Seuil, Paris, 2001 ; La Méthode, T.6, Ethique, éd. Seuil, Paris, 2004

Maurice Merleau-Ponty, Phénoménologie de la perception, éd. Gallimard, Paris, 1945

Serge Paugam : La société française et ses pauvres. , L'expérience du revenu minimum d'insertion, éd. P.U.F. Paris, 1993 ; Le salarié de la précarité, Paris, éd. P.U.F., 2000 ; Les formes élémentaires de la pauvreté, Paris, éd. P.U.F., 2005 ; Repenser la solidarité, (sous la direction de S ;Paugam) Paris, P.U.F., 2007

André Micoud et Michel Peroni (sous la direction), Ce qui nous relie, éd. l'aube, 2000

Paul Ricoeur, Du texte à l'action, éd. Seuil, Paris, 1986 ; Soi-même comme un autre, éd. Seuil, Paris, 1990 ;

« Approche de la personne », ESPRIT , n°34, mars-avril 1990

Jean Charles Sacchi ; Sur le développement des théories scientifiques , Paris 1999, éd. L'Harmattan.

Paul Watzlawick, Une logique de la communication, trad. J.Morche, éd. Seuil, Paris, 1972

L.Wittgenstein, Recherches philosophiques, trad. F.Dastur, M.Elle, J.L.Gautero, D.Janicaud, E.Rigal, éd. Gallimard, Paris, 2004

THE PHANTASM OF GLOBALISED AFRICA: DISCERNING THE IMAGERY - A SOUTH AFRICA PERSPECTIVE

Adewale R. Aregbeshola

Patrick N. Palmer

Department of Business Management,
College of Economics and Management Sciences,
University of South Africa

ABSTRACT:

Globalisation is characterised by divergent interests and opinions. The term has widely been used, in recent times, to exhibit affluence of civilisation and erudition. This explains why a single Google search under the keyword "globalisation" yields almost 2 million hits within 0.07 seconds.

Globalisation is widely seen as a connecting rod between trade and economic growth through the spillover and multiplier effects of its agencies (foreign direct investments and portfolio investments). As a process that facilitates global integration of economies and societies, its impacts over the past fifty years has been amazing.

It has been widely praised for catalysing the spate of current unprecedented levels of economic prosperity, reduction in the level and prevalence of poverty, and improved quality of life, and life expectancy. Conversely, it has also generated a lot of criticism, which have emanated from its purported erosion of national sovereignty, disregard for labour and environmental rights, exacerbation of income and wealth gaps between and within nations, and Americanisation of the world over. This has been worsened by the prejudiced nature of the Institutions of Washington consensus that pioneered and nurtures it, casting doubt on the sustenance of such hegemony.

Introduction

Recent controversies over the relevance of globalisation to the world economies at large, and its incessant crucifixion by the antagonists, emanate from the felt and anticipated pains and gains from the conundrum. It should be noted that globalisation is not a new discovery or one of the recent 'magics' of science, rather, it has been catalysed by these supernatural discoveries (ICT and speedy but cheap transport system).

The first wave of the praxis of this concept began in 1870 and lasted till 1914, while the second wave (we are currently experiencing) took its course from the period of the Second World War (Mishkin, 2007). Considering the

unprecedented level of recognition given to the concept, its diverse use and understanding, and the diverse microscope that scrutinises its anatomy, it is little surprise that it has transformed into an ideology (Aregbeshola, 2007). In essence, globalisation is seen through divergent lenses, felt by different people in different ways, at different levels of magnitude, and with varying causes and consequences.

Given the above background, the complexity of the term is outstanding, and as such, its definition. While some authors (Friedrichs and Friedrichs, 2002) see the application of the concept from criminology perspective, Mackenzie (2006:2) deluges its confusion and rides into academic folktales by conjuring

grammatical incantation: "...do we need to argue for the inclusion within criminology, of some forms of currently noncriminal harm to conduct a criminological analysis of the global economy?"

It is no gainsaying that the current debate on globalisation is characterised by an acrimonious dispute between the advocates of moral justice and the protagonists of inequality (Lee and Vivarelli, 2006). While the protagonists of this ideology vulgarly postulate that the rapid increase in trade and the concomitant economic growth has reduced the level and prevalence of poverty, improved quality of life, and life expectancy, not to mention improved democratic nations and societies, its antagonists see it differently.

It has been argued that trade liberalisation have furthered income and wealth inequality between and among nations, have transferred the mantle of national governance to the capitalist, and have exacerbated environmental degradation and labour exploitation (MacEwan, 1990). The process has also been criticised for its tendencies to kill local vulnerable sectors through the aggressive stance of foreign MNCs, thereby furthering the crowd-out argument – which exacerbates unemployment, thereby worsening the prevalence and level of poverty (Henriot, 1998). While the positive effects of globalisation remain 'elusive' to Africa, its negative impacts are prominent on the continent (among the other least developed countries - LDCs).

Conceptual overview

To fully understand the dynamics of globalisation as a concept and the equivocation that surrounds its relevance, it is essential to establish a yardstick upon which its scope could be measured, thereby establishing a benchmark for its adjudication. In an attempt to do so, some definitions of this hydra-headed concept will be considered.

According to Johnson and Turner (2004:4), quoting the IMF's World Economic Outlook, these authors define globalisation as 'the growing interdependence of countries worldwide through the increasing volume and variety of cross-border transactions in goods and services and of international capital flows, and also through the more rapid and widespread diffusion of technology.' In line with this definition, globalisation is seen as a by-product of increase in:

- International trade in both goods and services,
- Increase in international capital flow, and
- Increase in technological advancement and its widespread diffusion.

This definition also highlights the fact that globalisation covers every instrument of trade and investment, as well as the mechanisms that support their realism. With the easy flow of goods and services, the proficient allocation of relatively scarce global resources is achievable. Consequently, this process allows global manufacturers to seek and exploit location specific advantages

across the globe without any perceptible obstruction.

Accordingly, the standard of living of the people is raised as it offers good quality products at lower prices; just as the profit motives of the MNCs are fulfilled – thereby creating more investible capital (Ghauri & Buckley, 2002).

The concept is also seen as the modernity of global interdependency of nations that permeates every human endeavour with various magnitudes, in causes and consequences (Aregbeshola, 2007). This definition is informed by the impact of globalisation on different people at varying degrees. The concept/ideology is felt very greatly, at the global level on education, research, economics, culture, morality, communication, work productivity, and political democracy (Thapisa, 2000); amongst others.

The Washington consensus

As stated earlier, the World War 1 that broke out in 1914 disrupted the global capital flows and international trade between and among nations. The Great Reversal in global economy and the global depression of 1930s gave rise to fascism that culminated in the beginning of the Second World War (Mishkin, 2006; Kindleberger, 1989).

To avoid a repeat of the global economic depression and its associated shortcomings, a conference was held by the 'powerful' world leaders of the time in 1944 at Bretton

Woods, New Hampshire, United States. It was at this conference that the formation of International Trade Organisation (ITO) was suggested (Anderson, 2005; Dormael, 1978). By 1948, an ITO Charter was drawn up along with the General Agreement on Tariffs and Trade (GATT). Unfortunately, ITO failed because the US congress voted against it, but GATT was passed along with UN and its antecedent financial institutions (the World Bank, and the International Monetary Fund) (Diebold, 1952) – GATT was considered to be more favourable to Washington's interest.

Before GATT was transformed into the World Trade Organisation (WTO) at the Uruguay Round in 1994, its 47-year history has been widely praised for a noticeable lower tariffs and improved global trade relations. While GATT employed a rule of negotiation and consensus, WTO advocated a 10-year gradual trade liberalisation among and between nations (developing nations were allowed a longer and more gradual liberalisation, albeit in principle).

The need for these International Financial Institutions (IFIs) was justified on the grounds of market volatility. The World Bank and the International Monetary Fund were borne out of the aspirations of the world leaders to establish a global financial stability, as an impetus for economic growth. Based on its economic windfall from the Second World War¹, United States was able to negotiate and secure a veto vote (Dormael,

¹ During the war, US experienced trade surplus from its booming exports to the war-torn European countries.

1978). This may be observed as the architect of global inequality.

The relevance of globalisation – the gains

When evaluating the effects of globalisation, it is essential to examine the consequence of the actual increase in the measurable global indicators of this concept namely, trade openness and FDI, rather than the aim or policies that support the process (Lee and Vivarelli, 2006). This said, this presentation will focus on the effects of these variables on the developing world, with a special reference to (South) Africa.

Scenario 1:

Trade openness/ liberalisation (the gains)

Trade openness is one of the cardinal points of GATT, and more recently, the WTO. This is based on the principle that national economies will grow as much as these countries open up their economies to foreign investment and capital. The argument goes further to postulate the price autarky doctrine, in which the investing firm is seen to drive down host nation's commodity prices as a result of efficient allocation of resources and superior operational processes (Rivera-Batiz and Oliva, 2003).

The findings of a research project (Sachs and Warner, 1995) that covered more than 100 countries between 1970 and 1990 reveal that there is a strong relationship between a country's openness to trade and its economic growth. The research also finds a 'strong association' between an economy's openness

and its growth, both within the group of developing and the group of developed countries. On the one hand, the findings indicate that the group of developing countries with open economies grew at 4.49 per cent per year while the closed economies grew at 0.69 per cent per year. On the other hand, the group of developed economies with open economies grew at 2.29 per cent per year while the closed economies grew at 0.74 per cent per year.

A more realistic situation is pertinent to India, which departed from the principle of *Swadeshi*² in 1990 under the leadership of Narasimha Rao (the then Prime Minister), and recorded a rapid economic expansion at about 6.1% between 1994 and 2004. In 2004, India's export revenue from software services alone was at a record US\$7 billion, from barely US\$500 million in the mid-1990s (Hill, 2007). The same could be said of China, South Korea, Malaysia and other newly industrialised countries (NICs). Evidence abounds on the positive impacts of trade liberalisation on economic growth, and poverty reduction across the globe, but mostly in the western world.

In South Africa, the economy has been growing at the annual rate of about 4-5% annually since 1994.³ South Africa's economy is the largest in Africa. The country contributes about 20 per cent of the total African GDP. It contributes one third of the Sub-Saharan African, and about two-thirds

² The Ghandi's doctrine of self reliance and freedom from foreign economic interference.

³ South Africa was re-admitted into global market in 1994, after a long isolation due to the apartheid regime

of the SADC region's GDP (Wessel, 2007). The twin wings of globalisation (FDI and portfolio investments) have exerted a great influence on the South African economy since her readmission into the global economic community in 1994. The country adopted a series of economic reforms necessary to actively participate in global trade and investment activities as dictated by the Washington consensus- The WTO, The IMF and the World Bank. Prominent among these reforms are its economic liberalisation to foreign competition, constricting fiscal and monetary policies, privatisation of state-owned assets, and the labour market liberalisation. South Africa has been playing by the rules of the new global economy, a situation that has been yielding dividends.

In 2005, South Africa showed an improvement of 15.8 per cent inflow FDI over 2004. The inward stock sharply increased to \$6.4 billion, representing about 21 per cent of the region's total.⁴ This sharp increase was due to a single M&A between ABSA Bank of South Africa and Barclays Bank of England for about \$5 billion. The same capital inflow was recently announced that Industrial & Commercial Bank of China (ICBC), the world's biggest bank by market value, had agreed to buy 20 percent of the South African local bank The Standard Bank) for R36.7 billion (BBC News, 2007-10-26). These are indications of 'playing along' with the 'global rules'.

⁴ The United Nations World Investment Report, 2006, page 41

The pains of trade openness/liberalisation

Considering the level of contestations that surround this process (trade openness/liberalisation), it is considered necessary to evaluate the negative impacts of trade liberalisation on the developing world. This does not suggest that it is only the developing world that feel this impact, (especially in Africa), but it is occasioned by the fact that Africa is worst hit by the doctrine of economic liberalisation (Magubane, 2002).

Considering the level of protests and violent demonstrations that have characterised global economic/investment meetings in recent years, it is evident that globalisation has inflicted some people with deadly epidemics, either directly, or indirectly. Ranging from its record at Seattle (United States) in December 1999, proceeding to its first martyr in Genoa (Italy) in 2001, and moving to the most recent (2007) demonstrations at the G8 summit in Heiligendamm (Germany), it is important to realise and accept the fact that globalisation has some very terrible shortcomings.

Trade liberalisation does not impact negatively on all nations equally. Evidence suggests that some developing nations have experienced both growth in exports and employment as a result of globalisation, essentially in the manufacturing sector (Lall, 2004; Spiezia, 2004). These countries are mainly the newly industrialised countries. The ability of these countries to record the said growth had been enhanced

by the organisational settings, quality of labour (skills), technological capability of the host nation firms and their competitiveness – the national absorptive capacities or social capabilities (Abramovitz, 1989; Perez, 1983; Shafaeddin, 2005). This suggests that lack of/low natural absorptive capabilities may jeopardise the potential economic and employment gains from globalisation (Basu and Weil, 1998). It is also important to note that, most of these nations did not suffer from colonial exploitations (that was rife in Sub-Saharan Africa.

The South African experience of economic liberalisation has been mixed, but basically, more pronounced on the negative side. The country attained political emancipation in 1994, culminating in the end of the apartheid draconic rulership. At the advent of the democratic rule, the country was lured to liberalities its economy as a pre-condition for her re-admission into the global marketplace.

Record shows that the trend in South African economic growth has since improved. The economy has been growing from almost zero per cent in 1993, at the rate of around 5% over the past three years (Wessel, 2007). Just as the economy of South Africa grows, so are the social vices, especially crime. The question that now arises is: what is the correlation between economic growth and crime increase⁵? The explanation could be that the economic growth being experienced

does not translate to economic development, and thus poverty reduction. In essence, the trickle-down effect of the economic growth may not have reached the population group that is more susceptible to foment troubles.

Recent statistics released by the South African Police Services (SAPS) reflects a worrisome crime level. The record shows that business related crimes, just like other kinds of crime, have been in the increase since 1994.

Scenario 2:

Foreign Direct Investment (FDI)

The United Nations Conference on Trade and Development (UNCTAD) defines FDI as an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity (the foreign direct investor or parent enterprise) of one country in an enterprise (foreign affiliate) resident in a country other than that of the foreign direct investor (UNCTAD, 1999). To this effect, FDI can be defined as assets that are controlled and managed by an individual or a foreign company in a country other than that of its origin for a long-term business interest.

The importance of FDI in international business and, specifically, in the global business environment is crucial. Aided by FDI transactions, the world merchandise trade expanded at a rapid pace during 2006. During this period, growth of the volume of world exports is estimated to have risen above 10 per cent, from the previous level of 7.3 per cent in 2005, while the value of the

⁵ Crime has largely been attributed to lack of adequate opportunities among the youth (UN, 2007)

world exports increased by 16 per cent (The United Nations, 2007). The rapid increase in global economic growth (aided by FDI) has mostly been credited with the increase in incomes in the developing world, and the newly industrialised countries (Versi, 2003).

Historically, most African states viewed MNCs with contempt and distrust. These countries see these investments as being inimical to the much envisaged post-independent economic growth of their countries. As such, these firms were either discriminated against or had their activities seriously restricted or limited in their host African countries (Seid, 2002; Markusen and Venables, 1999; Lall, 1996).

The discrimination and hatred of MNCs contributed to the expropriation of some foreign companies on the continent between 1950s, and 1970s (Kebonang, 2006). Angola topped the list of the countries that carried out the most expropriation, followed by Ethiopia and Algeria, to mention but a few between 1965 and 1978 (ibid). Table 1 further indicates this trend among the ten most indigenised African countries over the period considered.

During these expropriation periods, it was a general belief that African countries should not depend on 'foreigners' for their economic sustenance (Kenedy, 1992). Contrary to their earlier stance on foreign MNCs, many African countries are now competing fiercely against each other for as much of FDI as possible. Their hatred and hostility against foreign investments have 'disappeared' and

they do all they possibly could to attract these MNCs, even at the expense of national interests (Akindele, Gidado, and Olaopo, 2002).

From the South African perspective, it appears that not much has been gained from these agencies of Washington consensus. On the whole, inflows FDI have been concentrated on the capital market, and also in the primary sector of the economy (Business Map Foundation, 2006), unlike the Asian economies that have diversified noticeably over the past 30 years. Also, most of the capital movement to the country over time has been in the form of portfolio investment ('hot money') (Magubane, 2006), which has created and furthered financial instability in the country.

Aside the incidence of financial instability, there is also the problem of pressure on the foreign account balance, occasioned by an increase in import without a corresponding increase in export. Since the increase in economic growth did not result from manufacturing (export-based manufacturing), it is little surprise that the recent balance of trade/payment deficit in South Africa has been disturbing (Statistics SA, 2007).

Considering the global share and distribution of FDI, it is disturbing to observe that virtually none of the top-10 global MNCs operate in Africa. According to UNCTAD (2006), Africa does not fall within the 25 most-favoured FDI locations in the world.

Table 2 shows that most of the global MNCs originate from the highly industrialised countries, and that they mainly invest within their regions of origin or regions where they have trade relations, fondly regarded as the TRIAD region. The location and concentration of these 'wealth creating' MNCs in the already developed and industrialised countries, further explains why most of the global wealth is concentrated in the advanced countries of the world.

From figure 1, it is upsetting to note that global inequality is very high. The regions with the highest share of global population has the least wealth concentration, with China, India and Africa topping the group of the least privileged in global share of wealth. It is further observed that the wealth gap has not decreased over time, but has in fact become much worse in some areas. Wealth is concentrated in North America, Europe, and high income Asia-Pacific areas such as Japan. Collectively, these areas own nearly 90% of the world's wealth (World Institute for Development Economics Research, 2006).

Further more, out of the global population of about 6 billion, some 2.8 billion lives below US\$2 per day, while about 1.2 billion lives below US\$1 per day (Kim, Yong, Millen, Irwin and Gershman, 2000). According to these researchers, almost half of the world's population (47%) together earns about 0.025 per cent of global income, while 20% of world's population exists in conditions of abject poverty.

Pogge (2004:265-266) have this to say:

... (of the global 6 billion people) 799 million are undernourished, 1 billion lack access to safe water, 2.4 billion lack access to basic sanitation, and 876 million adults are illiterate. More than 880 million lack access to basic health services. Approximately 1 billion have no adequate shelter and 2 billion no electricity...roughly one-third of all human deaths, some 50,000 daily, are due to poverty-related causes, easily preventable through better nutrition, safe drinking water, vaccines, cheap re-hydration packs, and antibiotics.

The basics of global inequality

From the ongoing, it is observed that the major cause of world's poverty could be attributed to inequality and unjust global politics. To be able to resolve global inequality, it is necessary to look at the root of these inequalities. This will require looking at the impact of the Washington consensus as the regulatory instruments of global trade/investment and capital market, on the developing world.

1. The role of International Financial Institutions (IFIs) - the IMF and the World Bank were the products of Monetary and Financial Conference at Bretton Woods in 1944 (Van Dormael, 1978). The agreement was seen by the global economic powers as the impetus to catalyse global economic rebuilding, following the global economic depression that resulted from the World War 1 (Mackenzie, 2006).

United States was able to use its economic supremacy (owing to its economic windfall during the war) to negotiate and win a veto in these institutions' decision making process, as a way of safeguarding its status as the most buoyant creditor (Mackenzie, 2006). Most of the decisions made by these institutions (IFIs) require a 50% of votes. While the wealthiest economies command 40% of the total votes (the G7 alone commands 45% of the IMF voting power), the entire developing world have only 26% of the total votes (Africa, which constitute 25% of the institutions' membership, with a combine population of about 0.7 billion, has only 4% of the voting power, while Belgium with only 10 million population has more voting right) (Woods, 2005).

Some of the more crucial decisions of these institutions, especially those that deals with the amendments of the Articles of Agreement of the IMF require 85% majority of votes (IMF, 1945). On this important decision, United States has a veto, and controls more than 15% of total votes (IMF, 2006; World Bank; 2006). Aside the 'inadvertence' that both of these institutions are located in the United States (Washington, D.C.), the United States' Treasury Secretary nominates the president of the World Bank (who is always a U.S citizen, along with the deputy Director of the IMF), while the Managing Director of the IMF is always a European (Monbiot, 2003).

This level of inequality in the IFIs, and the desire of the regulating countries to continuously protect their leadership status,

explain why the developing world may not benefit enough from these institutions, in a way that will help alleviate poverty. Take for instance, Mackenzie (2003) quoting Monbiot, made reference to a World Bank official at a Bank summit in Prague who openly declares "If we cancel the debt (*HIPC debts*) there will be no World Bank." Evidence abound on the level of injustice being perpetrated by the IFIs to further the interests of countries and the MNCs from the industrialised countries, at the expense of the world's poor (Rich, 1994; Kapstein, 1999; Stiglitz, 2002; Ghauri and Buckley, 2002; MacEwan, 1990; Ohiorhenuan, 1998; Henriot, 1998; Akindele, Gidado, and Olaopo, 2002).

The Fund which was founded on the 'belief that (*free*) markets often worked badly' (Stiglitz, 2002:12), now advocates vulgar trade and capital market liberalisation – free market economies. As a part of their conditionalities to approve 'developmental' loans for the less developed nations, the Structural Adjustment Programme (SAP) was embedded in the contractual agreement, which, because of its requirement to conscript government spending on 'poverty alleviating' social services, eventually exacerbated poverty rather than easing it (Stiglitz, 2002). The use of 'grammatical substitution approach' to replace 'structural adjustment' programme with the Poverty Reduction Strategy Papers under the HIPC initiatives (Mackenzie, 2006), further indicates the unwillingness of global 'powers' to genuinely reform the institutions for the benefit of the poor.

2. The role of the World Trade Organisation (WTO) - the Uruguay Round, where GATT was transformed into the WTO, was aimed at achieving further trade liberalisation, both in goods and services, to improve global economic growth. There is no gainsaying that the global economy has been growing at an unprecedented level (as explained earlier). But it must equally be noted, however, that this has not been to the advantage of the world's poor. While these organs (GATT and now WTO) argue that economic liberalisation aids growth, empirical research found something different. Rodriguez and Roderik (2001) identify poor macroeconomic performance and high levels of corruption (particular to Africa) as the possible cause of the low growth recorded by closed economies in the developing world, rather than the economies themselves 'being closed.'

As a part of its administrative duties, the meeting of this organ (WTO) where major decisions are expected to be made constitutes a mere formality. In practice, major trade/investment decisions are taken in the 'green room' that contains the United States, Canada, the E.U, and Japan (Mackenzie, 2006). Any decision taken in the 'green room' requires mere ratification by members at the meeting proper, which is always easily achieved.

This debacle of 'green room' agreement may explain why the economically powerful countries find it unbearable to ratify either the Kyoto Protocol or the Doha Round that they considered to be less favourable. With

agriculture as the centre of disagreement at the Doha Round, it is not likely that much will be achieved in this direction, considering the impact and support enjoyed by agriculture in the developed economies.

Under the current WTO rules, rich countries are allowed to erect the highest possible barriers on the goods produced by the poorest countries. 70% of the world population lives in the rural areas and their main source of livelihood is agriculture. The Western nations' double standard on agriculture affects the world's poor in two folds, namely the import tariffs and subsidy.

Agricultural tariffs designed by the WTO at the Uruguay Round are hurting the poorer countries more. For example in Europe, imports of raw cocoa attract a tariff of 0.05 per cent. Semi-processed cocoa attracts as much as 10 per cent tariff while chocolate (manufactured from cocoa pastes) attracts as much as 30 per cent (Wolfowitz, 2005). This arguably explains why the 90 per cent of world's cocoa producers (developing countries) produces only 4.0 per cent of the world's chocolate. It's a scandal that wealthy nations are developing in terms of trade barriers, out of self-interest (Thissen, 2007).

Still on agriculture, farmers are kings in the West. Wolfowitz (ibid) further observes that the developed nations spend US\$280 billion annually on agriculture supports (an average of US\$1 billion every working day). When compared to the amount these nations spend on aids to less developed nations, some level of insincerity abound. For United

States and Europe, US\$3.0 is spent on each dollar expended on foreign aid. The figure is 500 yen in support of agriculture for every 100 yen spent on aid by Japan.

In the European Union, the agricultural subsidies fatten the rich (Spiegel, 2007). The Union continues to pay millions of pounds to big dairy firms who then produce excesses that flood African countries with cheaper products (dumping). The most affected countries are Ivory Coast (Cote d'Ivoire), Sudan and Nigeria; thereby further damaging local firms (Chris Mercer, 2007). The author further declares "We are exporting our own problem, undermining economies in developing countries". In Scotland, Tom Macfarlane's 3,000 head cattle farm receives a subsidy of £307,846 in 2005 (Mulvad and Thurston, 2006), which was far more than what some poorer African countries spend on agriculture support services. It is thus a little surprise that the recent failure of G4 summit in Germany to reach a reasonable conclusion on the world economy, was in part due to the pressure from the Western manufacturers who warned that any deal that did little to further open developing countries to their exports will not be acceptable (Palmer and Macinnis, 2007).

As if all these attempts to strangulate the developing economies were not enough, farm produce from the developing world (Africa being the most affected) are poorly priced by the Western 'sole' buyers. In the Ethiopian village of Yirgacheffe, the highest price for a kilo of coffee cherries is barely US\$2.25.

Some of the farmers even sell at 33 cents. On the average, 80 cups can be served from each kilo of coffee. In big cities of Tokyo (Japan) and London (United Kingdom), Starbucks, the American coffee retailer, sells a cup of coffee for as high as US\$3.00 or GBP3.00. The recent imbroglio between Starbuck and Oxfam over Ethiopia's bid to trademark its coffee is a reflection of the Westerners' desire to unabatedly exploit Africa. Robert Nelson, the head of National Coffee Association in United States declared that "For the US industry to exist, we must have an economically stable coffee industry in the producing world" (BBC News, 2007/06/11).

More over, the plight of sugar cane farmers in Busia district of Kenya further reflects the global injustice in trade liberalisation. For decades, these farmers have grown sugar cane and made a good living from it. But now, it is threatened by trade policies which enable foreign sugar exporters to sell sugar more cheaply in Kenya than local producers. It is even ironical that these farmers cannot afford to buy sugar, yet the crop that produces it stretches over many acres of their lands. Cheap imports of processed sugar undercut the prices Kenyan farmers hitherto charge to earn a living. Although, this may make sugar consumption more affordable to people, but it also exacerbates poverty among the affected farmers.

This level of trade lopsidedness perhaps made the Kenya's Director of Internal Trade, Seth Otieno, to remark that trade liberalisation has been a disaster for many

farmers in Kenya. According to him, "Globalisation is a curse to many sectors, especially agriculture, in this country (*Kenya*)." The same ugly situations confront sugar cane farmers in Swaziland, where the import of sugar products from the European Union countries has undermined the local industry. Recent estimate suggests that the sugar industry in Swaziland has lost more than 16,000 jobs, and a further 20,000 jobs have been lost in transport and packaging (of sugar) (Somerville, 2007).

Riding on the laurel of opportunities and immunities they currently enjoy under the Uruguay Round, the European Union, Japan and the United States provide adequate financial support for their farmers, which give them big advantages in production and sales of farm produce. This undue advantage ruins African farmers by subjecting them to unfair trade competition. Also, these wealthy countries protect their own farmers from competitive imports from Africa, by demanding that African countries should cut subsidies to their farmers, while most of the African farm produce are often seen as being 'inferior' to be absorbed by the Western markets.

Possible intervention

According to Köhler (May, 2003), the world needs more, not less of globalisation to alleviate poverty and to ameliorate the socio-economic problems of the world, especially, in the less developed countries. He further reiterates that it is only 'good intended' globalisation that is capable of achieving this laudable goal. For globalisation to achieve

this, the process must be underpinned by global rules and institutions that place human development above the pursuit of corporate self-interest and national advantage (Somerville, 2007).

Considering the complexity of the problem purportedly created by globalisation, the possible solution should also be viewed from a complex angle. To this end, the expected solution would be divided into two, namely: (A) the intervention policy mechanism from the less developed countries' governments (African states) and (B) the global solution approach.

A1. Policy intervention (Africa) – While encouraging African States to embrace globalisation, President Thabo Mbeki of South Africa, an originator of the pro-globalisation New Partnership for Africa's Development (Nepad), warns that the process leads to rising inequalities between and within countries. As such, Governments must "re-shape and re-direct its impact" (Somerville, 2007). This suggests that African leaders must be mindful of the kinds of foreign investments to attract, while designing necessary policy frameworks to ameliorate the associated risks (Magubane, 2002; Mittleman, 1997).

A2. Corruption - Essentially, African states need to address corruption. The incidence of corruption has been particularly troubling in Africa. Corruption should be seen as glowing embers in the bush-fire that eats at the moral and economic health of nations. It perpetuates itself into an indispensable

fulcrum- an easy ride to moral insanity, administrative sewers and unethical baptism (Aregbeshola, 2007). It is estimated that the loots stashed away in foreign accounts by African leaders are roughly equal to the total debt of the continent (Chabal, 2001).

Still on corruption, most of the civil wars on African continent were caused by greed and incidence of corruption. It is estimated that about US\$300 billion has been lost by Africa to war since 1990 (about US\$18 billion per year) (iansa, Oxfam, and saferworld, 2007). On average, armed conflict shrinks an African nation's economy by about 15 per cent. Aside the obvious direct costs of armed violence which include: medical costs, military expenditure, the destruction of infrastructure, and the care for displaced people – which divert money from more productive uses; the trickle-down effects of this pandemic are even higher. It falters or grinds economic activities to a halt, incomes from valuable natural resources are looted by rebels to finance the war, and the country suffers from inflation, debt, and reduced investment. The vast majority of people suffer from family dissolution, unemployment, lack of public services, and more importantly, war trauma.

It is expected that a more accountable and transparent leadership, with the spirit of commitment to the service of humanity, may help to reduce the ugly reality of wars in Africa. Good governance should be a top priority of nation-states. While some leaders empty the covers of the country upon which

they govern, some are busy with illicit money laundering and drug smuggling. These quagmires further reduce our leaders' ranking at the world negotiation Rounds. Morality demands that it is only credible people that should be accorded credible considerations! The principle of enrichment without development should be extinguished from African states.

A3. Education and skills development – science and technology, and various kinds of skills development are imperative issues for African countries. Universities across Africa must play a central role in technology transfer, which is needed to achieve a spillover advantage from the foreign MNCs. These universities should be able to provide valuable settings for educating and training scientists, economic development specialists and political officials. They should groom and nurture unbiased knowledge and information, while offering forums for international exchange of valuable knowledge.

This is only achievable by building first-rate universities that are globally competitive in providing world-class training and research that cut across various disciplines, required to catalyze Africa's economic growth and development. It is also vital to establish research units and centers of excellence within university departments and faculties to strengthen the links between education/research, and the industrial sector. This will help to commercialise research outputs, while advancing Africa's technological and scientific capabilities.

A4. Africa integration – it is essential to strengthen trade and investment ties between and among African States. The determinants of economic growth are primarily domestic. It is paradoxical that contemporary analysis recognises the limits of external support and assistance, while ignoring the overarching home-grown catalyst to development.

While foreign investors echo the importance of infrastructural facilities like good road networks, railways, sea and airports, the impact of trade/investment related policies that promotes continental and interregional free trade amongst African States should also be considered. Due to trade hindrances and poor infrastructural facilities, the cost of moving goods from Abidjan to Addis Ababa was 3.5 times higher than moving the same goods from Abidjan to Japan (Herbst and Gruzd, 2004).

More over, between 2000 and 2004, only 64.4 out of every one thousand Sub-Sahara Africans have access to telephone (The World Bank, 2006). According to the same report, the vast majority of African population lives in the rural areas (64 %). Of this figure, only 6.1 per cent have access to electricity and barely 0.8 per cent has access to telephones. While access to mobile telephone has increased over time (74.1 in every 1000 people), the average costs of telephone calls are still very high. It could cost as much as US \$4.35 for three-minute calls from The Gambia to the Unites States (ibid). This further discourages international

business participation as communication is very essential in this regard.

Transport costs and access remains a significant problem to African trades and investments. Nearly 40 per cent of Africans live in landlocked areas with poor road networks and incomparably high transport costs that could be almost double the cost in other developing continents (The World Bank, ibid). Lack of good road network inevitably hinders trade and entrepreneurial activities. It is essential for African leaders to acknowledge these challenges and resolve them appropriately.

On the international front, the playing ground should be levelled to ensure a healthy mutually benefiting trade and investment relationship. It is time the world forgets about ‘all animals being equal, while some are more equal than others’.

B1. Liberalisation of the regulatory frameworks of the IFIs and the WTO – meeting global challenges sometimes demands painful reforms. However, marshalling the political economy of reforms is not easy (Gurria, 2007). Given that ‘agreement is a poor vehicle for prompting parties to act fairly or reasonably when they benefit from engaging in unfair conduct’ (Morss and Bagaric, 2005), it is essential to embark on a drastic move to enlarge the voting rights of the less developed nations in the IFIs and the WTO. The representatives of the world’s poor should have a decisive say in matters that concern the livelihood of their less privileged people.

B2. End to bullying - African leadership should resolutely press for the liberalisation of the so called 'rogue armies/states.' There is the need to create a truly democratic global environment. Not alphabetically federalism of the kind that grants all country members one votes, with the powerful ones having a veto. It is only a truly democratic world order that is capable of removing all tinctures of the ugly past. A mistake should not be made to link globalisation with slavery, colonialism, or more appropriately, neo-colonialism. The era of state-bully should be terminated, where some States use force to coerce the other into agreements that are counter-productive and anti-poor. All nation States should not only be equal, but they should be seen by the international regulatory bodies, to be equal.

B3. Global sincerity - Industrialised countries should honour their pledges to the developing world in order to attain the Millennium Development Goals (MDGs), as well as other development initiatives designed to alleviate poverty. Aside making available the financial assistance promised to Africa, the hitherto havens for African loots should be discouraged from keeping such illegal proceeds. Necessary mechanisms should be established to ensure that no safe haven is provided for corrupt leaders and their loots. On the whole, it is essential to realise that making globalisation work for all is a necessity, and not a privilege.

'The challenge before us is now not technical, but rather political. It is about

compromise, about countries recognising their common interest in success and the collective costs of failure'...Pascal Lamy, the Director General of WTO (July 2, 2007)

Reference list

Abramovitz, M. 1989. *Thinking about growth: And other essays on economic growth and welfare*. Cambridge: Cambridge Press.

Anderson, K. 2005. On the virtues of multilateral trade negotiations. *Economic Record*. 81(225):414-439.

Basu, S. and Weil, DN. 1998. Appropriate technology and growth. *Quarterly Journal of Economics*. 113(4): 1025-1054

Diebold, W. Jr. 1952. *The end of the ITO, International Finance Section, Essays in international Finance*. No.16, NJ, Princeton: Princeton University Press.

Friedrichs, DO. and Friedrichs J. 2002. The World Bank and Crimes of Globalisation: A Case Study. *Social Justice*. 29(1-2):13-36.

Ghuri, P. N. and Buckley, P. J. 2002. *International mergers and acquisitions*. London: International Thomson Business Press.

Griswold, D.T. 2000. The blessings and challenges of globalisation. *Cato Centre for Trade Policy studies*, September 1.

Curria, A. 2007. Making the World Economy Work better. *OECD Observer*. 262 (July):3

Havila V, Forsgren M, and Hakansson H (eds). 2002. *Critical perspectives on internationalisation*. Oxford: Elsevier Science Ltd.

Hill, C.W.L. 2007 *International business: competing in the global marketplace*. 6th edition. New York: McGraw-Hill/Irwin

Herbst, J. and Gruzid, S. 2004. A business vision for Africa. *eAfrica, The electronic Journal of Government and Innovation*. Vol. 2, February:1-12

Johnson D, and Turner C.2004. *International business: themes and issues in the modern global economy*. London: Routledge

Kapstein, EB. 1999. "A Global Third Way: Social Justice and the World Economy." *World Policy Journal*. 15: 23-35

Kebonang, Z. 2006. NEPAD: Drawing lessons from theories of foreign direct investment. *Journal of Economics and Business*. 5(2), 255-272

Kindleberger, CP. 1989. '*Commercial Policy Between the Wars*'. In Mathias, P. and Pollard S. (eds). *The Cambridge Economic History of Europe*, Vol.8. Cambridge: Cambridge University Press.

Kohler, H. 2003. *The Challenges of Globalisation and the Role of the IMF*. Berlin, May 15.

- Kim, Yong J., Millen, J.V., Irwin, A., and Gershman, J. (eds.) 2000. *Dying for Growth: Global Inequality and the Health of the Poor*. Monroe, MN: Common Courage Press.
- Lall, S. 2004. *The employment impact of globalisation in developing countries*. In Lee and Vivarelli, page 73-101
- Lechner, F.J. and Boli, J. 2004. *The globalisation reader*. 2nd edition. Oxford: Blackwell
- Lee, E. and Vivarelli, M. 2006. The social impact of globalisation in the developing countries. *International Labour Review*. 145(3):167-185.
- Mackenzie, S. 2006. Systematic crimes of the powerful: criminal aspects of the global economy. *Social Justice*. 33(1):162-183
- MacEwan, A 1990 'what's 'new' about the 'New international economy,' mimeo. Boston: University of Massachusetts.
- Magubane, Z. 2002. Globalisation and the South Africa transformation: the impact on social policy. *Project Muse*, (49) 4: 89-110
- Markusen, J.R. 1998. Multinational firms, location and trade. *The world economy*, 21(6), 733-756
- Mishkin, F. 2007. Promoting the next great globalisation. *Financial Times*. Oct. 10:11
- Mittleman J. (ed). 1997. *Globalisation: critical reflections*. Boulder: Lynne Rienner
- Monbiot, G. 2003. *The Age of Consent: A Manifesto for a New World Order*. London: Flamingo.
- Morss, R.J; and Bagarric, M. 2005. If we can't have global democracy, let's all be Americans: injecting principle into the international lawmaking process. *Transnational Law & Contemporary Problems*. 15(1): 217-243
- Palmer, D. and MacInnis, L. 2007. G4 talks collapse, throw trade round into doubt. *Reuters*, June 21.
- Perez, Z. 1983. Structural change and the assimilation of new technologies in the economic and social system. *Futures (Guildford)*. 15(5): 357-375
- Pogge, T.W. 2004. *Assisting the global poor*. In Chatterjee DK. (ed). *The ethics of assistance: Morality and the distance needy*. Cambridge: Cambridge University press.
- Rivera-Batiz L A and Oliva M A.2003. *International trade: theory, strategies, and evidence*. New York: Oxford press
- Roberts, S. and Thoburn, J.T. 2004. Globalisation and the South African textiles industry: impacts on firms and workers. *Journal of International Development*, 16: 125-139.
- Rodrick D. 1992. The limits of trade policy reforms in developing countries. *Journal of Economic Perspectives*. 36, 4-22.
- Rodrigeuz, F. and Rodrik, D. 2001. *Trade policy and economic growth: a sceptic's guide to cross-national evidence*. In Bernanke, B.S. And Rogoff, K. (eds). NBER Macroeconomics Annual 2000. Cambridge: MIT Press
- Shafaeddin, M. 2005. *Trade Policy at the crossroads. The recent experience of the developing countries*. New York: Palgrave Macmillan.
- Spiezia, V. 2004. *Trade, foreign direct investment and employment: Some empirical evidence*. In Lee and Vivarelli. Pp. 143-163
- Stigitz, J.E. and Charlton, A. 2005. *Fair Trade for All*. New York: Oxford press.
- Stiglitz, J.E. 2002. *Globalisation and its Discontents*. New York: WW Norton.
- Versi, A. 2003. African Hunt for Investments. *African Business Journal*.
- Wolfensohn, J.D. 2001. The challenges of globalisation: the role of the *World Bank*. Paper read at Public discussion forum. Berlin, Germany (12 April).
- Zander, U. 2002. *When Mohammed goes to the mountain: globalisation, cathedrals of modernity and a new world order*. In Havila, Forsgren and Hakansson. *Critical perspectives on internationalisation*. Oxford: Elsevier Science Ltd.
- The World Bank, African Development Indicators, 2006
- The United Nations. 2007. *World Economic Situation and Prospects*. New York and Geneva: The United Nations.
- Van Dormael, A. 1978. *Bretton Woods: Birth of a Monetary System*. London: Macmillan.
- Wessel, D. 2007. Capital: Globalisation brings South Africa Gains and Pains. *Wall Street Journal*. June 21: A.2
- Internet links**
- Akindele, S.T., Gidado, T.O. and Olaopo, O.R. 2002. Globalisation, its implications and consequences for Africa. [Globalisation](http://globalisation.icaap.org/content/v2.1/01_akindele_et al.html). Available: http://globalisation.icaap.org/content/v2.1/01_akindele_et al.html [accessed 08 June 2007].
- Aregbeshola, R.A. 2007. The hallucination of globalised Africa: the pains and gains of the conundrum – a South Africa perspective. 19th Annual conference of the Southern Africa Institute for Management Scientists. 19-21 Sept., 2007. Available at: <http://www.uj.ac.za/saims2007>. [accessed on 2007/10/25]
- BBC NEWS. Available at <http://www.bbc.co.uk> [Accessed on 2007/06/11].
- Somerville, K. 2007. Africa: Globalisation or marginalisation? Available at: <http://www.bbc.co.uk> [accessed on 2007/10/01]
- Henriot, P.S.J. 1998. Globalisation: implications for Africa. Jesuit Centre for Theological Reflection, Lusaka Zambia. Available: <http://www.sedos.org/English/global.html> [accessed 08 June 2007].
- IMF. 2006. "The IMF Members' Quotas and Voting power, and IMF Board of Governors." Available at:

<http://www.imf.org/external/np/sec/memdir/members.html> [accessed on 2006/06/06].

Mulvad, N. and Thurston, J. 2006. Farm Subsidies in Scotland 2005: Initial analysis. Available at: <http://www.farmsubsidy.org> [accessed on 2007/06/08]

Palmer, D. and Macinnis, L. June 21, 2007. G4 Collapse, throw trade round into doubt. Available at: <http://www.reuters.com> [Accessed on 2007/07/06]

Werner Thissen. 2007. Available at: www.spiegel.de/international/world/0,1518,druck-487270.00.html. [Accessed on 2007/06/08]

Wolfowitz. 2005. Trade – the missing link to opportunity, national press club, Washington D.C. *World Bank*. Available at: http://uk.f277.mail.yahoo.com/ym/showLetter?MsgId=2505_3274819_211320_2063... [accessed 08 June 2007].

www.spiegel.de/international/0,1518,418216,0.html
[Accessed on 2007/06/08]

www.dairyreporter.com/news/printNewsBis.asp?id=67896 [Accessed on 2007/06/08]

Various other UN, UNCTAD, WTO, IMF, and the World Bank websites

Table 1: The top ten countries that expropriated MNC assets in Africa between 1956 and 1983

| Country | Year | No. of firms expropriated |
|------------|-----------|---------------------------|
| Angola | 1975-1978 | 12 |
| Algeria | 1965-1978 | 10 |
| Ethiopia | 1975-1978 | 10 |
| Egypt | 1956-1967 | 7 |
| Madagascar | 1975-1978 | 5 |
| Mozambique | 1975-1980 | 4 |
| Congo | 1970-1977 | 3 |
| Nigeria | 1968-1974 | 3 |
| Morocco | 1965-1978 | 3 |

Source: Data from Kebonang (2006:17). (This table has been modified)

Table 2. The 25 most-favoured locations of the largest 100 TNCs in the world and from developing economies in 2005

| TNCs from all countries | | TNCs from developing economies | |
|-------------------------|--------------------|--------------------------------|--------------------|
| Host economy | Location intensity | Host economy | Location intensity |
| United States | 92.0 | United States | 50.0 |
| United Kingdom | 91.0 | Hong Kong, China | 33.9 |
| Netherlands | 89.6 | United Kingdom | 33.7 |
| Germany | 87.4 | China | 30.0 |
| France | 83.5 | Singapore | 26.4 |
| Italy | 81.4 | Netherlands | 25.0 |
| Brazil | 81.0 | Japan | 22.5 |
| Belgium | 80.0 | Malaysia | 20.3 |
| Switzerland | 79.4 | Canada | 16.2 |
| Mexico | 78.0 | Australia | 15.0 |
| Canada | 77.3 | Germany | 15.0 |
| Spain | 76.4 | Cayman Islands | 13.7 |
| Singapore | 73.7 | Taiwan Province of China | 13.2 |
| Poland | 72.0 | Virgin Islands (UK) | 12.5 |
| Japan | 70.3 | Bermuda | 11.2 |
| Czech Republic | 70.0 | France | 11.2 |
| Australia | 69.7 | Brazil | 10.4 |
| Argentina | 68.0 | Belgium | 10.0 |
| China | 66.0 | Mexico | 9.5 |
| Hong Kong, China | 65.6 | Poland | 8.8 |
| Austria | 64.0 | Czech Republic | 7.5 |
| Portugal | 64.0 | Italy | 7.5 |
| Denmark | 61.0 | Spain | 7.5 |
| Finland | 55.1 | Korea, Republic of | 6.7 |
| Hungary | 55.0 | Austria | 6.2 |

Source: UNCTAD, based on Dun and Bradstreet's *Who Owns Whom* database.

Note: **Location intensity** is defined as the total number of TNCs having at least one affiliate in the host country, divided by 100 minus the number of TNCs from this country listed in the top 100 lists.

Figure 1: The share and allocation of global wealth



Source: World Institute for Development Economics Research, 2006.

PSYCHOLOGICAL FACTORS AFFECTING THE CONSUMER'S INTENTION TO USE E-COMMERCE: A THEORETICAL APPROACH

Mahmoud Al-dalahmeh

School of Economics, Faculty of Commerce
University of Wollongong, Australia

Ali Salman Saleh

School of Economics, Faculty of Commerce
University of Wollongong, Australia

Abstract

There is a need in the literature for an application of the well known social cognitive theory in the area of e-commerce. Hence, this paper develops and models a theoretical framework to study the impact of psychological factors based on the social cognitive theory on the intention to use e-commerce. More specifically, the paper examines the role of individuals' beliefs about their abilities towards the intention to use e-commerce technology (e-commerce self-efficacy). A conceptual model, based on Bandura's social cognitive theory, was developed to test the personnel innovation in information systems, e-commerce self-efficacy, outcome expectations, trait anxiety, e-commerce anxiety, and consumer trust on the customers' intentions to shop online. Thus, the model developed can be applied to enhance the research in the area of e-commerce and can be used in different areas of e-commerce. Future studies can be employed in testing the model via using exploratory survey analysis to provide further support for the social cognitive theory and its application in the area of e-commerce.

Keywords: Psychological factors, e-commerce self-efficacy, model, Trait Anxiety

1. Introduction

Online transactions have made the world very small. Via internet, individuals can sell their products and promote them without opening shops or employing sales men. This process can be conducted via the assistance of internet marketing i.e. Electronic Commerce. Using world-wide-web, marketers can display their products, businesses and services to very wide categories of people. The introduction of this new technology provides various means for retailers to enhance and trade their businesses. Internet facilities and other

means of communications make e-commerce more accessible for different varieties of people. E-commerce started first in USA as it was used for military purposes and medical exchange experience until it was widely distributed in and the USA, and the purposes of using e-mail and internet widen also.

Online usage has decreased time and distance barriers (Sheth, Eshghi & Krishman, 2001; Chiam, 2006) and therefore it has been used as a distribution channel in e-commerce to the effect that the procedures

and methods of commerce have been widely changed (Torjak, 2003). E-commerce started in 1990s (Padhyay, 2002) and has, by all means, effected industry all over the world. In spite of the wide distribution of e-commerce activities, the nature, dynamics and the impact of this phenomenon is known. This is a consequence of the paucity of systematic investigation reported in literature concerning this subject (Lee, 2001, p. 3).

It is worth noting here that in the case of Australia, 80% of business leaders admit that electronic commerce will revolutionize the ways of business they will carry out in the coming few years. According to Andersen Consulting Group (1999) Australian organizations are aware of the opportunities that may be associated with introducing the e-commerce, but they are not confident how much it adds value to their businesses.

MacGregor and Vrazalic (2004), have studied the e-commerce usage among Australian SMEs and tried to compare it with other countries. They showed that SMEs in Karlstad (Sweden) had progressed in e-commerce use more than their counterparts in Australia (Wollongong) two years later. E-commerce rate in Karlstad was 52.3% while in Wollongong it was 15.6% (P. 43). This shows that SMEs need to be re-educated about the values of e-commerce. According to the Australian Bureau of Statistic, the proportion of businesses that have been conducted via the internet was only 12% during 2004-2005.

Definitions of E-commerce

E-commerce is the short form of Electronic commerce. It can also be shortened to 'eCommerce'. These two shortening indicate the full electronic commerce words (Forder and Quirk, 2001). Ecommerce was defined differently by different researchers (Khosrowpour, 2005). According to Laudon, 2003, e-commerce is the use of the internet and the web to transact business. More formally, digitally enabled commercial transactions between and among organizations and individuals.

Business to Consumer E-Commerce (B2C)

This paper will concern about B2C e-commerce. For this purpose the model of e-commerce has been defined as: "The sale of goods or services electronically via internet directly to individual customers for their own use, rather than to businesses" (Chan, 2001).

However, even though the e-commerce usage worldwide is dramatically increasing, there are still many psychological factors (such as self-efficacy, trait anxiety, consumer, outcome expectations etc) that encumber the growth of e-commerce (EC) worldwide, especially people's perception towards conducting online transactions. Hence, there are many factors yet to be fully covered in the literature that dealing with these psychological factors that affect the intention to use e-commerce. Hence, one of the purposes of this paper is to review the extensive literature on the effect of self-efficacy on e-commerce. The second aim is to

develop and identify a theoretical framework to study the impact of cognitive social factors on the adoption and usage of EC. More specially, we are identifying new factors such as e-commerce self-efficacy, trait anxiety, consumer trust, which have not been used yet (in this combined format) in the area of e-commerce self-efficacy. Several new hypotheses will be developed throughout this paper.

This paper is organised as follows; Section II examines the literature in regard to the main factors that affect the intention to use e-commerce (such as general self-efficacy, e-commerce self-efficacy, trait anxiety, consumer trust etc). Section 3 reports the empirical studies in regard to the application of the social cognitive theory in other areas. The framework developed will be reported in section 4 as well as the hypothesis. A summary and future research will be reported in Section 5.

2. Literature Review

2.1 Trait Anxiety (TA)

Trait Anxiety (TA) is defined by Spielberger et al. (1970) as a common tendency to undergo a state anxiety when contended with troubles or challenges. Tellegen (1985) argues that individuals are more expected to suffer anxiety through time and across situations as TA is comparatively stable. Both anxiety and cognitive efficiency are believed to be strongly associated by researchers for a long time. Yerkes and Dodson (1908) tried to simplify this relationship by suggesting a U-shaped

relationship model to represent anxiety and cognitive performance. This model and other related research material suppose that very low anxiety levels increasing to fairly average levels will trigger off more cognitive resources to become more accessible and foster the rate of mental operations (Suri & Monroe, 2001). Anxiety is probably the best domain where the distinctiveness of trait-state is best recognized and empirically differentiated. Trait anxiety is identified as a person's general disposition to be anxious where State anxiety refers to anxious affect of situational frustration (Spielberger, 1966; Usala & Hertzog, 1991).

Trait anxiety is regarded as a major element of personality in most modern personality theories as indicated by Thatcher and Perrewe (2002), (see Digman, 1990, for a review). Spielberger, Gorusch, and Lushene (1970), offered a straightforward definition for trait anxiety describing it as "relatively stable individual differences in anxiety proneness" (p. 3). Wilson et al. (1999) stated that trait anxiety is conceptualized as fixed or stable attribute of personality whereas they demonstrated state anxiety as a momentary manner of anxiety that depends on the situation. In order to discover and forecast the association between a person's respiratory distress and trait anxiety, Wilson et al. built a model that indicated the following results:

Individuals suffering high levels of trait anxiety will be more likely exposed to significant increase in state anxiety compared to those with lower levels of trait anxiety.

Trait anxiety, according to Murata, et al. (2004) stands for the general propensity to be anxious as a personality characteristic whereas state anxiety is described as the level of anxiety at a particular moment. High trait anxiety causes individuals to organize situations while for individuals who are low in trait anxiety, personal adequacy is evaluated more as threat (Spielberger et al. 1973; 1983).

Suri and Monroe (2001) demonstrated how mental efficiency starts to deteriorate if the arousal intensity surpasses a supposed optimal point on the arousal scale. According to this theory it has been suggested that such analysis can be also valid to anxiety and its impact on both memory and responsiveness (Christianson, 1992; Eysenck, 1982). That is to say, reasonable degrees of anxiety are supposed to assist learning and memory performance; nevertheless, consecutive intensifying in these levels of anxiety beyond the optimal anxiety level will lead to lower degrees of learning and memory operating (Christianson, 1992). Anxiety experienced while using e-commerce systems is perceived as a form of a domain-specific trait anxiety. Thus we hypothesise that:

H1: There is a negative relationship between customer's Trait anxiety and E-Commerce self-efficacy. Customer's Trait anxiety will negatively influence the E-Commerce self-efficacy.

2.2 E-Commerce system Anxiety

State anxiety demonstrates personal feelings of tension, anxiety, and concern which varies in strength and over time (Spielberger et al. 1973; 1983). The following case described by Tome Keating can provide the reader with a deeper understanding of this concept¹:

Automotive of the sales process at our company started two years ago, when we began looking for software that could alleviate many sales problems. At the time, our sales representatives did not have personal computers on their desks- and most did not want them!

Computer anxiety is defined as "the fear of impending interaction with a computer that is disproportionate to the actual threat presented by the computer" (Howard, Murphy, & Thomas, 1986, p. 630). A Similar definition for Computer anxiety is offered by Bozionelos (2001) where he explained that the concept stands for the destructive emotions and cognitions evoked either in real or imaginary dealings with computer-based technology. In a study by Anderson (1995), a positive significant relation was found between mathematics and computer anxiety. This observation was also reported in other 10 research reports as pointed by Rosen and Maguire (1990).

In a study by Thatcher and Perrew (2002), they explained how social cognitive theory

¹ To our knowledge, no study in E-commerce systems taking into accounts the Affect of Trait anxiety into the E-commerce usage.

¹ Tome Keating is senior vice president for the Asset Management and Pension Services operation of The Travelers, Hartford, Conn.

indicated how self-efficacy and anxiety influence each other (Bandura, 1977, 1986, 1997). As implied in the SCT, Individuals who suffer higher levels of anxiety, may report lower level of efficacy; while as their efficacy rise, they report a decreased anxiety. Despite the reciprocal nature of this relation, SCT research has found that efficacy beliefs are the major influence on individuals decision making regarding their ability to perform tasks (Bandura, 1986).

Computers utilizations is expected to be negatively influenced by feelings of anxiety due to the fact that people are expected to avoid behaviors that bring up anxious feelings. Many studies have illustrated a relationship between computer anxiety and usage (Compeau & Higgins, 1995b, Igabaria, et al., 1989; Webster, et al., 1990). People who highly interact with computers are usually computerphrenics (less anxious) while those who are more anxious are less expected to use computers (Igabaria and Iivari 1995). These remarks suggest that anxiety must be taken in to consideration when studying computer usage.

Additionally, in Webster (1989) Computer anxiety has been linked to negative beliefs about computers, difficulties while playing with them, and evasion of technology. Individuals who produce desired and better consequences are those who feel more relaxed while using the machine.

Emotional experience is proved to have a major influence on individuals' decision making (Maner, 2007; Loewenstein, Weber, Hsee, & Welch, 2001), as feelings like anger,

fear and disgust can guide individuals choice for a certain course of action (Lerner & Keltner, 2001). Examining these arguments, we can assume a relationship between anxiety and the basic forms of risk-avoidance while making a decision. In two separate studies by Maurer & Simonson (1984) and Bozionelos (2001), the Behavioral expressions of computer anxiety were listed as follows:

- Avoidance of both computers and areas where computers are placed
- Extreme and unnecessary concern with computers
- Attempts to interrupt the necessary utilization of computers
- Negative remarks regarding computers

The occurrence of anxiety indicates the existence of potential threat and improves individuals resistance to threat as it promotes psychological responses in reaction and initiates actions of threat avoidance which is considered a key element in the risk-avoidance decision making (Barlow, 1988; Butler & Mathews, 1987).

In two surveys by Anderson (1995) and Morrow et al. (1986) that included 108 males and 65 females, no considerable relation was found to explain dissimilarities regarding computer anxiety and attitudes towards computers based on gender. However, in another study by Dambrot et al. (1985) that included 599 female and 342 male college students, females were found to be less comfortable towards computer, got lower marks in a computer skill test, and had less prerequisite ability and experience in

mathematics. Thus we hypothesis the following:

H2: There is a negative relationship between customer's E-commerce anxiety and E-Commerce self-efficacy. Customer's E-commerce anxiety will negatively influence the E-Commerce self-efficacy².

2.3 Personal Innovativeness in Information Systems (PIIS)

Individual's dissimilarities are a crucial factor in the execution of any technological innovation as stated by Agarwal and Prasad (1999). The effect that the differences have has been deeply investigated in a broad variety of areas including Information systems and marketing.

Personal innovativeness is defined by Hurt et al.(1977) as the individuals' keenness to change. Agarwal and Prasad (1988b, p. 206) define PIIT as "the willingness of individual to try out any new information technology". Accordingly, in this study where we inspect the PIIS function as a predecessor to E-commerce self-efficacy and E-commerce anxiety, we will define PIIT as individuals' willingness to experiment with new Information systems, like E-commerce. (Uray & Ayla, 1997; Thatcher and Perrewe , 2002). PIIT as demonstrated by Thatcher and Perrewe (2002) as a situation-specific,

stable trait which is thought to have an even impact across situations including those that involve Information systems. PIIT is suggested to be high for individuals who are seeking out new, mentally, or physically "stimulating" experiences. Alternately, lower levels of PIIT are reported for individuals who have less tolerance for danger, and who are more expected to report general computer anxiety.

H3: There is a positive relationship between Personal Innovativeness in Information Systems and E-commerce Self-efficacy. Personal Innovativeness in Information Systems will positively influence the E-commerce Self-efficacy.

2.4 General Self-Efficacy (GSE)

According to Bandura (1986), people's beliefs present the basis for their level of motivation, emotional conditions, and actions rather than what is objectively the situation. Because self-efficacy theory provides clear strategies on how to develop and improve the excellence of human performance like motivation and accomplishments, it is regarded as a critical component of the social cognitive theory (Bandura, 1995; Siu, 2007). Bandura in his social learning and social cognition theories portrayed self-efficacy as a dynamic, many-sided conviction system functioning selectively across different activity fields and different circumstantial difficulties. Bandura (1989, 1997) and Litt (1988) argued that self-efficacy is essential as it influences an individual's capacity and motivation to put control into effect.

² To our knowledge, no study in E-commerce systems taking into accounts the impact of E-commerce anxiety into the E-commerce self-efficacy.

Social cognitive theory as structured by Bandura (1986, 1987) and Chen, *et al.*, (2001) states that self-efficacy beliefs diverge on three scopes:

- 1) Level or magnitude: The degree of task's difficulty.
- 2) Generality: The level to which beliefs' degree and strength generalize across tasks and circumstances.
- 3) Strength: certainty of successfully performing a particular level of task difficulty.

Bandura in 1977 defined self-efficacy as "the belief in one's ability to perform a task or more specifically to execute a specified behavior successfully" (p.79). As observed the self-efficacy was first presented as very task-specific which lead may researches to be conducted according to this belief. Later on, attempts to investigate the concept as a comprehensive one resulted in the construction of general self-efficacy (GSE) (Woodruff, Cashman, 1993).

General self-efficacy is described as "one's belief in one's overall competence to effect requisite performances across a wide variety of achievement situations" (Eden, 2001, p. 73) or as " individuals' perception of their ability to perform across a variety of different situations" (Judge, Erez, and Bono 1998a, p. 170). Even though GSE is derived from the idea of self efficacy generality explained in social cognitive theory (Bandura, 1997), GSE is viewed as a separate concept. Self efficacy is differentiated from GSE as it is relatively flexible, task-specific belief, while GSE is relatively constant, characteristic-

like, general belief of capability (Chen *et al.*, 2000; Chen, Gully, & Eden, 2001). In a two studies, researchers attempted to find a reliable measurement to evaluate self-efficacy that is unrelated to particular situations (Sherer *et al.*, 1982; Kim and Kim, 2005). They emphasized efficacy expectancies (self-efficacy) as generalized to an overall individual behaviour rather than particular behaviour. Sherer *et al.* (1982) brought a measure for the General Self-Efficacy Scale (GSES) into being and acquired a factor-based model of three sub-dimensions:

- Initiative: willingness to initiating behaviour
- Effort: willingness to pay out power in carrying out the mission
- Persistence: perseverance facing difficulty

Previous measurement is coherent to Bandura's statement that self-efficacy expectations controls individual's early decision to start a behaviour, pay out power, and persist to carry on regardless difficulties (Bandura, 1986). Individual's differences in motivation, attitudes, learning, and task execution can be explained significantly through GSE (e.g., Chen, Gully, Whiteman, & Kilcullen, 2000; Judge, Locke, & Durham, 1997).

Gibbons and Weingart (2001) and Siu *et al.* (2007) also discriminated task related and general self efficacy since self-efficacy varies collectively across tasks and performance areas and in constancy over time and circumstances. Highest level of aggregation entails general self-efficacy explained as

“one’s belief in one’s overall competence to effect requisite performances across a wide variety of achievement situations” (Eden, 2001, p. 73). While at the lowest level, one’s capability to successfully finish a certain task in particular circumstances is referred to as self-efficacy. In short, the level of aggregation positively influences the stability of self-efficacy.

Individuals differ in motivation and affect according to trait and state differences. Kanfer and Heggstad (1997) and Chen *et al.* (2000) distinguished these variations and clearly outlined associations between different kinds of personality’s differences and performance.

State-individual differences are flexible and restricted to particular tasks; on the other hand, Trait-individual differences are not limited to a particular task or circumstances and are relatively steady over time as personality and cognitive ability.

Specific-task self-efficacy (SSE) is a motivational state and general self-efficacy (GSE) is a motivational trait (Eden, 1988, in press; Gardener & Pierce, 1998; Chen *et al.*, 2001). Same past experiences (actual experience, vicarious, verbal persuasion, psychological states) affect both GSE and SSE. Nevertheless, Eden (1988) points up the fact that GSE is much more resilient to short-lived experiences than is SSE.

Accumulative successes and failures through individual’s life time are most responsible for shaping his/her GSE (Shelton 1990).

Individual’s differences in motivation, attitudes, learning, and task performance can be explained significantly through GSE. For instance, it was found through Judge and Bono’s (2001) meta-analysis that GSE and self-esteem are positively related to task performance. Generally, GSE summarizes individuals’ over all lasting tendencies to consider oneself as capable or incapable of successfully accomplishing task demands in various situations. As stated by Eden (1988); Chen *et al.* (2001); Shelton (1990); and Sherer *et al.*(1982) GSE positively impacts SSE across tasks and situations (i.e., GSE) “Spill over” into particular situations as observed through the relationship between and SSE in a variety of tasks. Consequently, individuals with higher GSE perform better through varying tasks and situations.

In e-commerce as a context, individuals with higher GSE are those who: Express higher motivation to accomplish new tasks; Hard working and seek achievement; and Expected to encounter less risk in e-commerce. Based on these factors, individuals capable of purchasing exactly the item that they want from Web vendors, are more likely to trust a web vendor and make purchases in the future (Kim& Kim, 2005;Chen *et al.*, 2000). Consequently, it can be hypothesized that:

H4: There is a positive relationship between General Self-efficacy and the E-Commerce Self-efficacy. GSE will positively influence the E-commerce Self-efficacy.

2.5 E-commerce Self-efficacy (ESE)

Self-efficacy is described as individual's belief that he/she has the needed abilities and skills to successfully perform a particular task. In 1986 Bandura presented the term Specific Self-Efficacy (SSE) which refers to "one's belief in capabilities to mobilize the motivation, cognitive resources, and courses of action needed to meet given situational demands". SSE relates to one's confidence in being able to accomplish specific performance levels (Wood & Bandura, 1989, p. 408).

Stajkovic and Luthans (1998) distinguished between GSE and SSE by explaining how SSE is characterized as "a dynamic, multifaceted belief system that operates selectively across different activity domains and under different situational demands, rather than being a decontextualized conglomerate". Conversely, and according to Bandura (1997b, P.42) GSE is "not tied to specific situations or behaviour" but takes a broader view to a "variety of situations" (Sherer et al., 1982, p. 664).

Consistent with SSE definition we will describe e-commerce self-efficacy as a one's judgment of being capable to successfully use and perform transactions through Electronic-commerce system. Experimental researches through the past 10 years revealed the effect of self-efficacy on individuals' decision to use information systems. Hill, Smith, and Mann (1987), for example have confirmed the relation between self-efficacy and some work-

performance measures (e.g. adaptability to use computer and information systems).

Durndell and Haag (2002) used statistics from UK which revealed the fact that only 17% of registered computing students at University are females. Moreover, this observation was also noticed in the US where more males than females tend to study computing with increased indications that the proportion of females is actually decreasing (Durndell & Haag, 2002; Balka & Smith, 2000; Holdstock, 1998). Therefore, the truth that gender influences one's choice to study computing is also found in school choices both in the UK (Roger & Duffield, 2000) and in the US (Farenga & Joyce, 1999). The phenomenon is now quite clear and it needs to be investigated especially with the extensive spreading of the internet which added a new dimension to the issue (Gackenbach, 1998). General researches in computer domain has also indicated higher levels of self-efficacy and confidence for males.

Bandura (1986) has demonstrated how special self-efficacy can be used to predict task performance outcomes mainly because the outcomes to be measured have been clearly identified. So in conclusion, we need to obtain specificity that is applied to specific performance situation in order to use SSE in predicting outcomes (Bandura, 1986, 1997; Marakas et al., 1998; Yi and Hwang, 2003). Self-efficacy judgments are perceived to shape outcome expectations since the outcome one presumes are obtained mainly from the belief of how well one can perform

the specified task (Bandura, 1997,Compeau & Higgins, 1995b). Compeau & Higgins (1995) found that computer self-efficacy also influenced expectations about the future outcomes of computer use such as job performance and personal accomplishment.

In terms of e-commerce particularly, research has generally supported positive relations between efficacy, a range of performance measures and outcome expectations (Gist & Mitchell, 1992; Stajkovic & Luthans, 1998, Schwoerer et al., 2005). Outcome expectations are estimates that a behaviour will produce particular outcomes (Oliver & Shapiro, 1993; Eastin & LaRose, 2000) but it highly depends on how well the individual believes he/she can perform the task; therefore, Self-efficacy judgments are consecutively related to outcome expectations (Bandura, 1977). Oliver and Shapiro (1993) observed that the stronger a person's self-efficacy beliefs, the more likely he/she will aim to successfully accomplish the desired outcome.

Nowadays and in the context of e-commerce these observations mean that there should be a positive connection between self-efficacy and the expectation of positive outcomes of E-commerce use. These outcomes ³ as mentioned before can be reduced costs, more saved time, better quality, and the ability to consult and discuss products with consumers around the world. All these expectations will

³ To our knowledge, there are no studies in e-commerce systems that have incorporated the affect of consumer's-commerce self-efficacy into the consumer's outcome expectation

increase positively with consumer's belief of being capable of using this system to purchase items. Thus, it can be hypothesized that:

H5-a: There is a positive relationship between E-commerce self-efficacy and end-user's outcome expectancy. E-commerce self-efficacy will positively influence the end-user's outcome expectancy.

Differences that individuals have in tendencies to experience different emotions can be an important factor in shaping cognitive processes linked with decision-making (Lerner & Keltner, 2000). Emotions operate as the most important type of information, indicating the existence of specific intimidations to be avoided or rewards to be acquired (Schwarz & Clore, 1983; Shackelford, LeBlanc, & Drass, 2000). Cognitive responses, in turn, are promoted by emotions which facilitates the evasion of danger and the acquirement of rewards (Maner et al., 2005). Relating to decision making, some emotions - like anger - encourage decision-making biases that increase one's acceptance for risk, whereas other emotions - like disgust - encourage the decision-making processes associated with risk-avoidance (Fessler, Pillsworth, & Flanson, 2004).

People described as low self-efficacious are less certain of their ability to perform the transactions of buying, selling or returning items online impeccably. So, if any of their online merchandises did not turn out satisfactorily, they will be most probably

unable to take care of this problem by returning the purchased item and they will refrain from contacting web vendors to buy products. On the other hand, highly-efficacious people are willing to perform transactions with almost any web vendor without hesitation and be able to take care of any defected items themselves by directly returning them (Kim & Kim, 2004). The higher customers' self-efficacy have while dealing with an e-commerce portal, the more positive outcome expectation they are will probably have and the better they will trust the vendor. This study expands the term of e-commerce self-efficacy to a situation-specific self-efficacy.

The extent to which one believes in his overall proficiency to accomplish a successful task across a wide variety of achievement situations influences his special self-efficacy in the domain on e-commerce⁶.

Therefore, it can be hypothesized that:

H5-b: There is a negative relationship between E-commerce self-efficacy and customer's risk aversion. E-commerce self-efficacy will negatively influence the customer's risk aversion.

H5-c: There is a positive relationship between E-commerce self-efficacy and customer's trust. E-commerce self-efficacy will positively influence the customer's trust.

⁶ To our knowledge, there are no study in e-commerce systems that incorporated the affect of consumer's e-commerce self-efficacy into the consumer's Risk Aversion.

As said by Bandura (1997), self-efficacy refers to one's belief in his/her ability to perform a task successfully and here in e-commerce it is suggested that self-efficacy plays a significant role in determining behavioural intention (Taylor and Todd, 1995).

Self-efficacy perceptions were characterized by Hsu & Chiu (2003) as a significant predictor and precursor to computer technology use; this hypothesis is maintained by researching the utilization of computers. The relationship between technology self-efficacy, the choice to use technology and adoption was confirmed by numerous studies. A new variable was presented by (Compeau & Higgins, 1995; 1999; Davis et al., 1989; Hill et al., 1987; Igbaria & Iivari, 1995, Burkhardt & Brass, 1990, and Maish, 1979) which is the user's feeling of "being prepared". This variable is considered similar to the concept "self-efficacy" and also found to be related to the degree of use. Internet self-efficacy was positively related to Internet usage in the context of Digital Divide (Eastin and LaRose, 2000).

Special self-efficacy was suggested to being considered a new variable in the adoption process. "consumers with high self-efficacy are more active, attempt to proactively manage situations, and more likely to initiate innovative decisions, as opposed to those with low self-efficacy who avoid difficult tasks and are passive" (Tabak and Barr 1999, P.252). In 1987, Hill et al observed that the decision to use technology is considerably related to self-efficacy.

Compeau and Higgins (1995b; 1999) as well revealed a direct positive connection between computer self-efficacy and computer usage. This positive relationship between web-specific self-efficacy and electronic services utilization was also noted by (Hsu and Chiu, 2003; Burkhart & Brass, 1990; Compeau & Higgins, 1995; Compeau & Higgins, 1999; Oliver & Shapiro, 1993). In the context of e-commerce self-efficacy is also supposed to be directly related to the usage of e-commerce since customers are more likely to attempt and continue this behaviour as long as they feel capable of successfully performing needed tasks. Therefore, the following hypothesis is proposed:

H5-d: There is a positive relationship between E-commerce self-efficacy and usage of E-commerce system. E-commerce self-efficacy will positively influence the usage of E-commerce system.

2.6 Outcome Expectation

Bandura, (1986) in his social cognitive theory stated that "Individuals are more likely to engage in behaviours that they expect will be rewarded." It is important to understand that Self-efficacy and outcome judgments are two separate concepts according to Bandura as he states in a research published in 1982 : "In any given instance, behavior would be best predicted by considering both self-efficacy and outcome beliefs" (Bandura, 1982, P. 140). Studies directly concerned with measuring outcome expectancy in the IT literature are limited in number. In 1989 researchers Davis, Bagozzi, and Warshaw conducted a study on MBA

students where they detected a development of behavioural intentions about using a word processing program derived from expectations that it would enhance their performance in the program. Previously, Hill, Smith and Mann (1987) demonstrated that individual's choice to gain knowledge of a programming language was highly influenced by outcome expectations.

In the area of computing technology specifically, individual's intentions are significantly shaped by outcome expectations (Compeau and Higgins 1995b) since outcome expectations are a key originator to usage behaviour. Both Bandura's research on aggressive behaviour in children (1971) and IS researches by Davis et al. 1989, Hill et al. 1987, Pavri, 1988, and Thompson, et al. (1991) provide a positive support for the debate on outcome expectations. This study will be the first to offer a comprehensive exploration to the relationship between e-commerce utilization and outcome expectations.

Outcome expectations are demonstrated in the E-commerce context⁷ clearly through the increased utilization of this technology by consumers who expect a higher quality, lower prices, extended availability (24/7), and a wider variety of products while shopping online. The extra value individuals expect out of simple tasks they are capable of performing will create a major motivating

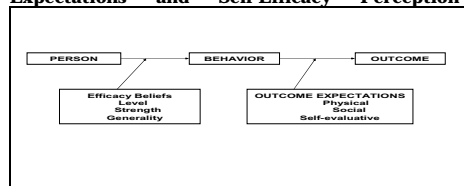
⁷ To our knowledge, there are no studies in e-commerce systems that have incorporated the affect of consumer's outcome expectation into the e-commerce usage.

factor for them to use the system. Therefore, we hypothesis that:

H6: There is a positive relationship between customer's outcome expectations and usage of E-commerce system. Customer's outcome expectations will positively influence the usage of E-commerce system.

However, Self-efficacy is often confused with outcome expectations when, in fact, they are two different constructs. An outcome expectation is thus a belief about the consequences of behavior. On the other hand an efficacy belief is a belief concerning to performance of a behavior (Bandura, 1977, 1997; Hackett & Betz, 1981; Caprara & Cervone, 2000).

Figure 1: Distinction between Outcome Expectations and Self-Efficacy Perception



Source: Bandura (1997)

Efficacy belief and outcome expectation are two different things because many people happen to believe that a certain action will lead to well known outcomes yet not have enough confidence in their ability of carrying out the required activity. The stronger one's belief in his effectiveness the higher it is possible that a coping attempt will take place. People's tendency to avoid situations believing that they go beyond their coping skills gets higher while they can easily handle threatening situations if they

perform confidently and consider themselves capable of being involved in such activities (Bandura, 1988).

2.7 Risk Aversion

Risk is defined as “a situation where the future outcome is unknown but a probability can be placed on each possible outcome” (Byrne 2005, P. 22). This definition of risk is one out of several explanations provided by researchers to precisely identify the concept of risk. In 1960, the community of marketing encountered the concept of risk for the first time when Raymond Bauer argued that consumer behaviour is risk-taking behaviour since a consumer's actions can create some unanticipated results, some of which may be unpleasant (Moore, 2004). Perceived risk is based on two elements: a cognitive and an affective component as maintained by Dowling and Staelin (1994) constructed the most common definition of risk in marketing literature as “the consumers' perception of uncertainty and adverse consequences of buying a product or service” (p. 119).

Miyazaki and Fernandez (2001) suggested that perceived risk is related negatively with the degree to which individuals contact web vendors to purchase items. The definition of Risk aversion is cited by Bao et al. (2003) as “the extent to which people feel threatened by ambiguous, and have created beliefs and institutions that try to avoid these” (Hofstede & Bond, 1984, p.419). People who feel more threatened by risky and confusing situations are those with higher risk aversion (Hofstede, 1991); therefore, researchers conceived the effect risk aversion can

strongly have on consumer's decisions and behaviour (Shimp & Bearden, 1982). As clearly observed in consumption habits, individuals with low risk aversion feel more enthusiastic about obtaining new products or advanced technologies while in contrast, those with high risk aversion feel more reluctant to buy such items as the performance of these products is more unclear and ambiguous than the one of products and labels they already recognize (Steenkamp, et al., 1999). Thus, we can hypothesize that:

H7: There is a negative relationship between customer's risk aversion and usage of E-commerce system. Customer's risk aversion will negatively influence the usage of E-commerce system.

2.8 Customer Trust

O'Donnell defines consumer's trust as the consumer's belief that the vendor, i.e., a firm or Website, will accomplish the transaction as the consumer expects (2002). The 21st century has witnessed a huge growth in the number of electronic transactions due to the increased trust in Technology which promotes its utilization, acceptance, and adoption by users (Sukar, 2005). The concept of customer trust is becoming more important equally to both experts and academics (Lippert, 2001b; 2001c; 2001d). The concept of technology trust attempts to measure the user's trust in the inanimate IS technologies: hardware and software, operating on daily basis (Lippert, 2001a; 2002).

Surprisingly, Heijden et al. (2001) did not observe any explicit relation between consumer's trust in store and their behaviour towards online purchasing. These explanations provided by Heijden contradicts a previous study conducted by Jwenpaa et al. in 1999. However, Heijden et al. (2001) warn that their study excluded substandard web sites and they suggest that a deeper analysis and understanding to the matter can be accomplished by diverging the levels of quality covered through the study (O'Donnell, 2002). In two separate studies both Gefen (2000); Kim and Kim (2005) demonstrated how purchase intentions are being significantly shaped by consumer's trust in web-vendors. As an example, they showed how consumers' low trust in web-vendors makes them less willing to get engaged in e-commerce transactions. Panichpathom (2000) has also confirmed the existence of an association between risk and trust, therefore, we hypothesize that:

H8: There is a positive relationship between customer's system trust and usage of E-commerce system. Customer's system trust will positively influence the usage of E-commerce system.

3. Empirical Studies: Self-Efficacy and Advanced Technology

Compeau and Higgins (1995) described computer self-efficacy as "a judgment of one's capability to use a computer" (p.192). Generally, the study highlights the significant influence self-efficacy has on individual's self-perceptions when using computers. Supporting data and

observations were presented in the study as the researchers noted that individuals with high self-efficacy suffered less computer-anxiety, used computers more and took pleasure in using them more. Gist et al. (1989) carried out earlier studies on computer self-efficacy which gave evidence that business managers enjoying higher computer self-efficacy beliefs performed considerably better than those with low computer self-efficacy results. Additionally, these findings were supported in a wide range of other contexts including computers. Self-efficacy comes into view as a major factor that distinguished adopters and non-adopters of complex technologies (Faseyitan et al., 1996) which is directly connected to the utilization of advanced technologies. (Hill et al., 1987; Kinzie et al., 1994; Landino & Owens, 1988; Zhang & Espinoza, 1998). In a research that involved employees of a federal agency an explicit connection was recognized between self-efficacy and technological innovations (Burkhardt and Brass 1990). Nevertheless, computer self-efficacy is not absolute since it differs within the computer framework as each individual attempts to achieve specific tasks. It is influenced by factors like: The software and hardware configurations users must cope with; the nature of the task required (Compeau & Higgins, 1995).

Another important issue is shopping online which is highlighted as one of the most rapidly rising types of purchasing (Limayem et al., 2000; Levy and Weitz, 2001; Shim et al., 2001; Grunert and Ramus, 2005). Mainly, purchases transactions can be facilitated

among all involved groups: consumers, businesses, and between businesses and consumers. Yet undoubtedly the largest most profitable domain of application has been in the business-to-business sector. In the business-to-consumer domain, business growth has been more directed to specific narrow areas (Butler and Peppard, 1998). Many of the business-to-consumer now run with a shortfall and many had to go out of business. There have been very few considerable achievements regarding the sale of food and other daily use products on the internet. Despite the great number of users in both US and Europe frequently using the internet for shopping purposes, the reasons that encourage these people to shop online are still ambiguous (Monsuwe et al., 2004). However, self-efficacy was taken into account by many researchers to be a critical influence on individual's decisions especially those concerning technological innovations (Davis et al., 1989).

In studies performed by Hill et al (1985 a & b) to evaluate consumers' responses to word processors and personal computers, self-efficacy was found to be enormously associated with liking and choosing to use such products.

Self-efficacy has been proven to be a strong predictor of behavior (Maddux et al., 1986), besides attitudes (Maddux and Rogers, 1983; Seltzer, 1983) in many different situations where one's own performance capability in specific settings can be forecasted through judgments of self-efficacy. Individuals with low self-efficacy tend to choose alternatives that can be handled or managed easier

rather than best ones (Seltzer, 1983). These feelings of incompetence or discomfort which may arise from the expected change that individual feel less capable of managing leads to refusal of this change. Perceived efficacy influences the extent of effort, the perseverance and the level of learning taking place if the individual is willing to make an effort (Bandura, 1977).

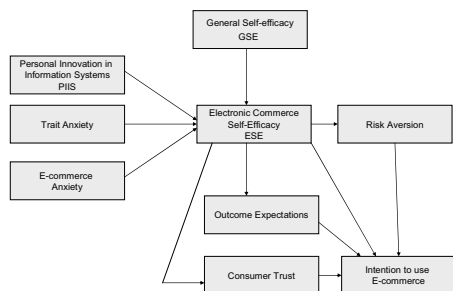
4. The Theoretical Framework Model of E-Commerce and Self-Efficacy

The framework developed in this study based on the social cognitive theory which was developed and founded by Bandura (1986) and it combines the work of models such as Compeau (1999) who focused mainly on the self-efficacy and outcome expectation issues. Part of the model was based as well on Kim & Kim (2005) (Self-Efficacy Model), they focused mainly on the impact of self efficacy via trust on e-commerce. However, the novel of this study is that, we develop the existing model by incorporating other important factors such as personnel innovation in information systems, e-commerce trait anxiety, Risk aversion and others which may affect intention to use computer via e-commerce self-efficacy and risk aversion. Researches have applied the Social Cognitive Theory, the self-efficacy construct particularly, in many empirical research fields like health, education, science, and for the first time on computers in 1989; however, no study has verified an existing relation between Social Cognitive Theory and the utilization of e-commerce up till now. Only one study by Kim and Kim (2005) has partially discussed the effect

Social Cognitive Theory has on online shopping by examining self-efficacy's impact but that research suffered many limitations which this study attempts to cover. Earlier before, self-efficacy was also presented as a construct inside the online shopping adoption model built by Chan (2001) which examines the connection between cultures of the United States and Korea on the utilization of online vendors.

Hence, this study attempts to present a first comprehensive research explaining the Influence of cognitive factors (Social Cognitive Theory) on the adoption and the usage of e-commerce systems as there is no definite model for Social Cognitive theory built previously. Additionally, this study will introduce new terms (such as E-commerce Self-Efficacy, E-commerce Anxiety and Personal Innovation in Information systems) that weren't used before. These terms were built in view of the literature resulting of studies in related fields like Information Technology, Information Systems and another specific software researches. Constructs belonging to Social Cognitive Theory were also used in our model (such as General Self-Efficacy, E-commerce Self-Efficacy, Trait Anxiety, E-commerce Anxiety) in addition to extra two constructs that are originally used in IS (System ease of use and system experience). In this model we also empower the research in the Marketing Information Systems area from where two constructs were taken (Risk aversion and consumer Trust). The model is presented in Figure 2.

Figure 2: E-Commerce Self-Efficacy Theoretical Model



4.1 Construct Definitions

The research model has ten construct, the definitions for these construct has been summarized in Table 1.

Table 1 Construct Definitions

| Construct | Definition |
|--|---|
| General Self-efficacy (GSE) | <i>Individual's acuity of their ability to achieve across a variety of different situations.</i> |
| E-commerce Self-efficacy (ESE) | <i>A judgment of one's capability to use and buy through Electronic commerce system.</i> |
| Outcome Expectation | <i>The expected consequences of behavior when using the E-commerce system</i> |
| Risk aversion | <i>In decision making risk aversion is the tendency to avoid options associated with uncertain outcomes that differ in their desirability (Baron, 1994)</i> |
| Customer Trust | <i>A user's confident belief in the company's E-commerce system (Macintosh and Lockshin, 1997; Tax, et al., 1998).</i> |
| Trait Anxiety | <i>The general feeling of fear when confronted with problems or challenges (Thatcher & Perrewe, 2002)</i> |
| E-Commerce system Anxiety | <i>Fear of E-commerce system use or learning to use this technology, reasons for fear (e.g. press the wrong key or fear of other possible mistakes).</i> |
| Personal Innovativeness in Information Systems (PIIS) | <i>The willingness of an individual to try out any new information system.</i> |

5. Summary and Future Studies

This paper developed a theoretical framework based on the combinations of Bandura (1977); Compeau *et al.* model (1999) and Kim and Kim model (2005) to investigate the impact of cognitive social factors on the intention to use e-commerce. We tried to identify new factors such as personnel innovation in information systems (PIIS), trait anxiety, e-commerce anxiety, e-commerce self-efficacy which have not been used yet (in this combined format) in the area of e-commerce. Earlier studies have covered some of the issues and have mainly applied them in the area of computer technology. Therefore, we have identified as well several new hypotheses throughout this paper. A complete research model derived from social cognitive theory which contains constructs such as general self-efficacy, e-commerce self-efficacy, outcome expectation, consumer trust and other constructs that were taken from information and computer systems were included into the developed model. The model includes as well the concept of risk aversion which is originated from the marketing research area as we believe it is very important to consider individuals' Anxiety of new Technology and its affect on customer risk aversion. Thus, the model developed can further enhance the research in the area of e-commerce and can be applied in different areas of e-commerce. Future studies will be employed in testing the model via using exploratory survey analysis to fill the gap in the literature on the application of social cognitive theory in the area of e-commerce.

References

- Agarwal, R. and J. Prasad (1999). "Are individual differences germane to the acceptance of new information techn..." *Decision Sciences* 30(2).
- Anderson, A. A. (1995). "Predictors of Computer Anxiety and Performance in Information Systems." *Computers in Human Behavior* 12(1).
- Balka, E. and R. Smith (2000). *Women work and computerization*. Boston:Kluwer
- Bandura, A. (1971). *Social Learning Theory*. . New York: General Learning Press.
- Bandura, A. (1977). "Self-efficacy: toward a unifying theory of behaviour change." *Psychological Review* 84(2).
- Bandura, A. (1986). *Social foundations of thought and action : a social cognitive theory*. Englewood Cliffs, N.J., Prentice-Hall.
- Bandura, A. (1987). Perceived self-efficacy: Exercise of control through self belief. Controversial issues in behavior modification. J. P. Dawwalder, M. Perrez and V. Hobi, Berwyn, PA: Swets & Zeitlinger.: 27-60.
- Bandura, A. (1989). "Perceived self-efficacy in the exercise of personal agency." *The Psychologist: Bulletin of the British Psychological Society* 2: 411-424.
- Bandura, A., Ed. (1995). *Self-efficacy in changing societies* New York: Cambridge University Press.
- Bandura, A. (1997b). *Self-efficacy : the exercise of control*. New York, W.H. Freeman.
- Bao, Y., K. Z. Zhou, et al. (2003). "Face Consciousness and Risk Aversion: Do They Affect Consumer Decision-Making?" *Psychology & Marketing* 20(8).
- Barlow, D. H. (1988). *Anxiety and its disorders: The nature and treatment of anxiety and panic*. NY: Guilford Press.
- Bozonelos, N. (2001). "Computer anxiety: relationship with computer experience and prevalence." *Computers in Human Behavior* 17: 213-224.
- Burkhardt, M. E., and Brass, D. J. (1990). "Changing Patterns or Patterns of Change: The Effects of Change in Technology on Social Network Structure and Power." *Administrative Science Quarterly* 35: 104-127.
- Butler, G. and A. Mathews (1987). "Anticipatory anxiety and risk perception." *Cognitive Therapy and Research* 11: 551-565.
- Butler, P. and J. Peppard (1998). "Consumer purchasing on the internet: processes and prospects." *European Management Journal* 16(5).
- Byrne, K. (2005). "How do consumers evaluate risk in financial products?" *Journal of Financial Services Marketing*; 10 (1).
- Caprara, G. V. and D. Cervone (2000). *Personality: Determinants, Dynamics, and Potentials* Cambridge University Press.
- Chan, H. (2001). *E-commerce : fundamentals and applications*. New York ; Chichester, Wiley.
- Chen, G., S. M. Gully, et al. (2001). "Validation of a New General Self-Efficacy Scale " *Organizational Research Methods* 4(1).
- Chen, G., S. M. Gully, et al. (2000). "Examination of relationships among trait-like individual differences, state-like individual differences, and learning performances." *Journal of Applied Psychology* 85.
- Chiam, M. (2006). *Willingness to buy from internet web sites – A suggested Model* University of Western Australia Doctor of Philosophy
- Christianson, S. (1992). "Emotional stress and eyewitness memory: A critical review." *Psychological Bulletin* 112: 284-309.
- Compeau, D. R. and C. A. Higgins (1995). "Application of social Cognitive Theory to training for computer Skills." *Information Systems Research* 6(2).
- Compeau, D. R. and C. A. Higgins (1995b). " Computer Self-Efficacy: Development of a Measure and Initial Test." *MIS Quarterly* 19: 189-211.
- Dambrot, F. H., M. A. Watkins-Malek, et al. (1985). "Correlates of sex differences in attitudes toward and involvement with computers." *Journal of Vocational Behaviour* 27: 71-86.
- Davis, F. D., R. P. Bagozzi, et al. (1989). "User Acceptance of Computer Technology: A Comparison of Two Theoretical Models." *Management Science* 35: 982-1003.
- Dowling, G. S., R. (1994). "A Model of Perceived Risk and Intended Risk-Handling Activity." *Journal of Consumer Research* 21: 119-134.
- Durndell, A. and Z.Haag (2002). "Computer self efficacy, computer anxiety, attitudes towards the Internet and reported experience with the Internet, by gender, in an East European sample " *Computers in Human Behavior* 18(5).
- Eastin, M. A. and R. L. LaRose (2000). "Internet self-efficacy and the psychology of the digital divide." *Journal of Computer Mediated Communication* 6(1).
- Eden, D. (1988). "Pygmalion, Goal Setting, and Expectancy: Compatible Ways to Raise Productivity." *Academy of Management Review* 13(4).
- Eden, D. (2001). *Means efficacy: External sources of general and specific efficacy. Work motivation in the context of a globalizing economy*. M. Erez and U. Kleinbeck, Mahwah, NJ: Lawrence Erlbaum: 73-85.
- Eysenck, M. W. (1982). *Attention and arousal: Cognition and Performance*. , Springer-Verlag, Berlin.
- Farenga, S. and J. B (1999). " Intentions of young students to enroll in science courses in the future: an examination of gender differences. ." *Science Education* 83(1).
- Fessler, D., M, E. J. Pillsworth, et al. (2004). "Angry men and disgusted women: An evolutionary approach to

- the influence of emotion on risk-taking." *Organizational Behavior and Human Decision Processes* 95: 107-123.
- Gackenbach, J. (1998). *Psychology and the Internet: intrapersonal and transpersonal implications.* , New York: Academic Press.
- Gardner, D. G. and J. L. Pierce (1998). "Self-esteem and self-efficacy within the organizational context." *Group and Organizational Management* 23: 48-70.
- Gefen, D. (2000). "E-commerce: the role of familiarity and trust." *International Journal of Management Science* 28: 725-37.
- Gibsons, D. E. and L. R. Weingart (2001). "Can I do it? Will I try? Personal efficacy, assigned goals, and performance norms as motivators of individual performance." *Journal of Applied Social Psychology* 31: 624-648.
- Gist, M. E. and T. R. Mitchell (1992). "Self-Efficacy: A Theoretical Analysis of Its Determinants and Malleability." *Academy of Management. The Academy of Management Review* 17(2): 183.
- Gist, M. E., C. E. Schwoerer, et al. (1989). "Effects of alternative training methods on self-efficacy and performance in computer software training." *Journal of Applied Psychology* 74: 884-891.
- Grunert, K. G. and K. Ramus (2005). "Consumers' willingness to buy food through the internet." *British Food Journal* 107(6).
- Hackett, G. and N. Betz (1981). "A self-efficacy approach to the career development of women" *Journal of Vocational Behavior* 18: 326-339.
- Heijden, v. d., V. H., et al. (2001). Predicting online purchase behavior: replications and tests of competing models 34th Hawaii International Conference on System Sciences, IEEE, Hawaii.
- Hill, T., N. D. Smith, et al. (1987). "Role of efficacy expectations in predicting the decision to use advanced technologies: the case of computers." *Journal of Applied Psychology* 72(2).
- Hofstede, G. (1991). *Cultures and Organisations: Software of the Mind*, McGraw-Hill, London.
- Hofstede, G. and M. Bond (1984). "Hofstede's culture dimensions: an independent validation using Rokeach's value survey " *Journal of Cross-cultural Psychology* 15(4).
- Holdstock, L. (1998). *The ratio of male to female undergraduates. Gender and Choice in Education and Occupation.* J. Radford. London : Routledge.
- Howard, G. S., C. M. Murphy, et al. (1986). *Computer anxiety considerations for the design of introductory computer courses.* Proceedings' of the 1986 Annual Meeting of the Decision Sciences Institute, Atlanta, GA: Decision Sciences Institute.
- Hurt, T. H., K. Joseph, et al. (1977). "Scales for the measurement of innovativeness." *Human Communication Research* 4(1).
- Igbaria M, P. F, et al. (1989). "Microcomputer application: An empirical look at usage 16, 187-196." *Inform. Mgmt* 16: 187-196.
- Igbaria, M. and J. Iivari (1995). "The Effects of Self-Efficacy on Computer Usage" *Omega* 23(6).
- Judge, A. T., A. E. Locke, et al. (1997). "The dispositional causes of job satisfaction: a core evaluations approach." *Research in Organizational Behavior* 19: 151-188.
- Judge, T. A., A. Erez, et al. (1998a). "The power of being positive: The relation between positive self-concept and job performance." *Human Performance* 11: 167-187.
- Kanfer, R. and E.D. Heggstad (1997). "Motivational traits and skills: A person centered approach to work motivation." *Research in Organizational Behavior* 19: 1-56.
- Kim, Y. H. and D. J. Kim (2005). A Study of Online Transaction Self-Efficacy, Consumer Trust, and Uncertainty Reduction in Electronic Commerce Transaction. Proceedings of the 38th Hawaii International Conference on System Sciences, IEEE.
- Kinzie, M. B., M. A. B. Delcourt, et al. (1994). "Computer technologies: attitudes and self-efficacy across undergraduate disciplines." *Research in Higher Education* 35(6).
- Landino, R. A. (1988). "Self-efficacy in university faculty." *Journal of Vocational Behavior* 33: 1-14.
- Lee, C.-S. (2001). "An analytical framework for evaluating e-commerce business models and strategies. Internet research." *Electronic Networking Applications and Policy* 11(4).
- Lerner, J. S., & Keltner, D. (2001). " Fear, anger, and risk." *Journal of Personality and Social Psychology* 81: 146-159.
- Lerner, J. S. and D. Keltner (2000). "Beyond valence: Toward a model of emotion specific influences on judgment and choice." *Cognition and Emotion* 14: 473-493.
- Levy, M. and B. Weitz (2001). *Retailing Management.* New York, NY, McGraw-Hill.
- Limayem, M., M. Khalifa, et al. (2000). "What makes consumers buy from the internet? A longitudinal study of online shopping." *Systems and Humans* 30(4).
- Lippert, S. K. (2001b). *Trust in Information Systems Technology: Implications for Academia.* Proceedings of the Seventeenth Annual Research Forum. Washington Consortium of Business Schools. Washington, DC.
- Lippert, S. K. (2001c). *Trust in Information Systems Technology: A Fundamental Metric In Systems Development and Usage,* . Washington Metropolitan Best Practices Forum. April 26, 2001, Washington, DC.
- Lippert, S. K. (2001d). *Why Trust in Information Systems Technology? Does it Matter For IT Professionals? Invited Guest Lecturer, Management and Organization Seminar.* April 23, 2001, Washington, DC., George Washington University.

- Lippert, S. K. (2002). Contributing to a Unified Model of Technology Trust: Understanding Trust in Information Systems Technology. , May 2-4, 2002, . Forthcoming at the 2002 Academy of Business and Information Technology Meeting, Pittsburgh, PA.
- Loewenstein, G. F., E. U. Weber, et al. (2001). "Risk as feelings. ." *Psychological Bulletin* 127: 267-286.
- MacGregor, R. and L. Vrazalic (2004). Electronic Commerce Adoption in Small to Medium Enterprises (SMEs)
- Maddux, J. E. and R. W. Rogers (1983). "Protection Motivation and Self-Efficacy: A Revised Theory of Fear Appeals and Attitude Change." *Journal of Experimental Social Psychology* 19: 469-479.
- Maner, J. K., D. T. Kenrick, et al. (2005). "Functional projection: How fundamental social motives can bias interpersonal perception." *Journal of Personality and Social Psychology* 88: 63-78.
- Maner, J. K., J. A. Richey, et al. (2007). "Dispositional anxiety and risk-avoidant decision-making." *Personality and Individual Differences* 42: 665-675.
- Marakas, G. M., M. Y. Yi, et al. (1998). " The Multilevel and Multifaceted Character of Computer Self-Efficacy: Toward Clarification of the Construct and an Integrative Framework for research " *Information Systems Research* 9(2).
- Maurer, M., & Simonson, M. (1984). Development and validation of a measure of computer anxiety. Association for Educational Communication and Technology. Iowa State University, Ames, Iowa: 318-330.
- Monsuwe, T., B. Dellaert, et al. (2004). "What drives consumers to shop online? A literature review." *International Journal of Service Industry Management* 15(1).
- Moore, S. S. (2004). Perceived Performance Risk and its Influence on Abandoned Cart Syndrome (ACS) An Exploratory Study, Queensland University of Technology. Master.
- Murata, T., T. Takahashia, et al. (2004). "Individual Trait Anxiety Levels Characterizing the Properties of Zen Meditation." *Neuropsychobiology* 50: 189-194.
- O'Donnell, J. B. (2002). Assessment of the impact of web site design on consumer trust and purchase decision, University of New York. phd.
- Oliver, T. A. and F. Shapiro (1993). "Self-efficacy and computers. ." *Journal of Computer-Based Interactions* 20: 81-85.
- Panichpathom, S. (2000). An Examination of the Willingness to Engage in Web-Based Purchase: The Impact of an Individual Buyer's Trust of Sensitive Information Exchange, University of Texas at Arlington. Doctoral dissertation.
- Pavri, F. (1988). An empirical investigation of the factors contributing to micro-computer usage, University of Western Ontario. Dissertation.
- Roger, A. and J. Duffield (2000). " Factors underlying persistent gendered option choices in school science and technology in Scotland. ." *Gender and Education* 12(3).
- Rosen, L. D. and P. Maguire (1990). "Myths and realities of computer phobia: A meta-analysis." *Anxiety Research* 3: 175-191.
- Schwarz, N. and G. L. Clore (1983). "Mood, misattribution, and judgments of well-being, Informative and directive functions of affective states." *Journal of Personality and Social Psychology* 45: 513-523.
- Schwoerer, C. E., Douglas R. May, et al. (2005). "General and Specific Self-Efficacy in the Context of a Training Intervention to Enhance Performance Expectancy." *Human Resource Development Quarterly* 16(1).
- Seltzer, L. F. (1983). "Influencing the 'Shape' of Resistance: An Experimental Exploration of Paradoxical Directives and Psychological Reactance." *Basic and Applied Social Psychology* 4(1).
- Shackelford, T. K., G. L. LeBlanc, et al. (2000). "Emotional reactions to infidelity." *Cognition and Emotion* 14: 643-659.
- Shelton, S. H. (1990). "Developing the construct of general self-efficacy." *Psychological Reports* 66: 987-994.
- Sherer, M., J. E. Maddux, et al. (1982). "The Self-Efficacy Scale: Construction and Validation." *Psychological Reports* 5(1).
- Sheth, J. N., A. Eshghi, et al. (2001). Internet Marketing Harcourt College.
- Shim, S., M. A. Eastlick, et al. (2001). "An online pre-purchase intention model: the role of intention to search." *Journal of Retailing* 77(3).
- Shimp, T. A. and W. O. Bearden (1982). "Warranty and other extrinsic effects on consumers' risk perceptions." *Journal of Consumer Research* 9: 38-46.
- Siu, O.-I., C.-q. Lu, et al. (2007). "Employees' Well-being in Greater China: The Direct and Moderating Effects of General Self-efficacy." *Applied Psychology An International Review* 56(2).
- Spielberger, C. D. (1966). Anxiety and behavior Theory and research on anxiety. In C. D. Spielberger (Ed.).
- Spielberger, C. D., C. D. Edwards, et al. (1973). Preliminary test manual for The State-Trait Anxiety Inventory for Children. . Palo Alto: Consulting Psychologists Press
- Spielberger, C. D., R. L. Gorsuch, et al. (1983). "Manual for the state-Trait AnxietyInventory " Palo Alto: Consulting Psychologist Press.
- Spielberger, C. D., R. L. Gorsuch, et al. (1970). Manual for the State-Trait Anxiety Inventory. Palo Alto: Consulting Psychologists Press.
- Stajkovic, A. D. and F. Luthans (1998). " Self-efficacy and work-related performance: A metaanalysis." *Psychological Bulletin* 124: 240-261.

- Steenkamp, J. B. E. M., F. t. Hofstede, et al. (1999). "A cross-national investigation into the individual and national-cultural antecedents of consumer innovativeness." *Journal of Marketing* 63(2).
- Suri, R. and K. B. Monroe (2001). "The effects of need for cognition and trait anxiety on price acceptability." *Psychology & Marketing* 18(1).
- Tellegen, O. A. (1985). *Structures of mood and personality and their relevance to assessing anxiety with an emphasis on self-report. Anxiety and the anxiety disorders.* A. H. Tuma and J. D. Maser, Lawrence Erlbaum Associates Inc, Hillsdale, NJ.
- Thatcher, J. and P. Perrewe (2002). "An empirical examination of individual traits as antecedents to computer self-efficacy." *MIS Quarterly* 26(4).
- Thatcher, J. and P. Perrewe (2002). "An empirical examination of individual traits as antecedents to computer self-efficacy." *MIS Quarterly* 26(4).
- Thompson, R. L., C. A. Higgins, et al. (1991). "Personal computing: Toward a Conceptual Model of Utilization " *MIS Quarterly* 15(1).
- Torjak, S. (2003). *A Uses and Gratifications Analysis of Consumer Satisfaction Correlated Expectations in E-commerce Retail Shopping.* M. o. Science and i. Journalism.
- Uray, N. and D. Ayla (1997). "Identifying Fashion Clothing Innovators by Self-Report Method." *Journal of Euro-Marketing* 6(3).
- Usala, P. D. and C. Hertzog (1991). "Evidence of Differential Stability of State and Trait Anxiety in Adults." *Journal of Personality and Social Psychology* 60(3).
- Webster, J. (1989). *Playfulness and computers at work,* New York University.
- Webster, J., J. B. Heian, et al. (1990). *Mitigating the Effects of computer Anxiety Through Training* Proceedings of the Eleventh International Conference on Information systems.
- Wilson, J. R., P. B. Raven, et al. (1999). "Prediction of respiratory distress during maximal physical exercise: The role of trait anxiety." *American Industrial Hygiene Association Journal* 60(4).
- Wood, R. E. and A. Bandura (1989). "Impact of conceptions of ability on self-regulatory mechanisms and complex decision-making." *Journal of Personality and Social Psychology* 56: 407-415.
- Woodruff, S. L. and J. F. Cashman (1993). "Task, domain, and general self-efficacy: A re-examination of the self-efficacy scale." *Psychological Reports* 72: 423-432.
- Yerkes, R. M. and J. D. Dodson (1908). "The Relation of Strength of Stimulus to Rapidity of Habit Formation " *Journal of Comparative and Neurological Psychology* 18: 459-482.
- Yi, M. Y. and Y. Hwang (2003). "Predicting the use of web-bases information systems: self-efficacy, enjoyment, learning goal orientation, and technology acceptance model Studies." *International Journal of Human-Computer* 59: 431-449.
- Zhang, Y. and S. Espinoza (1998). "Relationships among computer self-efficacy, attitudes toward computers, and desirability of learning computer skills." *Journal of Research on Computing in Education* 30(4).

DISSEMINATION OF AND USE OF HIV / AIDS INFORMATION BY STUDENTS AT THE UNIVERSITY OF BOTSWANA

Lauretta Wamunza

Kampala, Uganda

Benzies Boadi

Stephen Mutula

Department of Library and Information Studies

University of Botswana

Abstract

Presents part of the findings of a study that was carried out at the University of Botswana to determine in general how HIV/AIDS information is disseminated to and used by undergraduate students. Both qualitative and quantitative approaches were used. A survey design was used to study a population of 9000 plus undergraduate students. Questionnaires and interviews were used to collect data. SPSS was used to analyse quantitative data while qualitative data was analysed using thematic categorization.

Key findings revealed that the HIV/AIDS information disseminated to students include information on behaviour change; information on HIV/AIDS prevention; transmission and treatment. The means of disseminating information to students include the use of multiple channels such as the university Health and Wellness Centre, Lectures, peer groups, seminars/workshops, students meetings, the University Clinic and the library. The study found that the most common media used to disseminate information to students include video, print, CDs and verbal means. Finally, factors that affect access to and use of HIV/AIDS information by students include: religious orientations, substance abuse, low income levels, multiple relationships, age and gender.

There is need for the University of Botswana to review its overall approach of disseminating HIV/AIDS information to students in order to make it more effective. Moreover, strong liaison among agencies involved in the fight against the spread of HIV/AIDS at the University is needed. Furthermore, a more rigorous research into issues of students' attitudes and values in relation to HIV/AIDS is needed. Similarly, more efforts are needed to create awareness and educate students on the dangers associated with substance abuse, multiple partners and practicing unprotected sex. The need to encourage testing for HIV/AIDS among students is needed so that appropriate interventions can be put in place.

The world over, HIV/AIDS has borne devastating effects on social, political and economic front of largely all countries, with Africa suffering most from the negative effects of the pandemic. Botswana has one of the highest prevalence rates of HIV/AIDS in the world. Government, the private sector, civil society and education institutions in Botswana are engaged one way or the other in the fight against the HIV/AIDS pandemic. HIV/AIDS in Botswana affects the most productive age groups, between twenty-five and forty years of the population. This results in a shortage of skilled labour needed for development and seriously reduces the level of productivity and economic growth of the country. The University of Botswana put in place an in-house policy in 2002 following continuing deaths of staff and students to mitigate the negative effects of HIV/AIDS. Since the promulgation of the policy, attempts have been made to promote awareness and education about HIV/AIDS within the University in order to encourage behavioural change (University of Botswana, 2002). However, no study has been undertaken to assess how the university efforts in mitigating HIV/AIDS were bearing fruit

Keywords: HIV/AIDS, Botswana; Information dissemination; HIV/AIDS information, University of Botswana

Introduction

Globally, HIV/AIDS has borne devastating effects on social, political and economic front of largely all countries with Africa bearing the brunt of it all. No country, community, family or individual can for sure claim to be shielded from the negative implications of HIV/AIDS. Many people around the world are either infected by the pandemic or affected by the problems that HIV/AIDS engenders. HIV/AIDS is a catastrophic pandemic because the millions of people who become infected get sick, lots of resources in terms of manpower are needed. Moreover, enormous finances are invested in the search for a cure or a vaccine. According to Lesetedi (1999), HIV/AIDS in Botswana affects the most productive age groups, between twenty-five and forty years of the population. This results in a shortage of skilled labour needed for development and seriously reduces the level of productivity and economic growth of the country. Barnett and Whiteside (2002) note that money spent world-wide on researching AIDS vaccines a year is around US \$300-600 million.

The world community and individual country efforts are continuing in an attempt to find a cure for the HIV/AIDS pandemic. Major advances have had some level of success in clinical treatment of the pandemic with antiretroviral (ARV) drugs that control the viral load of infected people. The United Nations Programme on HIV/AIDS and the World Health Organisation (2005) point out that, in the past two years, access to ARV treatment has improved remarkably both in developed and developing countries.

However, though the use of ARV is expected to give some form of respite to those living with HIV/AIDS, it is neither a cure nor a panacea to the problem, as treatments with these cocktail of drugs are reputed to last for a limited time and are also associated with high rates of severe toxicity. In a comprehensive review of more than 10,000 adult AIDS patients participating in twenty-one different clinical trial group studies in the United States, 10% of the patients are reported to have developed hepatotoxicity and 23% of the 10,000 adult AIDS patients had to discontinue therapy permanently (Green, 2003). Beyond treatment, education and awareness creation about HIV/AIDS remain the most sustainable approach to mitigating the pandemic.

Developing countries have made impressive strides in documenting the spread of HIV/AIDS and preventing additional infections. However, the epidemic continues to spread in many places and increased effort is needed to contain it. United Nations Programme on HIV/AIDS (UNAIDS) (2005) states that the HIV/AIDS epidemic claimed 3.1 million lives in 2005 worldwide. In 2005, an estimated 40.3 million people were living with HIV and close to 5 million people were newly infected with the virus. sub-Saharan Africa remains the hardest hit by the epidemic. In 2005 the continent was home to 25.8 million people living with HIV, almost 1 million more people than in 2003. Moreover, an estimated 2.4 million people died of HIV-related illnesses in sub-Saharan Africa, while a further 3.2 million became infected with HIV (UNAIDS and WHO, 2005).

Individual countries in Africa are also bearing the brunt of HIV/AIDs and have stepped up efforts to fight the pandemic

Barnett and Whiteside (2002) point out that in South Africa, one-fifth of the adult population is infected and HIV will claim the lives of half of all the fifteen-year olds by 2010. Kalipeni, et al. (2004) observes that in Uganda, the government embarked on a massive sensitization programme in the mid-1980's in an effort to stem the spread of the epidemic. In the long run, these efforts yielded results in terms of decrease in infection rates. Uganda was among one of the first countries in Africa to respond with open and concerted efforts to prevent the spread of the disease. In a study undertaken by UNAIDS and WHO in 1999 in two districts of Kampala namely, Rakai and Masaka, which had been hardest hit by the scourge, infection levels were found to range between 5-9 percent, representing a decrease of about one-fifth (UNAIDS and WHO, 1999). Anecdotal reports from Kenya show that the HIV/AIDS prevalence rate has dropped from 14% in 2000 to 5.6% in 2006.

HIV/AIDS in Botswana

In Botswana, the first HIV/AIDS case was reported in 1985. Since then, the number of people living with HIV/AIDS has increased enormously. According to the AIDS Education and Research Trust (AVERT) (2004), an estimated 260,000 people in Botswana were living with HIV in 2004. It is estimated that by the year 2010 two-thirds of today's fifteen-year olds in Botswana, will die prematurely of AIDS (Barnett and

Whiteside, 2002). Similarly, AVERT (2004) states that the life expectancy in Botswana is now only 39 years, while it would have been 72 years if it were not for HIV/AIDS. Botswana is one of the countries that have been hardest hit by the worldwide HIV/AIDS epidemic. The consequences of HIV/AIDS have been felt not only by individuals, families and communities, but also by the health systems, education and other public sectors. Public sectors have lost skilled manpower and the government tax base has been reduced. This is due to the fact that when people fall sick they cannot work, resulting not only in a reduction of taxable incomes, but also affecting the patients' purchasing power.

The government of Botswana is spending a lot of money in fighting HIV/AIDS. For example, the funds spent by the government of Botswana on HIV/AIDS in the year 2002 were US \$69.8 million. Additionally, development partners in Botswana such as the United Nations Development Programme (UNDP) and the African Comprehensive HIV/AIDS Partnership (ACHAP) spent US \$41.8 million in 2002 in the fight against HIV/AIDS (Masupu, et al., 2003). By 2002 there were 67,000 orphans registered with the government with budget needs of US \$1.3 million (Masupu, et al., 2003). The government is also involved in providing its citizens suffering from HIV/AIDS with free antiretroviral drugs. By 2006 there were 60,000 people enrolled on ARV program (Masupu, et al., 2003). In the 2006 budget speech presented to parliament by the Minister of Finance and Development

Planning, the Office of the President was allocated US \$266 million, the largest share of the development budget for 2006-2007. Of this budget, 52.4% went into the fight for HIV/AIDS (Gaolathe, 2006). Barnett and Whiteside (2002) state that the government of Botswana will have to spend between 7% and 18% more of its national budget on health projects by 2010 because of HIV/AIDS.

Moreover, the government of Botswana continues to make concerted efforts with the help of development agencies and civil society to educate people and disseminate information on HIV/AIDS so as to prevent new infections from coming up and to eradicate the stigma associated with the disease. The government, through the Ministry of Education, with the help of UNDP, the government of Brazil and ACHAP has facilitated a teacher capacity building programme aimed at improving teachers' knowledge on HIV/AIDS. This programme has endeavoured to demystify and destigmatise HIV/AIDS by breaking down cultural beliefs about sex and sexuality in classrooms and communities at large. Similarly, a national youth-based organization known as Youth Health Organisation (YOHO) was formed to provide the youth with reproductive health education and mobilisation. YOHO has implemented four major programmes which focus on peer education, theatre and arts, advocacy, research and evaluation (Masupu, et al., 2003). Moreover, in 2002, YOHO organised a nation-wide month of youth against HIV/AIDS which resulted in the

launch of the Bosele International Theatre festivals to raise HIV/AIDS awareness among the youths in Botswana

The public is availed by the Ministry of Health in Botswana with day-to-day living information such as the ABC of HIV/AIDS, which is translated as: "Abstain, Be faithful, and Condomise. Moreover, road shows with drama groups are regularly hosted country-wide on HIV/AIDS with the ABC slogan. Radio programmes that are both entertaining and informative to the public have similarly been developed. A programme like *Makgabeng (Useful knowledge)*, is aired on Radio Botswana and deals with issues related to HIV/AIDS. This programme is a result of the collaboration between the government of Botswana and the Botswana and USA Partnership (BOTUSA). The national television, Botswana Television (BTV) also telecasts HIV/AIDS awareness programmes like *Talk-Back* and *Re-mmogo (Togetherness)*. These programmes are aired to educate viewers on issues pertaining to HIV/AIDS (Masupu, et al., 2003). Similarly, the government has availed the public with free and convenient voluntary counselling and testing services by setting up the Tebelopele HIV Voluntary Counselling and Testing Centres (VCTCs) country-wide. The test takes no more than thirty minutes to administer. Sixteen Tebelopele Centres and four mobile caravans are operational in the districts as a result of the collaboration between the government of Botswana and BOTUSA (Masupu, et al., 2003).

University of Botswana

The University of Botswana was established by an Act of Parliament on 1st July 1982. During 2006, the University comprised of the following six faculties: Business, Education, Engineering and Technology, Humanities, Science, Social Sciences. All the faculties at the University house a number of departments. In 2006, the student population at certificate, diploma, undergraduate and graduate levels stood at 15,701. The University of Botswana has a large undergraduate student population of approximately 9000 full-time and 900 part-time students (University of Botswana, 2005).

Efforts to prevent and curtail HIV infection at the University of Botswana are heavily influenced by national policies and strategies on HIV/AIDS. Two years after the first case of AIDS was discovered in Botswana, the government established an emergency plan known as Medium Term Plan (MTP) I and II. The goals of both MTPs were to reduce the infection and transmission of HIV/AIDS through the use of information, education and communication programmes (Chilisa, et al., 2001). In relation to the national policies, the University of Botswana enacted an in-house policy on HIV/AIDS in November 2002. The policy was aimed at providing education, information and training on HIV/AIDS to the University of Botswana staff and students. Moreover, it aimed at safeguarding the rights of affected staff and students and promote research on HIV/AIDS prevention at the University. The HIV/AIDS policy seeks to have an HIV/AIDS-free

institution by the year 2016 for its students and staff (University of Botswana, 2002).

Statement of the problem

The provision of information about the HIV/AIDS epidemic the world over, has largely been at the forefront of all intervention measures with the aim of influencing behaviour change and availing skills to the masses to promote preventive behaviour change (Kalichman, et al., 2000). Information dissemination has been effected through newspapers, radio, television, public meetings, posters, billboards, etc.

The University of Botswana and the student body have been making attempts to promote awareness and education on HIV/AIDS within the University in order to encourage behavioural change (University of Botswana, 2002). Through an HIV/AIDS in-house policy, the University in 2002 set to enhance awareness about HIV/AIDS and promote behavioural change among students and staff in order to mitigate the effects of HIV/AIDS on campus following increased deaths of several students as well as staff due to the pandemic. However, since the HIV/AIDS policy was enacted, no study has been undertaken to assess its impact. This study was therefore aimed at seeking to establish in general how the University of Botswana disseminates HIV/AIDS information to students on campus; the effectiveness of the HIV/AIDS information dissemination programmes; and the factors affecting the use of the HIV/AIDS information. The specific objectives of the study included:-

- Establishing the types of HIV/AIDS information disseminated to students,
- Determining the frequency with which the students receive information on HIV/AIDS,
- Identifying the channels that are used for the dissemination of HIV/AIDS information to students,
- Finding out the usefulness of HIV/AIDS information disseminated to students,
- Determining factors affecting the use of HIV/AIDS information by students.

Methodology

This study employed both qualitative and quantitative approaches. The quantitative approach was useful in collecting, analyzing, representing and interpreting quantitative data while qualitative approach was used to gather, analyse and present opinions, beliefs, behaviour, perceptions and other non-quantitative data.

A survey design was used to plan and execute the research. The University of Botswana as already pointed out has six faculties: Business, Education, Engineering and Technology, Humanities, Science and Social Sciences. The six faculties house a number of departments. The research project covered only five faculties at the University of Botswana. The Faculty of Engineering and Technology was not included in the study because it is not located at the main campus. The population of the study consisted of 5366 full-time undergraduate students drawn from five

faculties as already explained. Part-time students were not involved in the study because of logistical difficulties of accessing them during the study. The population consisted of students in their second and a third year of study pursuing various bachelor's degree programmes because they had been in the University environment for a reasonable period of time and were conversant with the University set-up. The first year students were not part of the study because they were new to the University system and were still trying to find their way around campus. Fourth year students were also excluded due to the fact that they were in their final year of study and busy finalizing their projects. Besides the students' population, three University of Botswana staff members were included. These individuals were involved in the study because the nature of their duties that enabled them to interact with students at a personal level. They included: the HIV/AIDS Coordinator at the University Health and Wellness Centre, the Matron of the University Clinic and a Counsellor at the University Careers and Counselling Services.

A sample size of 497 full-time undergraduate students was drawn based on Israel model of selecting sample sizes as presented in the Table 1. From this Table, at a confidence of $-+5$, the sample would have been 370. However, a sample of 497 was drawn because a census was taken of the respondents within each of the departments that were systematically selected. The 497 respondents were students that were

present in class in the departments chosen when questionnaires were administered. The University of Botswana 2005-2006 Calendar (University of Botswana, 2005b) was used as a sampling frame. The calendar provided the researcher with a list of all the departments in each of the five faculties at the University of Botswana. The Table 2 shows the faculties and the corresponding departments.

Systematic sampling was used to select departments to be included in the study. All departments from each of the five faculties were arranged in alphabetical order. Every second department was included in the study. Questionnaires were used to collect both quantitative and qualitative data, while interviews collected qualitative data. The questionnaires devised for the study were simply worded. This made them straightforward and easy to understand by respondents.

The questionnaires contained both open-ended and closed questions. Open-ended questions were useful in collecting data of a qualitative nature, while the closed questions collected quantitative data. The open-ended questions were useful in enabling the respondents to respond to questions in detail. Respondents were encouraged to freely express their views and opinions. On the other hand, closed questions were used to enable minimise the number of irrelevant responses. The closed questions were also used because they were easy to understand.

The first part of the questionnaire consisted of basic questions that covered demographic issues such as age, sex, faculty, etc. The second part of the questionnaire covered issues related to the dissemination of HIV/AIDS information on the main campus of the University of Botswana, while the third part covered issues pertaining to factors that facilitated or impeded the use of HIV/AIDS information. In addition to the questionnaires, interviews were administered to the HIV/AIDS Coordinator of the Health and Wellness Centre, the Matron at the University Clinic and a Counsellor at the University Careers and Counselling Services.

The data collection procedure involved the researchers requesting lecturers to administer questionnaires to the students in class. The lecturers were kind and helpful enough to grant the researcher audience in their classes. The questionnaires were then distributed to students who were present in class at the time. They were given 30 minutes to complete the questionnaires and hand them to the lecturer in class who subsequently passed them over to the researchers. In the second year, the students pursuing Bachelor's degree programmes have classes with students enrolled into diploma programmes. Thus the researchers requested students taking degree programmes to raise their hands in order to administer questionnaires to them. Prior to the administration of the instruments of research, the instruments were piloted using ten students at postgraduate level. This

helped to identify and correct ambiguous, poorly-worded and leading questions.

The Statistical Package for the Social Sciences (SPSS) was used to analyse the quantitative data. On the other hand, qualitative data was analysed using thematic categorization and content analysis.

Research findings

Distribution of respondents by year of study

497 questionnaires were distributed to undergraduate students as shown in Table 3. All questionnaires were completed and returned giving a response rate of 100%. The high response rate was achieved due to the fact that questionnaires were administered to the students who were present in class. Overall, there were more second year students compared to 3rd year students due to a recent increase in enrollments by the University.

Age of respondents

Respondents were asked to state their age in order to determine whether age has behavioral effect on the individual with respect to assimilating and using HIV/AIDS information. The results showed that most respondents fell in the age bracket of 18-23 (76.3%). On the other hand, in the 30-35 age groups, there were twenty-eight students (5.6%). Similarly, 14 students (2.8%) were in the 36-41 age groups. In Botswana, university age entrance is on average 18 years. However, the government has a policy of mature age entry that allows older

students of up to 22 years to enroll into the university directly from school. Similarly, other mature age entry students are admitted from work place so long as they meet the minimum entry requirements. Table 4 presents details of age of respondents.

Gender of respondents

Respondents were asked to state their gender in order to determine the affect of one's sex on use of HIV/AIDS information. Table 5 below presents the numbers of female and male students who responded to this question. From Table 5, 300 of respondents were female, accounting for 60.4% of the sample size while 197 were male, representing 39.6% of the sample size. This result is in conformity with the 2005 university statistic which shows that there were approximately 8000 female undergraduate students compared to 6000 male students (University of Botswana, 2005).

Dissemination of HIV/AIDS information

Respondents were asked to state whether or not HIV/AIDS information was being disseminated to them while on campus. The results in Table 5 show that 409 (82.3%) of the respondents said yes, while 87(17.5%) respondents indicated that they did not receive any HIV/AIDS information. These results suggest that by and large information about HIV/AIDS was disseminated to students on campus. Those respondents who did not receive information while on campus said that they were not

resident on campus and their bloated academic schedules did not allow them time to fully participate in the activities of campus life outside the classrooms. Some respondents who did not receive information on HIV/AIDS while on campus felt that they were repeating some courses making their schedules busy to know what else was going on at the university. Another lot of respondents who did not receive information disseminated on campus about HIV/AIDS said they received such information from sources outside the University.

Respondents who said they did not receive information on HIV/AIDS while on campus by virtue of the fact that they stayed off campus suggested that such information should be disseminated at every opportunity including during class sessions.

Types of HIV/AIDS information disseminated to students

Respondents were asked to state the types of information disseminated to them on campus. The question permitted respondents to choose as many information options as possible. The findings as shown in Table 7 revealed that 339 (68.4%) received HIV/AIDS information on behavioural change, while 355 (71.6%) received information on prevention. Moreover, 307 (61.4%) respondents received HIV/AIDS information about dealing with HIV transmission. On the other hand, 232 (46.7%) respondents received HIV/AIDS information on treatment. The results generally suggest that most information

disseminated on HIV/AIDS within the University of Botswana focused on behaviour change, prevention, transmission and treatment. Moreover, this finding is in line with the government of Botswana Medium Term Plans I and II whose objective is to educate and create awareness among the public on HIV/AIDS with the aim of influencing behaviour change, thereby reducing the rate of HIV/AIDS infection (Chilisa, et al., 2001).

Frequency of receiving HIV/AIDS information by students at University of Botswana

Respondents were asked to indicate the frequency with which they received HIV/AIDS information while on campus. The results are depicted in Table 8. The results from Table 8 generally show that 91 (18.3%) of the respondents received HIV/AIDS information on a daily basis, 75 (15.1%) of respondents received information on a weekly basis; and 49 (9.9%) received HIV/AIDS information on a monthly basis. Moreover, respondents received information at the beginning of every first semester 63 (12.7%), while 6 (1.2%) received information at the beginning of every second semester. In the "other" category, there were 60 (12.1%) respondents who received information in their first year of study. On the other hand, 56(11.2%) respondents indicated that they did not know the frequency at which they received HIV/AIDS information, while 87 (17.5%) did not respond as they had earlier indicated that they did not receive HIV/AIDS information while on campus.

Channels through which students receive HIV/AIDS information

Respondents were asked to state the channels through which they received information on HIV/AIDS. This question elicited multiple responses.

The results from Table 9 show in general that there are various channels through which students receive HIV/AIDS information at the University of Botswana. For example, 290 (58.8%) received HIV/AIDS information from the University Health and Wellness Centre; 111 (22.3%) received information through lectures; 138 (27.8%) received HIV/AIDS information through peer groups; 149 (30.0%) received information on HIV/AIDS through seminars and workshops and 50(10.9%) received information through meetings. On the other hand, 108 (37.8%) of the respondents received HIV/AIDS while on campus through the University of Botswana Clinic; and 107 (21.5%) received HIV/AIDS information through the University Library. Moreover, in the category "other", 23 (3.8%) received information on HIV/AIDS through posters pasted on campus especially in hostels and refectories.

The respondents generally indicated that the most effective channel through which they received HIV/AIDS information at the University was the Health and Wellness Centre. This perhaps can be attributed to the fact that the Health and Wellness Centre is involved in several activities that facilitate and promote the dissemination of HIV/AIDS information on the main campus. Such

activities include but are not limited to conducting seminars/workshops/talks, promotion of peer group interactions, distribution of reading material, etc.

Media through which information is disseminated to students

The respondents were asked to state the media through which HIV/AIDS information was communicated to them on campus. Respondents were free to select multiple options. The responses obtained are shown in the Table 10. The results from Table 10 generally show that 8 (1.6%) respondents received HIV/AIDS information via CDs, 255 (51.8%) received information in print form; 285 (57.2%) received the information verbally and 109 (21.5%) of the respondents received HIV/AIDS information through the video format.

Usefulness of HIV/AIDS information disseminated to students

Respondents were asked to indicate whether the information disseminated to them while on campus on HIV/AIDS was useful or not. Table 11 shows the responses given. The results from Table 11 generally show that majority of the respondents 390 (78.5%) felt that the HIV/AIDS information disseminated to them while on campus was useful, 20 (4.0%) found the information not useful. However 87 (17.5%) did not respond as they had indicated that they did not receive HIV/AIDS information while on campus. Those who found the information useful gave various reasons including the fact that such information kept reminding them that the HIV/AIDS epidemic still did

exist. The information enabled them to protect themselves from HIV/AIDS infection and were also able to learn how not to stigmatise those who were infected and affected by HIV/AIDS. On the other hand, those who found the information not useful noted that it was the same information disseminated off campus by different organisations in town, so there was nothing new to learn from it.

Factors impeding the use of HIV/AIDS information by students

Respondents were asked to state factors that were impeding the use of HIV/AIDS information on campus. The findings revealed several factors greatly influenced the manner in which the information was put to use or not utilised by individuals. Notable among the factors inhibiting the use of HIV/AIDS information included but were not limited to:

- **Religious organizations:** They impart HIV/AIDS information based on religious doctrines to their followers such as abstinence from sex, and being faithful to one's partner, which are often difficult to follow.
- **The media:** There was so much information on sex in the media that it made it difficult for unmarried individuals not to abstain because there was sex talks everywhere.
- **Substance abuse:** This finding is supported by similar findings by the Botswana Alcohol AIDS Project (BAAP) which stated that the intake of alcohol and other mood-altering drugs caused individuals to lose the ability to exercise self-control, make good choices and lessen the likelihood of practicing safe sex (BAAP, 2004). BAAP indicated that

the abuse of alcohol and other drugs in Botswana contributed to the spread of HIV/AIDS. Lederman and Cohen (1998) in a study on college students in the United States of America found that students are aware of the fact that when they indulge in substance abuse, the manner in which they would use HIV/AIDS information would be greatly affected.

- **Monogamy and trust:** Dayton and Merson (2000) stated that women in long-term monogamous relationships erroneously perceived themselves to be at less risk of getting HIV/AIDS infection and therefore had lower intentions of using condoms. Similarly, Singhal and Rogers (2003) in a study carried out in India found that HIV/AIDS prevalence rate among monogamous married women was increasing as a result of the trust that developed between unfaithful partners. UNAIDS and WHO (2005) identified that in many African countries, marriage and women's fidelity was not enough to protect them from HIV/AIDS infection.

- **Lack of role models for youths:** Some of the parents who should be counselling and guiding them about life were not behaving in an exemplary manner and did not have time for the youth.
- **Peer pressure:** Some of the youth ended up indulging in sex at a tender age because their friends were having sex and so felt the need to be like everyone else. Rivers and Aggleton (2000), estimates that, globally, up to 60% of new infections occurred among those aged between fifteen and twenty-four years annually. According to a Botswana Ministry of Health report (1994), most youths in

Botswana began sexual activity as early as age fourteen. Similarly, Botswana Ministry of Health report (1994) on sero-surveys in 1992, 1993, 1994 on the sexual behaviour of the youth found that young people had considerable difficulty in linking their knowledge with their sexual behaviour to practice safe sex. Moore, et al. (1996) similarly, states that young people have not personalised the risk of HIV/AIDS infection.

- **Dominance of men as bread winners in families:** Men in Botswana are often the providers for their families. That was due to the fact that some women were unemployed or the money they earned was not enough to put food on the table. Consequently that made the women afraid to request for protected sex in instances when the man had not suggested it. Raffaelli and Suarez-Al-Adam (1998) note that whenever women are economically subordinate to men, they cannot control or even readily negotiate for safe sex.

- **Multiple partners:** In the African society it is acceptable for men to have more than one partner. This practice may mean that men not only expose themselves to the HIV/AIDS infection, but their partners too. On the other hand, some women who want to have children, may end up having unprotected sex, which in some cases, exposing them vulnerable to HIV/AIDS infection. Moreover, in most African societies, women have been taught to be submissive to their partners, so when it comes to sexual encounters it would have to be the man to decide on whether to use or not protection.

- **Violence against women:** Violence against women especially rape expose them to risk of infection with HIV/AIDS virus.

Kalipeni, et al. (2004) wrote that women in Sub-Saharan Africa are at a greater risk of being infected with HIV/AIDS for various reasons such as violence against women (e.g. rape).

- **The biological make up of women:** The biological make up of women expose them to HIV/AIDS infection. Roth and Fuller (1998) note that the biological make up of women makes them more susceptible to getting infected compared to men. This is attributed to the fact that females are more likely to have non-symptomatic sexually transmitted diseases that may go undetected and therefore not treated

- **Income levels:** Students who come from homes lacking in income are more likely to be prey for “sugar daddies” because they want to fit within the student community. Respondents were they engaged in sex with sugar daddies. The response are reflected in Table 12. The results in Table 12 generally show that 88 (17.7%) respondents engaged in relationships with older partners for fun, while the majority of respondents 432(86.9%) did the same for money. Moreover, 137 (27.6%) engaged in sex with sugar daddies because of peer pressure; 128 (25.8%) for want of status (popularity) amongst colleagues; 39 (7.8%) respondents felt that older partners exhibited maturity, were serious about relationships and were more experienced. Moreover, older partners were decisive and could sort out relationship issues amicably. Eight (1.6%) respondents did not answer the question.

Findings from interviews

Interview with the HIV/AIDS Coordinator: The HIV/AIDS Coordinator

was asked to indicate the services the Health and Wellness Centre offered to students on the main campus. Among the services offered included: provision of current information on HIV/AIDS to the students, educating students on HIV/AIDS-related issues, condom distribution and conducting seminars and workshops on HIV/AIDS. The Health and Wellness Centre used various channels to disseminate HIV/AIDS information to the students such as; peer educators, peer counselors and Wednesday lunch hour talks. On the other hand, the types of HIV/AIDS information given to students were of various types and ranged from information on transmission to prevention and discrimination against those infected. In addition, the Centre collaborated with the University Clinic and the University Careers and Counselling Services to educate the student community on campus on issues pertaining to HIV/AIDS. The coordinator noted that several factors impeded assimilation of HIV/AIDS information, namely:

- Religious beliefs especially in instances where Christian and Moslem students did not want condoms in their rooms. Molutsi and Badade (1999) note that, in Botswana some church leaders believe that condom use promotes promiscuity, hence on moral and theological grounds, recommend abstinence.
- Indulgence in substance abuse.
- Relationships with older partners.
- The youthfulness of respondents who were more sexually active compared to people from other age-groups. Moreover, the youth were known to be in need of cash, cars, cell phones (the three C's), etc. As a result of that, they were more at risk of HIV/AIDS infection.

Interview with the Matron at the University of Botswana Clinic: The Matron at the University clinic was asked to state services that were offered to the students on main campus by the University of Botswana Clinic. The response revealed the services offered to include: medical consultation to students, ante-natal and post-natal care services, family planning services, pap smears, cancer screening services, etc. On the other hand, the channels used by the Clinic to disseminate HIV/AIDS information to students were plasma screens strategically located on campus; talks and lectures. As to the types of information disseminated to students, the findings revealed the following: information on transmission, prevention, and discrimination against those infected. For possible reasons for the high rate of HIV/AIDS infection among the youth in Botswana, the respondent named multiple partners; lack of access to HIV information by youths; and youthfulness of the respondents.

Interview with Counsellor at the Careers and Counselling Services: The Counsellor was asked to state the services offered by the Careers and Counselling Services to the students at the University of Botswana. The respondent listed the following services: psycho-therapy counseling; psycho-education counseling; crisis intervention and individual or group counselling. Similarly the channels through which the Careers and Counselling Services disseminated information on HIV/AIDS to the students were seminars, workshops and

lectures. Moreover, the types of information on HIV/AIDS disseminated to the students by the Careers and Counselling Services included pre-test (where a student had to undergo counselling before taking the HIV test) and post-test (after the results from the test have been confirmed by the medical officer to be positive or negative, the student is counselled on how to prevent re-infection of oneself and their partners or how to stay negative) counselling, preventive counselling, etc.

On the on the various factors that influenced the manner in which the students put into use the information about HIV/AIDS, the respondent mention factors such as: substance abuse, relationships with older partners who, in most instances, had financial power; role of some students as bread winners for family members putting them at the mercy of the older partner who would usually demand sex without protection; married students who lived on main campus often were afraid to request their partners for protected sex when on vacation; the youth were more sexually active compared to other age groups and were not careful when they indulged in sex. The youth also had multiple partners which exposed them to HIV/AIDS infection. Peer pressure and the need for experimentation also exposed the youth to HIV/AIDS infection.

Conclusion

This paper has presented part of the findings that was carried out at the University of Botswana among students to

determine in general how HIV/AIDS information is disseminated to and used by undergraduate students at the University. The study also sought to determine the types of HIV/AIDS information disseminated, frequency of disseminating such information; channels of disseminating the information, usefulness of such information and the factors that impede use of the information. The findings revealed that HIV/AIDS information disseminated to students include information on behaviour change; information on HIV/AIDS prevention; information on HIV/AIDS transmission and treatment. The findings also revealed that the information was disseminated to students through multiple channels such as the university Health and Wellness Centre, Lectures, peer groups, seminars/workshops, students meetings, the University clinic and the library.

The factors that affected access and use of HIV/AIDS information by students included: religious orientations, substance abuse, low income levels, multiple relationships, age and gender. The study generally recommended the need for the University of Botswana to review its approach to disseminating HIV/AIDS information to students in order to make it effective. In addition, the study recommended the need for a strong liaison among agencies involved in the fight against the spread of HIV/AIDS at the University of Botswana; and the need for more rigorous research into issues of students' attitudes and values in relation to HIV/AIDS.

References

- AIDS Education and Research Trust (AVERT) (2004) HIV&AIDS in Botswana. [Online]. Available at: <http://www.avert.org/aidsbotswana.htm> (Accessed: 10 March 2005).
- Barnett, T. and Whiteside, A. (2002) *AIDS in the twenty-first century: disease and globalization*. Hampshire: Palgrave Macmillan.
- Botswana Alcohol AIDS Project (BAAP) (2004) Alcohol and HIV/AIDS. [Online]. Available at: <http://botswana-alcoholaids.tripod.com/> . (Accessed 1 December 2005).
- Botswana: Ministry of Health (1994) *A report on young people, sex and AIDS*. Gaborone: Ministry of Health (Unpublished).
- Chilisa, B., Bennell, P. and Hyde, K. (2001) *The impact of HIV/AIDS on the University of Botswana: developing a comprehensive strategic response*. London: DFID (Unpublished).
- Dayton, J and Merson, H. M. (2000) "HIV prevention in developing countries". In: *Handbook of HIV prevention*. Peterson, J. L. and DiClemente, J. R. (eds.) New York: Plenum Publishers. pp.225-241.
- Gaolathe, B. (2006) *Budget speech*. Gaborone: Ministry of Finance and Development Planning (Unpublished).
- Green, E.C. (2003) *Rethinking AIDS prevention: Learning from successes in developing countries*. Westport: Praeger Publishers.
- Israel, G.D. (2003) *Determining sample size*. [On-line]. Available at: <http://edis.ifas.ufl.edu/PD006> [Accessed 7 May 2006].
- Kalichman, C.S., Somlai, A. and Sikkema, K. (2000) "Community involvement in HIV/AIDS prevention". In: *Integrating behavioural and social sciences with public health*. Schneiderman, N. and et al. (eds.) Washington, DC: American Psychological Association. pp.159-175.
- Kalipeni, E., Craddock, S., Oppong, J.R. and Ghosh, J. (eds.) (2004) *HIV and AIDS in Africa: beyond epidemiology*. Victoria: Blackwell Publishing Ltd.
- Lesetedi, N.G (1999) "HIV/AIDS and the status of women in Botswana". In: *AIDS and development in Africa: a social science perspective*. Kempe, H.R. (ed.) New York: The Haworth Press. pp.47-55.
- Masupu, V.K., Khan, A. B. and Gboun, F.M. (eds.) (2003) *Status of the 2002 national response to the United Nations General Assembly special session on HIV/AIDS. A Government of Botswana country report*. Gaborone: Ministry of Health (Unpublished).
- Molutsi, P. and Badade, M.N. (1999) "Societal responses to HIV/AIDS in Botswana". In: *AIDS and development in Africa: a social science perspective*. Kempe, H.R. (ed.) New York: The Haworth Press. pp.143-157.
- Moore, S., Rosenthal, D. and Mitchell, A. (1996) *Youth, AIDS and sexually transmitted disease*. London: Routledge.
- Raffaelli, M. and Suarez-Al-Adam, M. (1998) "Reconsidering the HIV/AIDS prevention needs of Latino women in the United States". In: *Women and AIDS: negotiating safer sex practices, care, and representation*. Roth, N.L. and Fuller, L.K. (eds.) New York: The Haworth Press. pp.7-26.
- Rivers, K. and Aggleton, P. (2000) "HIV prevention in industrialized countries". In: *Handbook of HIV prevention*. Peterson, J. L. and DiClemente, J. R. (eds.) New York: Plenum Publishers. pp.245-260.
- Roth, N.L. and Fuller, L.K. (eds.) *Women and AIDS: negotiating safer sex practices, care, and representation*. New York: The Haworth Press.
- Singhal, A. and Rogers, E.M. (2003) *Combating AIDS: communication strategies in action*. New Delhi: Sage Publications.
- UNAIDS and WHO. (1999) *Infection reaches unprecedented levels in Sub-Saharan Africa*. Geneva: Joint United Nations Programme on HIV/AIDS and World Health Organisation.
- UNAIDS. (2004) *Global AIDS epidemic report, July 2004*. Geneva: Joint United Nations Programme on HIV/AIDS (Unpublished).
- UNAIDS and WHO. (2005) *AIDS epidemic update: December 2005*. Geneva: Joint United Nations Programme on HIV/AIDS and World Health Organisation.
- University of Botswana. (2002) *University of Botswana HIV/AIDS policy 2002*. Gaborone: University of Botswana (Unpublished).
- University of Botswana. (2005) *University of Botswana enrollment statistics 2005*. Gaborone: University of Botswana (Unpublished).
- University of Botswana. (2005b) *University Calendar 2005-2006*. Gaborone: University of Botswana (Unpublished).
- WHO. (2005) *Violence against women and HIV/AIDS: setting the research agenda report, October 2000*. Geneva: World Health Organisation (Unpublished).

Table 1: Sample table

| Size of population | Sample size for precision of population | | |
|--------------------|---|----------------------|----------------------|
| | Confidence level --3 | Confidence level --5 | Confidence level --7 |
| 500 | 0 | 222 | 145 |
| 600 | 0 | 240 | 152 |
| 700 | 0 | 255 | 158 |
| 800 | 0 | 267 | 163 |
| 900 | 0 | 277 | 166 |
| 1,000 | 0 | 286 | 169 |
| 2,000 | 714 | 333 | 185 |
| 3,000 | 811 | 353 | 191 |
| 4,000 | 870 | 364 | 194 |
| 5,000 | 909 | 370 | 196 |
| 6,000 | 938 | 375 | 197 |

(Source: Israel, 2003)

Table 2: Faculties and departments of the University of Botswana

| Faculty | Number of departments | Department name |
|----------------------------|-----------------------|---|
| Faculty of Business | 3 | 1. Accounting 2. Finance 3. Management and Marketing |
| Faculty of Education | 7 | 1. Adult Education 2. Educational Foundations, Educational Technology 3. Home Economics Education Languages and Social Science Education 4. Mathematics and Science Education 5. Nursing Education 6. Physical Education 7. Primary Education |
| Faculty of Humanities | 7 | 1. African Languages and Literature 2. English 3. French 4. History 5. Library and Information Studies 6. Media Studies 7. Theology and Religious Studies |
| Faculty of Science | 7 | 1. Biological Sciences 2. Chemistry 3. Computer Science 4. Environmental Health, Environmental Science 5. Geology 6. Mathematics 7. Physics |
| Faculty of Social Sciences | 7 | 1. Economics 2. Law 3. Political and Administrative Studies 4. Population Studies 5. Psychology 6. Social Work 7. Sociology and Statistics |

(Source: University of Botswana, 2005b).

Table 3: Distribution of respondents by year of study (N=497)

| Year of study | Respondents | Percentage of total |
|---------------|-------------|---------------------|
| Second year | 275 | 55.3 |
| Third year | 222 | 44.7 |
| Total | 497 | 100 |

Table 4: Age of respondents (N=497)

| Age | Respondents | Percentage of total |
|--------------|-------------|---------------------|
| 0-18 | 0 | 0 |
| 18-23 | 379 | 76.3 |
| 24-29 | 61 | 12.3 |
| 30-35 | 28 | 5.6 |
| 36-41 | 14 | 2.8 |
| 41+ | 15 | 3.0 |
| Total | 497 | 100 |

Table 5: Gender of respondents (N=497)

| Sex | Respondents | Percentage of total |
|--------------|-------------|---------------------|
| Female | 300 | 60.4 |
| Male | 197 | 39.6 |
| Total | 497 | 100 |

Table 6: Dissemination of HIV/AIDS information on campus (N=497)

| Response | Frequency | Percentage of Total |
|--------------|------------|---------------------|
| Yes | 409 | 82.3 |
| No | 87 | 17.5 |
| No response | 1 | 0.2 |
| Total | 497 | 100 |

Table 7: Types of HIV/AIDS information received by students (N=497)

| Types of information | Respondents | Percentage of Total |
|----------------------|-------------|---------------------|
| Behavioural change | 339 | 68.4 |
| HIV/AIDS prevention | 355 | 71.6 |
| HIV transmission | 307 | 61.4 |
| HIV/AIDS treatment | 232 | 46.7 |

Table 8: Frequency of receiving HIV/AIDS information (N=497)

| Frequency | Respondents | Percentage of total |
|---|-------------|---------------------|
| Daily | 91 | 18.3 |
| Weekly | 75 | 15.1 |
| Fortnightly | 10 | 2.0 |
| Monthly | 49 | 9.9 |
| Beginning of every 1 st semester | 63 | 12.7 |
| Beginning of every 2 nd semester | 6 | 1.2 |
| Other | 60 | 12.1 |
| Not sure | 56 | 11.2 |
| Did not respond | 87 | 17.5 |
| Total | 497 | 100 |

Table 9: Channels through which students receive HIV/AIDS information (N=497)

| Channels | Respondents | Percentage of Total |
|-------------------------------|-------------|---------------------|
| Health and Wellness Centre | 292 | 58.8 |
| Lectures | 111 | 22.3 |
| Peer groups | 138 | 27.8 |
| Seminars and workshops | 149 | 30.0 |
| Student meetings | 50 | 10.9 |
| University of Botswana Clinic | 188 | 37.8 |
| University Library | 107 | 21.5 |
| Other | 23 | 3.8 |

Table 10: Media through which HIV/AIDS information is communicated to students (N=497)

| Means | Respondents | Percentage of Total |
|--------|-------------|---------------------|
| CDs | 8 | 1.6 |
| Print | 255 | 51.8 |
| Verbal | 285 | 57.2 |
| Video | 109 | 21.5 |

Table 11: Usefulness of HIV/AIDS information disseminated to students (N=497)

| Usefulness of information | Respondents | Percentage of Total |
|---------------------------|-------------|---------------------|
| Useful | 390 | 78.5 |
| Not useful | 20 | 4.0 |
| Did not respond | 87 | 17.5 |
| Total | 497 | 100 |

Table 12: Reasons why students date older partners (N=497)

| Reasons | Respondents | Percentage of total |
|--------------------|-------------|---------------------|
| Fun | 88 | 17.7 |
| Money | 432 | 86.9 |
| Peer pressure | 137 | 27.6 |
| Status(popularity) | 128 | 25.8 |
| Other | 39 | 7.8 |
| Did not respond | 8 | 1.6 |

DEFINING ON THE PRACTICE OF STRATEGIC JOB MODELING FOR CHINA BASED OPERATIONS

Donald Henry Ah Pak

Xian Jiaotong Liverpool University, Jiangsu Province, P.R. China,

ABSTRACT

HRM is the effective management of people at work and playing a major role in clarifying HR problems and developing solutions for them. International HRM requires the management of a broader range of functional areas. Strategic Job Modeling (SJM) is one of the ways to dealing with HR issues in an emerging and rapidly developing country.

The challenges are getting the right candidates to be placed in the company, and also to identify and develop employees, with abilities and skills to function effectively in a global organization. SJM allows this to occur and makes for a better China based operation.

Key words: *Strategic Job Modelling, China, Skills*

1. Introduction

Human Resource Management is the effective management of people at work and examines what can be done or should be done to make working people more productive and satisfied.

The importance of HRM today is more concerned, with playing a major role in clarifying the HR problems and to developing solutions for them. HRM is more action-orientated and is directed towards the individual, worldwide interdependence and the future. People are the critical factor in an organization and HRM must clearly reflect on the organization and HR plans and strategies are closely linked.

HRM strategies must also be clear on the company's strategy regarding people, profit and overall effectiveness. The HR manager, like all other managers, is expected to play a

critical role in improving the skills of employees and the company's profitability.

The increased importance of HRM must show how: HRM contributes to the goals and mission of the company. It is seen that in today's business environment is changing in many ways. One of these ways can be seen in the international marketplace. The rationale is to capture enhanced market opportunities that foreign countries present.

In China it is imperative that a differentiation in international and domestic HRM methods be distinguished. International HRM requires the management of a broader range of functional areas, becoming more involved in employee's personal lives, dealing with more complex external constituencies and participating in external assignments that have heightened exposure to personal risk.

As managers for the Chinese operations, it is essential that they reflect thoroughly on the procedures and policies of their HRM strategy in China and have a thorough knowledge in dealing with HRM issues that arise within the Chinese operations. Operating within the Asia Pacific Region and in particular pertaining to China, it is imperative to focus on strategies that work for China and to realize the constraints that can be faced in an emerging and rapidly developing country.

It is of paramount importance to establish a strategy that is functional and flexible in our approach to dealing with Chinese employees. The challenges that arises are getting the right candidates to within the right place in the company, knowledge and innovation dissemination and transfer, where all the business units concurrently and receive and provide information and also to identify and develop employees, with abilities and skills to function effectively in a global organization.

The need for confidentiality is of essential importance and the work undertaken can be considered classified, this is why the selection of employees is a critical factor and also the establishment of a suitable and viable framework for HRM strategies in need to carefully planned and assessed.

2. Literature review

In understanding HRM, in particular regarding global operations and the handling of employees in China, it is essential to reflect on the future direction of

HRM. In the book *The Future of HRM*, 64 Thought Leaders explore the critical issues of today and tomorrow.

Losey et al (2005), it was found that when asked this pertinent question, it was reflected that HR managers must focus on the need to change what they are i.e. knowledge and competencies, what they do i.e. roles and how they think about HR, so that they could continue to be of value to employees, organizations and societies.

Section 1 covered the most typical of all HR books on understanding and managing people.

Section 2 emphasized on the HR professional requiring a new set of knowledge, skills and abilities and in particular the importance of emphasizing business acumen, change leadership and strategic decision making. It is interesting to see that Losey et al added curiosity, competency, courageous and caring. In her understanding, curiosity meant that HR professionals need to be continuous learners who are proactive, rather than reactive and who are continuously asking questions. But, not only competent in the traditional sense, but in turn to have the business knowledge, that allows them to make strategic decisions. In being courageous, this is doing the right thing while under pressure and caring constitutes a good characteristic for a HR professional.

Section 3; Learn to Master and Play New Roles, envisioning which would include been

a chief integrative officer, deliverer of business success, diversity manager, employee champion and chief effectiveness officer namely a person who is responsible for making the whole organization effective, not just within the company.

The essays in Section 4 covered on the HR professional's role in creating or transforming an organization's culture. Jeffrey Pfeffer, provide the key answer to this, by stating, "the ability to identify and help others discover their mindsets when necessary are possibly among the most critical capabilities a HR professionals can have or acquire".

In Section 5, focussed on the need think of organization's as a set of capabilities and not as structures. And the last four sections dealt, with HR as a decision science, the role of HR in enhancing collaboration and cooperation, the role of promoting organizational ethics and the implications of globalization for HR.

The different viewpoints in the book provided a variety of questions that were already answered and gave way to new ideas and the formulation of creating sustainable development in others and it also covered a broad range of topics written by the most prominent people in HR today.

The following article, *Managing Diversity: Towards a Globally Inclusive Workplace*, Barak (2005) states that the case for managing diversity has never been stronger than they are today, within the globalize

world. It is seen that more multinational companies are setting up operations in a variety of countries, with different cultural backgrounds.

The continued growth and importance of IT has brought the diversity issue to the forefront, as the worker is no longer just a worker, but also a global worker, consisting of a variety of terms i.e. gender, age, abilities, minority groups, sexual orientation etc and whether a person consider it a problem or not, it is here to stay. It is seen that the developing countries due to a negative growth rate, are forced to rely on an influx of workers from the developing and third world countries to sustain their economic growth.

In India and China where the female workforce is discriminated against or denied opportunities it is also a factor. Diversity is a fundamental issue that need to be addressed and not considered a passing fad, as it will always be considered as we move towards a more open and homogeneous society.

Burch & Julian (2005) provides the important issue that relates to focusing on a strategic HRM approach, the demands and culture of each organization means that in practice, implementation can be very different from theory. In order to be effective, practitioners need to draw out not only on a detailed and experiential based knowledge, but also on a wide range of commercial considerations.

It is understood that a well-structured approach to HRM will help to aggregate and allocate the company's resources into a unique entity on the basis of its internal strengths and weaknesses, changes in the environment and the anticipated actions of competitors. Strategic Human Resource Management is to be considered the macro-organizational approach to viewing the value and function of HRM in the larger organization and to define SHRM as the pattern of planned HR deployments and activities to enable an organization to achieve its goals.

It is more than likely, employees will leave for better positions or may become disillusioned, disgruntled or even dismayed of a company's culture, management etc, this is why workforce retention is a growing concern among senior management and companies alike. Meisinger (2006) writes of the US where employers may soon face major challenges pertaining to employer turnover and retention and will produce an excess demand for talent, driving up recruitment costs and force organizations to rethink how they maintain their workforces.

The studies analysed by Meisinger (2006) shows that by increasing compensation and benefits, providing opportunities for professional growth and development, fostering work life balance and improving employee communication is strategies that do work. The focus needs to be on retaining the valuable talent for as long as possible. It would be appropriate to create a value proposition and to connect the employees to

the mission of the company and to believe what the company does is the right thing. Working in another country, managers need to balance the global and local cultures and most importantly, the concept of people first need to be implemented.

When foreign firms first set up shop in China, many see identifying the right expatriate managers as a key concern. Now they are established, and with attitudes changing in the world's fastest-growing economy, localization is a top priority.

But localization is difficult without goal setting commitment, planning and implementing related human resource practices. Ahlstrom et al (2001) states as more foreign firms move into China and expand their operations they are learning that a number of challenges await them when it comes managing Chinese workers.

It is evident that companies will hire more local employees and localize management and this will bring about new challenges in HRM.

The biggest concern is the large number of State owned enterprise workers are being retrenched and the Chinese government encourages private enterprises both foreign and domestic to employ them. But, the problem is that they have little experience and poor working habits. Simultaneously, foreign companies require more skilled workers, but these workers change jobs frequently. As more locals are employed, it is found that they have little training and

questionable work habits. Thus recruitment, development and retention of a competent work force are essential.

The HRM challenge in China is based on moving away from the iron rice bowl concept/job for life and employment security. Chinese workers are not accustomed to taking on risks or to stand out and also an important factor is the importance of guanxi (connections), meaning it is not what you know, but whom you know. This concept is about personal relationships and influences, who will be hired and it can prove a problem for foreign entities that do not understand its implications.

HRM is a fairly new topic in China and time will have to spend to educate managerial and supervisory personnel about how to handle employees.

Bearing in mind that the Chinese education system varies a great deal, selection of candidates must be carefully screened. The article further states by using Hong Kong or focusing on the larger cities in China's personnel agents, will improve in finding suitable workers.

The ability for candidates to speak English is essential and at times it is difficult to determine their actual proficiency and the interview should be conducted in English.

To train the workforce, provide first some pre reading material in order to let them prepare and build their confidence and then to form groups, as in this society individual

thinking is discouraged. A systematic approach must be adopted and explaining things would be helpful and to include a co educator who can translate ideas accurately and help explain if questions arise.

In appraising Chinese direct feedback process between managers and subordinates try to minimize the loss of face and preserve harmony and careful not to reprove staff publicly.

It is seen that a number of multi nationals have introduced performance based pay systems, but local business and governments discourage the paying of higher salaries. A useful of rewarding workers is to send them abroad, although it can be expensive, but this improves commitment.

In retaining employees in addition to salaries, housing is also a factor and can be used as a leveraging tool and the hiring of family members of current employees and build a more loyal workforce and the promise of job security is also a major means of retention.

In improving relations with employees, the need to focus how to deal with a communist power that pervades all aspects of society, as well as extreme cultural differences and an economy undergoing major developments coming to terms with these issues companies need may find that basic principles are put to the test.

A Mckinsey Quarterly article that refers to the looming talent shortage in China, by

Farrel & Grant (2004) states that only a few of China's vast number of university graduates are capable of working successfully in the service sector and the fast growing domestic market takes most of them.

In raising the quality China will allow the economy to evolve from its present domination in manufacturing and lay the future in which services play a leading role.

The paradox is that in 2003, China has approximately 9.6 million young professional graduates with up to 7 years work experience and an additional 97 million people that qualify as support staff. Although, in interviewing with 83 HR professionals, it was found that only 10% would be suitable for work as engineers, finance workers, accountants, quantitative analysts, generalists, life science researcher, doctors, nurse and support staff.

The Mckinsey study further found that the problems pertained to a poor command of English, lack of communication style, cultural fit and effective managers were the barriers to overcome.

In order to making in talent, which in another Mckinsey article and refers to companies that need to understand the competitive value of talent people and spend time in identifying and recruiting high caliber individuals wherever they can be found. Companies must use talented people in a competitively advantageous way, by maximizing their visibility, mobility and

creating work experiences and develop employee's expertise.

In China currently there are no talent market places and a need to manage the market place created to bind the interests of individuals to interests of the company. To create talent markets, it must be defined what is traded, how is it priced and the operating protocols and tools. Key elements of a talent market place consist of opportunities, talent, supporting features and market rates. Of course, talent marketplaces also present challenges.

In companies with well-established organizational silos, the cultural changes will be enormous. Here, a talent marketplace may be only part of an effort to integrate more broadly. Some companies may need separate marketplaces for different skill sets (for instance, one for project managers and one for industrial engineers). Other companies, particularly those that already view talent as corporate rather than business unit property, will find the transition to talent marketplaces much more natural for all. Making sure that the right infrastructure of brokers, standardized performance reviews, and protocols exists is no small task. But for the right companies, the benefits can easily outweigh the costs. Given an opportunity to develop and hone skills, top talent will be more likely to stay in the company. Talented people who have a broad base of experience specific to it can grow into its future leaders.

The director of Mckinsey Shanghai branch, Gordon Orr writes the prospect of doing business in China can be daunting. In fact, as a result of this reluctance, such companies seem increasingly vulnerable on several fronts: they are not only forfeiting opportunities to sell goods and services in China and to source low-cost products in its factories and workshops but also face new Chinese competition at home.

But rather than wait passively for the day when these competitors show up on their doorstep, they can pursue strategies that could help them overcome the barriers to entering China's domestic and export markets. To be sure, those barriers are considerable. Small size companies are hardly eager to deploy scarce management resources to identify qualified Chinese vendors or to research and understand the tastes of the country's consumers. Nor do they have the time and resources to recruit staff and manage operations there.

Where should small and midsize Western companies turn? Businesses seeking to break into the Chinese market sometimes consider partnerships with local enterprises. This approach may work for some, but even large multinationals find it extremely challenging. Identifying a trustworthy partner thousands of miles away can be an enormous drain on management time and company resources. And once partnerships or joint ventures get under way, small and midsize foreign companies often discover that their views on important issues (such as governance, equity participation, and

operational control) differ markedly from those of the Chinese.

Fortunately, small and midsize companies have more effective ways of expanding into China. Most such companies belong to powerful national trade bodies that could help them band together and share resources within or across sectors. A trade body might, for instance, create a shared sourcing center to screen hundreds of potential Chinese vendors and generate a short list of those qualified to meet the needs of member companies. This center might offer expertise in areas such as contract negotiations, monitoring suppliers, and quality assurance.

Trade bodies might also want to link up with the owners of industrial parks or development zones to establish shared facilities that small and midsize foreign companies could use as manufacturing bases. Partnering with a Chinese industrial park would, for example, give member companies access to shared infrastructure and management resources, which could help them get through the start-up phase. They could also benefit from economies of scale by sharing market research, sales agents, and access to distribution channels. Once a member company had built a sufficiently large business, it could move to its own facilities within the same industrial park. Joining forces under the umbrella of a trade body is only one of several options.

A company could also strengthen its ties with its most important multinational

customers, many of which are expanding operations in China and would prefer to source from the same network of suppliers they use at home. Multinationals might therefore be willing to help suppliers from their home markets share infrastructure, establish relationships with industrial parks, navigate China's investment approval processes, and recruit talent. Some might even be willing to lend management expertise to help supplier's speed up the launch of their Chinese operations.

Most small and midsize manufacturing companies must face up to the challenges posed by China or risk being squeezed out of their home markets in the years ahead. Cutting operational costs is essential. But companies can turn the China threat into an opportunity if they pool resources and share capabilities and experiences. This approach shouldn't require large amounts of capital. Instead, companies should try to renew—and tap into—the entrepreneurial energy that helped them in the first place. With a little help from their industry peers or multinational customers, they may find that they can achieve far more in the Chinese market than they ever would by going it alone.

Moving business to China although it is understood that there is potential opportunities, there is still the problem of intellectual property issues and the following McKinsey consultants Deitz, Shao Tin Ling & Yang writes that many multinational companies in China are losing the battle to protect their intellectual property, largely

because they rely too heavily on legal tactics and fail to factor IP properly into their strategic and operational decisions. The most successful companies, however, take strategic and operational action to protect their IP before that happens, thus lowering their litigation costs and improving the odds that their IP will remain safe. Developing software in a country with better IP protection and then transporting it to China adds time, costs, and complexity to the process. In the long term, however, the manufacturer estimates that the ability to protect its critical IP and to lower its litigation costs makes the trade-off worthwhile.

According to the McKinsey's experience, some executives are so caught up in the rush to reach the Chinese market that they share technological and business secrets too readily with partners, which subsequently use the information to become competitors.

Operational action is also critical. While most companies implement the necessary security measures, such as the use of surveillance equipment or firewalls, to prevent large file transfers, the best companies go further. Indeed, we found that these exceptional performers cultivate an awareness of IP and screen all job candidates for high ethical standards.

The law alone isn't enough to protect intellectual assets. A company should assign explicit responsibility for its IP to senior managers who are familiar with all aspects of the business and able to focus their

energies on those elements of IP protection it can control. Achieving the right mix of legal, operational, and strategic considerations is difficult, and companies certainly can't protect all of their IP all of the time. Yet those that get it right are more likely to build successful businesses in China.

In understanding the factors that relate to HRM in China, it is essential to focus on the strategic job modelling issue, and Schippmann (1999) book, with the same title provides the basis and knowledge for this.

This book is primarily for academics and consultants. Anyone working with job analyses, competencies, or related terms should examine it. The book is also useful for managers, both line and HR, who is seeking to build links among HR components, which Schippmann (1999) calls vertical and horizontal fit. Thus, it can also be a tool for those who seek to move HR into more strategic, value-added directions.

The text is divided into three major sections. The first section contains two chapters of overview material. The second section contains basic elements of his strategic modeling process along with useful project management tips at the end of each chapter. The final section is a brief conclusion with discussion of the prospects for job modeling in the future along with several detailed appendices.

In conclusion, this book should not be viewed narrowly as an updated approach to job analysis. Although building upon this foundation, it is a researched-based

approach to strategic human resource management using sound research methods. The detailed tables are generally helpful in providing implementation guides. For managers and consultants, it offers helpful hints and procedures for systematically reviewing and integrating HR activities to add value to their businesses.

3. Research methodology

In defining on the practice of Strategic Job Modelling and Positions for China based operations the research methodology to be used will be of a qualitative nature. As this is the best approach in terms of providing a clear idea of the problems that will be met during the study. This will be to develop the concepts that would be more clearly defined and establishing the priorities that is required to start the process and to develop the operational definitions that is required to make the project work.

The use of the exploratory studies will be heavily relied on the qualitative technique, as this is new project and there will be a need to fully learn something about the dilemma facing companies in China. Currently, the important variables is not thoroughly defined, but also this type of research methodology will permit to develop the concepts required to be more clear, establish priorities and to develop operational definitions for improving the strategic job modelling process of a company.

In support of using questionnaires, there is an available checklist that can be quickly and easily distributed to the various people

concerned and also a lot of information can be gathered in an efficient and effective way in a short span of time. Due to the cost involved this is minimal and inexpensive to administer. When the data is collected it is easier to compare and analyze the information.

The development of the questionnaire for the strategic job model design will be based on the relevance to the business strategies and goals, the available resources to what is necessary to function in an operational sense this is referred to as the organizational readiness to operate in China, which would include: level of training, values, commitment, technology and systems supporting the envisioned job function and to what synergy is related with the current work progress to make possible or improve on the work environment.

The techniques used for proactively establishing priorities is by developing an Application Relevance Matrix which will display a short list of potentially important applications along the vertical axis of the matrix and the organizations identified strategic initiatives is listed along the horizontal axis.

A further technique that is to be used in conjunction with the questionnaire is interviewing, as this will serve the overall purpose to fully understand someone's impressions or experiences, and to learn more about their answers to the questionnaire and also to get the full range and depth of information.

3.1. Sampling Design

The target population is an internal group of persons, namely the Human Resources division of China based companies. The sampling design that was used is the Purposive sampling that the type – judgement sampling. The sample issues in used will be from the following criterion as specific in Table 1. As this is the early stage in the exploratory study, the judgement sample is appropriate and also a biased group for screening purposed is used, by the term bias I mean that I will predetermine it and what I considered initially important.

3.2. Research Design

The research design will be to getting the story behind the participant's experiences. As the interviewer this will allow in-depth information around a topic. The interviews will be useful as follow-up to certain respondents to questionnaires, e.g., to further investigate their responses and the use of open-ended questions are asked during interviews. Before starting to design the interview questions and process, a thorough understanding of what the problem is addressed and this helps to keep a clear focus on the intent of each question asked.

The type of questions to be asked is standardized open-ended interview questions and will be asked to all the interviewees and this will provide the respondents the freedom to choose on how to answer to answer the question and will approach a faster way to facilitate, analyze and compare the answers.

3.3. Data Collection

The data collection process was initially conducted via email process for the questionnaires and the interviews were conducted via the voice messaging service, MSN Messenger, this was proven to be cost effective in the past and also confidentiality was maintained.

3.4. Data Analysis

The data analysis conducted was to evaluate the results from the answers by what the respondents said. And to seek any additional information that could be gleaned that would enhance the question posed by the study conducted. As the questions were posed a report on the implementation targets based on the study findings. The job target questions were designed to be straightforward and no numerical indicator was used as this was not required and only the skills and competences required to perform in the job functions were looked at.

3.4. Pilot Study

There was no pilot study undertaken due to the time constraints associated with it.

3.6. Limitations

The limitations that were associated is to the challenge that there is a degree of biases from the respondents as to what how they see the strategic job modelling techniques will be conducted and to what or how the job should be done, because of previous experiences within the same job. And also the challenges in conducting questionnaires that it might not consider as careful feedback, the wording can be bias to what is

actually required and for interviews although this did not take a long time there was still concerns in regard to analysing the respondent's different answers.

To improve on the acceptance of the idea an introduction of the book, Strategic Job Modelling by Jeffery Schippman and also the literature review in support of the project was shown to the respondents and the need to find efficient and effective candidates for the new operations to be opened soon.

4. Data Analysis

The feedback on the research plan was positive and all the adequate data was collected using communicative approach, which involved surveying and recording their responses for analysis. The questionnaire and interview process was of a versatile nature. The personal interview intention was to obtain information in order to make the appropriate solution to the problem at hand. The advantages of the telephone interview (MSN Messenger) resulted in the following advantages: lower costs than using conventional landline, an expansion in distance and the relevant persons were reached within the appropriate timeframe, faster completion time. As for the questionnaire this was issued via email and response was fast. The advantages associated with email: direct mail to the interviewee's known email, low cost option, allowed the respondents to think about the question, faster access to persons who were computer literate and rapid data collection.

The specific content in relation to the work activity or competency required a number of questions were asked to management and questions and rating scales were devised that looked at the current importance, future importance, frequency, level of mastery, where acquired and the difficulty to acquire.

Explanation of the rating scale heading:

Current Importance: The rating data for the prospective job modelling were collected using this scale to determine which activities and competencies were most important and directly related to effective performance and this was accomplished by creating job information that rank ordered the important work activity and competency items. And the decisions concerning the most appropriate types of work detail that would allow candidates to demonstrate their degree of possession of the required competencies. For example 20 work activities were used to guide construction of the job requirements.

Future Importance: This was an expansion on the current importance scale, as to indicate and identify the future work requirements as the job changes over time.

Frequency: This was based on the older Time Spent measure used in early job analysis work and was to indicate how often the candidate will undertake the respective job specifications.

Level of Mastery: This was in response to the level of expertise the competency required to perform the job to a full competency level.

Where Acquired: The usefulness of this scale was to distinguish between competencies that should be used for selection and those used for training specifications.

Difficulty to Acquire: This was to gather the relevant difficulty of a particular and important skill to acquire and the timeframe associated with acquiring the respective skill.

The questionnaire provided a brief overview of the purpose of the questionnaire, how the data was to be managed and used, a statement on how the to complete the questionnaire and by when it should be handed in for assessment and the focus of this data-gathering device was to concentrate on the job's requirements.

Section 1: Overview

The purpose of the Job Modelling Questionnaire is to learn more about:

The competencies or individual skills and knowledge required performing the work activities comprising the job. The FOCUS is on what the job should be about and the work characteristics that define the environment that will be operated in.

Responses will be combined with those of other HRM Managers in order to help define the role requirements and related competencies that is need to function in the new role in China and what is needed to successfully perform the job within a broad

range of credit rating consultancy specifications.

The first consideration in establishing the quality of the data obtained was to evaluate the data contained from the questionnaire and interview process in order to determine if the data were clean and reliable. As this was a form of quality control check and before the decisions on what to include in the job description, identification of critical competencies to target in selection specifications and so forth. As this was a straightforward operation and all the interviews and questionnaires was only to HRM respondents this was easier to correlate and administer based on the fact that if discrepancies did arise then one could always go back to the respondents for clarification.

Data collected was consolidated and from their reflections made that were already made available by the managers and only clarification on a list of characteristics and features that were required to perform the job competently was requested. A competency dictionary was drawn up to provide a comprehensive list of competency dimensions and segmented into the following classes of competencies that are: Core or organizational wide and that cut across all business units, job levels and job functions. Business unit specific and support the strategies of particular business groups. Linked to job level and define the expectations of vertically arranged job groups and

Functionally specific and define the technical knowledge and skills required to perform successfully in different functional areas of the business.

This conceptualisation help provide a basis for identifying what was common to provide a basis for what was common across the requirements of the job and the job groups individually. In addition this competency dictionary provided a display structure that permitted the examination of the broader sets of work attributes that may be important for organizational match above and beyond the job fit.

In Section 2 of the nineteen competencies required to function in the job, the first three questions looked at what problem(s) solving issues need to be resolved in operating in China. As this was referred in the literature review under Strategic Human Resource Management and the need to work within a different culture and following the Asian way of doing business and also based on the fact that completed way at looking at the strategy that is related to operating to within a Chinese context.

Question 4, 5 and 6 related to the four basic functions that is associated with management and is common on all three levels of the management structure, namely Planning, Organizing, Leading and Co-ordination. It was reported by Ahlstrom et al (2001) that there would be challenges that would be associated with working with foreigners and Chinese employees, Mckinsey consultants have also found that there was a

need to reflect on this and in the literature review it was stated directly based on the articles as from the Mckinsey Quarterly. A thorough understanding on the basic principles needed to be understood and be implemented that would further enhance the operation and the need to reflect on a process of people management was to be implemented that would reflect according on how to manage them needed.

This would reflect and to further elaborate that the People Management factor could be divided into 6 subdivisions that would be: staffing, supervising people, people development, labor relations and external relations.

In the article "A looming talent shortage" the above factor would provide under the auspices for a prospective new manager to look at how to reflect on the strategic business objectives to identifying staffing issues to reflect on how to achieving these objectives and to review the training requirements for new hires so that they can be provided with the right training and have a good overview of the work rules and job responsibilities they will be undertaken.

It is not only this factor to be looked at but also the supervision of persons of Chinese origin is different and Losey et al (2005) in their first section of the book looked at this critical factor on how to manage workers. Throughout the literature review, the popular term globalisation is used and diversity a key issue that was reflected upon as the business that is operating in is not on

home turf the need to be able to looked at another key function is the general operations management of the work concerned, a further breakdown on this factor would be break it into sub sections that would build on the key competencies to working efficiently and effectively:

- Managing Work Operations
- Information Management
- International Business Management

In order to making the operation working successfully and to coordinate the work properly in order to smooth the operations and to integrate the effort, the development of relationships to connect the process of the work and to guide the creation of new works systems or procedures.

It is a problematic issue that there is a need to identify inefficiencies that will hinder work procedures and to guide the work flow and to measure the quality of work undertaken. Under the iron rice bowl which is still operational and very much alive in China. This would also include in how to retain workers as there are more and more job hopping in the new and modern China especially within the age group 27-35, the few university students that is capable to working within an international company context, as reflected by the Mckinsey report.

A third function that is equally important and this was answered in the last few questions and the questionnaire was to look at the functional aspects that would be undertaken on a daily basis. As a research unit to identify new opportunities and to provide guidance to the allocation of human,

financial and technological resources, it is required to evaluate the strategic fit that is associated with the three resources that is important for new and small businesses operating in China. Not only this important, but also the need to retain confidentiality and protect intellectual property an important factor. This is a much debated fact in China and the problem will always persist and the current legislation is weak and this country is big. But, the issue has to be addressed as confidentiality is the key to the success of a business and also the clients we presently have and also in the future will assist on this key aspect.

The key of every business is to know what the competitors are doing and to price accordingly and develop the correct advertising and marketing strategy to attract the right blend of customers, promote the business and build employee morale is also an important facet.

In order to constantly be on the forefront of the market, strategy development of a review of the statistical data available other economic, market and political information to identify opportunities and risks associated with potential business decisions is the prerequisite skill to stay competitive. Other issues that make the strategy of the company is to constantly evaluate the growth of the business enterprise and look at the market size and scope, market maturity, competitor rivalry, changes in product demand. There are many challenges that are posed by operating in China and to

respond to these opportunities and threats that are there will need to be addressed.

China is a country with vast manpower resources and even more laws that is not fully understood by companies that operate within the middle kingdom, there is always the need to maintain abreast of the new developments not only in own area of expertise, but also to research the relevant literature in manuals, books, journals, research publications and to be able to find information that would support a specific action or decision that would affect the company. As the business is to provide support and advice to other foreign entities operating in China and also the one's that is looking at investing here there is a need to internally consult ourselves too and to be able to answer employees with questions in one's area of expertise. To constant monitor the company's operations with reference to the Chinese laws, regulations, guidelines, industry practices and to assess compliance, risk and exposure. The research question was to define on Defining on the Practice of Strategic Job Modelling and Positions for China based operations and this was conducted via the interview process and questionnaire in order to answer what actually needs to be done as this is currently an individual operation and the need not go blindly into a vast and new market.

5. Conclusions, Recommendations and Options

Reflecting on Chapter 4 and looking at the three main divisions that a new manager

will undertake in the operational process of managing in China:

People Management:

Staffing

Supervise People

People Development

Personnel Administration

Labour Relations

External Relations

General Management:

Supervise Work Operations

Information Management

International Business Management

Functional Management:

Research and Development Management

Accounting and Financial Management

Marketing and Sales Management

Strategy Development

Internal Consulting

The three main work divisions is important to function properly and to having an effective and efficient operations. Although a broad description of the management work activity and competency domains are presented there was an important step in finalizing the operational duties of the new position to be put into place.

Possible actions to be taken

The action to be taken and in actual fact the main decision is with the top management of the company, although it was decided that a training period of 18 months for the new incumbent was to be undertaken before operations is launched, this has speeded up as to seeing the new opportunities that has arose and the new legislation that is allowing foreign banks to buy up to 20% of a Chinese bank and in 2007 legislation will

allow takeovers and mergers to be done in China, amongst also this country's move to comply fully with the World Trade Centre commitments.

Option 1

From an application point of view the goal is to develop a selection system that will allow to bring high-calibre performers into the organization, an assessment tool for identifying training and development needs, performance system that will focus on the relevant strategic analysis and the first step is to have clear definition of effective performance and an understanding of the human capabilities needed to achieve this for the present day operations and future requirements.

Option 2

It is clear that a good defining of the strategic job modelling that is required is that it is:

There should be clear and thorough job descriptions.

The frequency and importance of task behaviours should be assessed.

It must allow for an accurate assessment of the knowledge, skills, abilities and the key result areas that make the incumbent to be effective and efficient contributor to the organization.

There must be a distinctive relationship between job duties and the key result areas.

The use of outsiders to conduct the analysis is not an option that is to be considered as this will increase the cost of the project and

being currently based in China and having ongoing knowledge of the environment that is operated in and building competencies and knowledge to function in China.

The advantage is that as the work is currently undertaken is a good source of information about what is actually being done, rather than what work is supposing to be done.

Additionally, involving incumbents in the process might increase their acceptance of work changes stemming from the results of the analysis. On the other hand, the job modelling process should describe the work activities of a job independent of any personal attributes, as incumbents will have a tendency to over complicate the job function, this objectivity would be difficult to maintain if done by the incumbent. Thus, the choice of the definition would be best left to how well the person understands the environment and this would include micro and macro factors that constitute the job at hand.

Regardless of who collects the information, the individual involved should thoroughly understand people, jobs, and the organizational structure and also have considerable knowledge about how the work is expected to flow within the organization.

In conducting the strategic job modelling for managerial jobs is of a significant challenge because of the disparity across positions, level in the hierarchy and the type of

industry that is operated in, although there is only one reporting line in the organization.

As the post is currently only for one person and operations is still in its infancy and also operations are conducted through telecommuting. It is recommended that the job involves a sought of job enrichment and look at ways to satisfy growth, recognition and responsibility.

It is understand that there are many approaches to job enrichment and what is proposed that, in conjunction with the strategic job modelling process and the information gathered that a system is involved that builds on:

- Skill Variety: on the different activities in carrying out the work, which involves the use of a number of individual skills and talents.
- Task Identity: what needs to be done to complete the job.
- Task Significance: what impact has the job on the company.
- Autonomy: telecommuting and schedule, procedure for the tasks to be completed.
- Feedback: obtaining direct and clear information about the effectiveness of performance.

This would contribute all to the effectiveness of the job and in having a strategic job modelling in effect would be the link to further look at the options that are available for evaluating and recommending options that are open now and for the future. One of the challenges facing those charged with designing or redesigning work concerns the variety of changes that can be made to a job

and exactly what to change in order to achieve different redesign goals. The Implications for Job Design Theory is it helps to make and further specify what is needed to improve on the job and it suggested that when work is designed that in order to complete a task, there will be a tendency for the work to become routine, isolated and simple in its view and that motivation is a factor that have to be considered or even that it will only play a small role in the overall process. It has also to be understood that there are strong corresponding relationships in job design and there might or will be an overlap of the competencies required to function efficiently and effectively.

There is also further suggestions that the ability to assess job candidates and to determining their competencies beforehand and whether they are suitable for the positions as specified. To bring competency oriented perspective to job design may prove more fruitful than previous need-based investigations (e.g., growth need strength explanations) and may add to our understanding of person-job fit. This suggests that in jobs where incumbents are able to develop and utilize a depth of knowledge and where there are opportunities for social support the work becomes more interesting to perform as well as more efficient. The identification of these work characteristics and their outcomes can inform the development of new job design theory. One of the challenges facing those charged with designing or redesigning work concerns the variety of changes that can be

made to a job and exactly what to change in order to achieve different redesign goals. Because of the skills and competencies in the questionnaires it was decided to formulate 3 divisions of management work activities and under these 3 divisions, subdivisions for each that would entail all the competencies and skills under discussion.

Firstly, as the staff is the driving mechanism so that operations can run smoothly, the first division is to be People Management and would consist of the following subdivisions: Staffing, Supervision, People Development, Personnel Administration and External Relations. Currently operations fall under the ambit of Germany and only for now the current post is of a telecommuting nature, the new management subdivision would form part of the four general skills of management and would include: Supervision of Operations, Information management and International Business management.

Finally, the third management subdivision would entail, the functional aspects of management and would include; Research and Development Management, Marketing and Strategy Formulation and Consulting. A broad definition and description of management activities and competency levels were described and analyzed. A thorough review of the literature pertaining to job design was evaluated and the structures and processes were detailed. The reasons for going this route, was in the first instance to provide a detailed framework and provide a number of ideas that were presented by the literature review to be used

and what was found to be useful and to show the factors that that serve to be useful for the dimensions of organizing the key competencies that are required for the job.

It was also hoped that a meaningful starting point for job design procedures in the company could be detailed and formulated. Although the information regarding the competencies could be described as too general and not specific enough, it did provide the beginning analysis for the job design procedure.

References

Losey, M., Meisinger, S. and Ulrich, D. (2005): The Future of HRM, 64 Thought Leaders Explore the Critical Human Resource Issues of Today and Tomorrow, Jon Wiley & Sons, 2005, 424 pages.

Mor Barak., Michalle. (2005): Managing Diversity: Towards a Globally Inclusive Workplace, pp. 343.

Burch and Julian (2005): Strategic Human Resource Management.

Meisinger, S. (2006): Workforce Retention: A Growing Concern, HR Magazine, April 2006.

Ahlstrom, D., Bruton, G. and Chan E (2006): HRM of Foreign Firms in China: The Challenge of Managing Host Country Personnel, Business Horizons, May-June 2001, pp. 59-67.

Mckinsey Quarterly: Farrell, D. and Grant, A. (2005): China's looming talent shortage. In China, opportunity knocks for small business. Making a market in talent.

Schippman, J. (1999): Strategic Job Modeling: At the core of integrated Human Resources.

**Table 1. Application Relevance Matrix
Strategic Initiatives**

| Short list of Potential Applications | 20% Increase in New Money Generation | 25% Increase in Customer Service Ratings | 100% Increase in Revenue From Self-Service Offerings | Bring Front-Line Team Member 6-Month Turnover to Below 15% | Overall Relevance |
|--|--------------------------------------|--|--|--|-------------------|
| 1. 360° instrument for development | | | | | |
| 2. Career ladders/succession planning | | | | | |
| 3. Job evaluation/compensation | | | | | |
| 4. Interview system for selection | | | | | |
| 5. Individual assessment for selection | | | | | |
| 6. Training program design | | | | | |

Source: Schippmann: 1999:79.

Table 2 Job Modelling Questions

Use the importance scale to indicate the importance of each work activity for full performance in the job in question.

| |
|--|
| Current Importance (Part A) Use the importance scale to indicate the importance of each work activity for full performance in the job in question. |
| 0 - The work activity is never done and is unimportant to the job. |
| 1 - The work activity is of a very little importance to the whole job, but is useful for some minor part of the job. |
| 3 - The work activity is somewhat important for successful performance in either the whole job or some part of the job. |
| 4 - The work activity is very important for successful performance in the whole job or a significant part of the job. |
| 5 - The work activity is critically important for successful job performance in the whole job. |
| Future Importance (Part B) Use the future importance scale to indicate the anticipated importance of each competency for full importance of each competency. |
| 0 - The competency will not be required. |
| 1 - The competency will be of very little importance. |
| 2 - The competency will be somewhat important for successful performance. |
| 3 - The competency will be important for performing part of the job. |
| 4 - The competency will be very important for performing a significant part of the job. |
| 5 - The competency will be critically important for performing nearly all aspects of the job. |
| Frequency (Part C) Use the frequency scale to indicate the frequency with which specific work activities are performed as part of the job. |
| 0 - The work activity is never done. |
| 1 - The work activity is performed infrequently. |
| 2 - The work activity is performed occasionally. |
| 3 - The work activity is performed fairly often. |
| 4 - The work activity is performed very frequently. |
| 5 - The work activity is performed constantly. |
| Level of Mastery (Part D) Use the level of mastery scale to indicate the degree of expertise required to perform specific competencies. |
| 1 - The competency is not required. |
| 2 - Minimal competence is required. Job incumbents can be expected to handle only the simplest or least complex situations calling for the competency, and they will need significant support or assistance to handle anything but the easiest situations. |
| 3 - Intermediate competence required. Job incumbents should be capable of handling many day-to-day situations calling for this competency, but they will need to seek assistance in difficult situations. |

| |
|---|
| 4 – Advance competence required. Job incumbents should be capable of handling most day-to-day situations calling for this competency, though they might need to seek expert assistance in dealing with particularly difficult situations. |
| 5 – Expert competence required. Job incumbents should be capable of handling all situations calling for this competency and they could be expected to serve as role models and coach others on this competency. |
| Where Acquired (Part E) Use the where scale acquired to indicate where the incumbents in the job would acquire each competency. |
| 0 – Does not apply. |
| 1 – Proficiency in this competency must be acquired on the job. A new person is not to be expected to perform this competency. |
| 2 – For the most part, proficiency in this competency must be acquired on the job. |
| 3 – Proficiency in this competency can be acquired while on the job or before entering the job. |
| 4 – For the most part, proficiency in this competency must be acquired before entering the job. |
| 5 – Competency cannot be gained on the job; proficiency in this competency must be acquired before entering the job. |
| Difficulty to Acquire (Part F) Use this scale to consider the difficulty an incumbent would have in learning to perform a particular competency. |
| 0 – Does not apply |
| 1 – This competency is very easy to learn. Proficiency can be acquired in a very short time. |
| 2 – This competency is easier than most others to learn. Proficiency can be acquired in a relatively short span of time without any great degree of difficulty. |
| 3 – This competency is about average in terms of difficulty to learn compared with other competencies. |
| 4 – This competency is harder to learn than most others. It can take a fairly long time to develop proficiency in this competency. |
| 5 – This is one of the most difficult of all competencies to learn. It requires a great deal of time and practice to develop proficiency. |

Source: Schippmann: 1999:155-157.

Table 3: Rating Page: Tow rating scales applied to competencies

| | |
|---|---|
| <p>Current Importance 5 – Critically Important 4 – Very Important 3 – Important 2 – Somewhat Important 1 – Minor Important 0 – Not Important</p> | <p>Where Acquired Proficiency 5 – Must be acquired before entering the job 4 – Primarily Acquired before entering the job 3 – Acquired before or after entering the job 2 – Primarily acquired on the job 1 – Must be acquired on the job</p> |
|---|---|

Current Importance Where Acquired Proficiency

- | | | |
|-------|-------|---|
| _____ | _____ | 1. Skills in breaking down issues or problems into components to identify underlying issues. |
| _____ | _____ | 2. Willingness to face challenges or problems with an open mind and sense of curiosity. |
| _____ | _____ | 3. Skill in analysing the flow to ensure existing processes facilitates, rather than hinder, the accomplishment of work. |
| _____ | _____ | 4. Skill in identifying the most probable long-term consequences of an action or decision given a large number of possible future outcomes. |
| _____ | _____ | 5. Knowledge of competitor's products, strategies and business philosophies. |
| _____ | _____ | 6. Skill in organizing thoughts on facts in verbal communication in such a way to facilitate understanding. |
| _____ | _____ | 7. Skill in preparing written communications that express communication clearly and concisely. |
| _____ | _____ | 8. Skill in interpreting the non-verbal messages in a speaker's verbal communication. |
| _____ | _____ | 9. Skill in anticipating the interests and expectations of an audience when presenting a presentation. |
| _____ | _____ | 10. Willingness to be proactive and work connecting with and building cooperative relationships with others. |
| _____ | _____ | 11. Skill in assertively presenting one's own point of view without offending or alienating others. |
| _____ | _____ | 12. Skill in adjusting one's work pace to keep up with rapidly changing events. |
| _____ | _____ | 13. Willingness to follow through on commitments and promises. |
| _____ | _____ | 14. Skill in conveying a sense of urgency to others to help team members to focus on a limited set of priorities. |

- _____ 15. Knowledge of basic principles of motivation and theories of work behaviour.
- _____ 16. Willingness to take a stand on important matters when faced with difficult dilemmas or decisions.
- _____ 17. Willingness to persist in the face of difficulties (e.g. when work becomes complex, intellectually complex, politically complicated, culturally different).
- _____ 18. A thorough understanding of credit ratings and how they work.
- _____ 19. Knowledge and understanding of the complexities of working with different cultures, other than your own.

Source: Schippman: 1999: 174.

UNPACKING STANBIC BANK'S PAN AFRICAN BRAND CAMPAIGN USING CRITICAL DISCOURSE ANALYSIS

Violet Bridget Lunga
University of Botswana

ABSTRACT

In this paper, Critical Discourse Analysis (CDA) is used to identify features of a Stanbic Bank advertisement in Botswana in order to uncover its representation of Africanness and gender, particularly, black African femininity. The main interest is to illustrate how CDA as an analytical tool can be used to unpack underlying assumptions in texts. In a society that is image saturated, the ability to read the word [image] critically becomes crucial for survival in contexts marked by unequal power relations and prejudice. A critical approach to reading and writing will draw attention to the relationship between language, ideology and power. CDA examines, not only forms of oppression, but is also interested in forms of empowerment through discourse. Drawing on Norman Fairclough's (1989, 1995) three-dimensional conception of discourse, the paper problematizes the advertisement's construction of the African woman, including its representation of Pan Africanism. Although there are questions about CDA's theoretical validity and soundness by theorists such as Widdowson, 2004, CDA still remains useful for promoting critical awareness of discourse and public uses of language and in particular, how public discourse positions readers or viewers..

Introduction

This paper examines Stanbic Bank's Pan African brand campaign using Critical Discourse Analysis (Fairclough, 1989, 1993, 1995, 2000, 2003). The advertisement sets out to brand Stanbic Bank as an African bank by relying on African symbols and images and visuals. However, an examination of the advertisement using Critical Discourse Analysis (CDA) problematizes the bank's uses of African texts, symbols and images and shows how the advertisement fails to entrench the bank as an African bank, but rather perpetuates stereotypes and myths about Africanness and black African woman's identity. It succeeds in reproducing and maintaining power relations between South Africa, the originator of the advertisement, and Botswana, the consumer other.

Stanbic Bank is a trading name for the Standard Bank Group (Different from Standard Chartered Bank). The Standard Bank Group trades under the name Stanbic Bank in Botswana, the Democratic republic of Congo, Ghana, Kenya, Malawi, Nigeria, Tanzania, Uganda, Zambia and Zimbabwe. Stanbic Bank is known as Standard Bank in Namibia, Swaziland, South Africa, Lesotho, Mauritius and Mozambique and is represented by Union Commercial Bank in Madagascar. In Botswana, Stanbic Bank has branches in most of the major cities of Botswana.

The advertisement as a text is characterized by tension, contradiction and hybridity. In its representation of the African woman, the advertisement sets up a contradictory and hybrid female identity by simultaneously presenting an image of an independent woman and that of a traditional woman. As

part of its branding campaign the advertisement also uses a strategic text capturing Kwame Nkrumah's famous words: "We face neither East nor West: We face forward."

The paper shows how references to Kwame Nkrumah's Pan African words in a commercial advertisement produce a contradictory effect on the viewers. Tension is experienced between the possible Africanising effects of the words and the trivializing and/or a commodifying effect of the way the words are used in the text. Tension is created also by juxtaposing Kwame Nkrumah's words and an image of an African woman. Kwame Nkrumah was Ghana's first President, a revered Pan Africanist (revered almost to mythical proportions) and a pioneer of the liberation of Africa from European imperialism. The placing side by side of two different things can be read as both empowering and disempowering for the woman represented in the advertisement as a black woman. Visually, placing the headline words: "We face neither East nor West: We face forward" next to the woman creates the impression that the words are hers, especially given that the name Kwame Nkrumah is so small and hardly readable from a distance. The juxtaposition of the Nkrumah's words with the woman succeeds in making the woman the centre and originator of the discourse. That indeed seems to build an image of an empowered, speaking woman. But drawing on male discourse, instead of words spoken by significant African women, proves

problematic and can have a subordinating impact on women.

A critical discourse analysis of the advertisement traces a trajectory of unequal economic power relations between South Africa, the source of the advertisement, and Botswana, the constructed consumer other. The paper shows that South Africa is constructed as the economically powerful other, while Botswana is the objectified other.

In order to adequately illustrate how the advertisement operates as a site where gendered discourses are discursively constructed the paper will draw on some aspects of feminist critical discourse analysis.

Critical Discourse Analysis: An overview

Critical Discourse Analysis is a type of discourse analytical research tool (Van Dijk, 1985, Janks, 1997), which can be located within the broader field of Discourse Analysis (DA). Discourse Analysis is an approach to the study of language and texts which draws on a number of areas such as linguistics, literary theory and cultural studies, philosophy of language, sociology and psychology (Luke, 1996). The difference between CDA and DA may be traced in their definitions of discourse and the emphasis on the term critical.

Discourses have been generally taken to refer to all language (spoken interaction, written texts and visual texts) and practices.

For CDA, however, the emphasis is on discourse as social practice (Wodak, 1996) and not just language per se. The idea of discourse as text is grounded in Foucault's (1982) theory of discourse which has several implications for power relations. For Foucault (1982), discourse is not language per se, but is a system that under-girds the language as well as the values and beliefs hidden in language, including the ways such beliefs construct subject positions for people. This thinking underscores a constitutive view of discourse which implies that discourses shape identities and social relations.

Discourses are never innocent in that they involve "coherent use of language, or signs where certain (imperial) interests are promoted at the cost of others- "(Olivier (2003), in C von Maltzan (Ed.), quoting Foucault (1982)). Concerning discourse, Foucault (1972) defines discourses as "systematically form[ing] the objects about which they speak" (p. 49).

Discourse as a social practice also means language use as social action, that is, discourse, is a form with which people might act on the world and upon each other. In addition, discourse as a social practice implies a view of language use as a form of representing the world, and a signifying system. When language use is viewed as social practice, it implies seeing its inevitable role in the domination of others, the reproduction and maintaining of existing social orders, including existing power relations.

Grounded in Foucault's theorization of discourse, CDA specializes in uncovering the close links among language, ideology and power in society and further seeks to show up connections that may be hidden from people and questions the taken-for-granted notions of discourse, identity or gender. CDA aims to expose unequal power relations in public discourse by showing how public discourse often serves the interests of the powerful forces over those of the less privileged (Kress & van Leeuwen, 1990).

According to CDA, texts such as public discourse, including advertisements, are discourses that may enact social power abuse, dominance, and inequality and reproduce and maintain social practices. CDA is explicitly about exposing and ultimately resisting social inequality. The term critical, in critical discourse analysis, signals a view of language that locates language as significant in the workings of ideology and mobilizing meaning to sustain or contest relations of domination in society. Such preoccupation with power issues distinguishes CDA from other kinds of discourse analysis (Kress & van Leeuwen, 1990). CDA proceeds by emphasizing, through an examination of the dialogical relation between language use and social practice, and the relationship between discursive structures and social practice.

Conceptualizing discourses as social practice involves seeing discourse as always constructed and therefore having the capacity to serve particular interests. It also involves understanding how social practices do "control the selection of certain structural

possibilities and the exclusion of others and the retention of these selections over time in a particular area of social life” (Fairclough, 2003 p. 226). Although CDA is preoccupied with issues of power and inequity, there are critics who challenge CDA for not providing in-depth analysis of gender. In order to counteract that criticism, feminist critical discourse analysis is an approach to discourse, which takes into account the concept of gender in more detail. Feminist critical discourse analysis can offer useful insights in the analysis of questions related to gender and representation.

Incorporating Feminist CDA

Feminist critical discourse analysis is located within the broader framework of critical discourse analysis, and is a recent development whose foundations can be linked to a general absence of interest in in-depth gender analysis by mainstream CDA theorists such as Fairclough (1989) and Teun, A. van Dijk (1985).

Feminist CDA shares some distinctive characteristics with critical discourse analysis, such as, its critical orientation. However, feminist critical discourse analysis works from a more developed theoretical analysis of gender (Lazar, 2005). Feminist critical discourse analysis views gender as fluid and constitutive. That is, it views gender as a continuum and as shaping and as being shaped by contexts. In feminist critical discourse analysis, just like in CDA, language and ideology plays a significant role in the construction of gender so that language can be used to construct gender

from a particular ideological perspective. Feminist critical discourse analysis will then focus on how language constructs identity and gender. Analysis will therefore focus on how texts reveal unequal gendered power relations. In order to unearth ideological underpinnings in the construction of gender, feminist critical discourse analysis proceeds by showing connections between gender representations or gendered discourses in the text and social and cultural practices, the aim of which is to demystify ‘naturalized’ assumptions of gender in texts.

CDA draws on Foucault’s concept of discourse as social practice and discourses as socially conditioning. However, feminist critical discourse analysis questions Foucault’s idea that discourses are “practices that systematically form the objects of which they speak” (Foucault, 1982:49) for its determinism. The idea of discourse as social practice has the problem of setting out individuals as determined by structures and overlooks questions of agency. To critique the determinist notions of discourse, feminist critical discourse analysis uses Gramsci’s notion of hegemony, particularly because his notion of hegemony stresses a degree of agency, that is, the possibility that subjects are not helpless victims of discourse, but that they can act, and that individuals can in fact shape and challenge discourses. The idea that discourses are socially constituted and socially conditioned implies that discourses may be challenged by people.

Feminist critical discourse analysis agenda which challenges hegemony and patriarchy, disallows a single reader position and argues that there are many possible positions from which to approach texts depending on such factors as gender, race and class. Concepts such as multivoicedness and intertextuality of all texts (Bakhtin, 1981) are central in feminist critical discourse analysis and can be useful in analyzing hybridity and multivoicedness in advertisements.

Why Advertisements

In this paper, advertisements are viewed as discourses. This is to approach discourses as forms of social practice (Fairclough, 1992). As discourses, advertisements can be used to act upon the world and upon readers or viewers, including the participants in the advertisement. Advertisements are modes of representation and signifying practices, and as such, contribute to the construction of epistemologies of the world and of social identities and subject positions for social subjects and types of self (Fairclough, 1992). This suggests that advertisements have the power to define, mark, classify and to represent phenomena and subjects in a certain way within what Foucault calls 'regimes of truth'. Since advertisements are sites for socialization, producing, maintaining and reproducing stereotypes, they become sites of struggle for meaning and as such, they can become major sources of hegemony. Advertisements need to be analyzed critically in order to expose unequal power relations and to understand the assumptions which under-gird them.

Advertisements function to mediate power relations and can indeed maintain power relations. As public discourses, advertisements participate in the construction and deconstruction of definitions of femininity and masculinity. Goffman (1979) suggests that "advertisements depict for us not necessarily how we actually behave as men and women, but how we think men and women behave". This suggests that one of the critical roles of advertising is reinforcing and /or challenging gender stereotypes. Advertisements therefore offer a useful place for analyzing how identities and genders are constructed and represented in texts.

This specific promotion campaign made by Stanbic Bank was selected for analysis for a number of reasons. First, the campaign was supposed to be part of a series of different advertisements to be advertised over a specified period of time. All these advertisements would be dealing with the theme of Pan Africanism. The opportunity to view the series of campaign over a period of time is useful because it would allow for sustained analysis of issues and would make generalizations possible.

Secondly, the promotion campaign draws on current topics such as gender and African Renaissance. African Renaissance, popularized by South Africa's President, Thabo Mbeki. African Renaissance is a philosophy and an optimistic concept still in formation, which places Africa at centre stage. The concept which is related to Pan Africanism in its quest for solidarity and

transformation through self determination, is still taking shape. It is best encapsulated in the then-Deputy President Mbeki's famous "I am an African" speech in May 1996 following the adoption of a new constitution. The promotion campaign also draws directly on Pan African sentiments, expressed in Nkrumah's words, "We face neither East nor West: We face forward".

There is no agreed definition of Pan Africanism, but broadly speaking, Pan Africanism is guided by principles that seek to set aside cultural differences amongst Africans, including people of African descent scattered all over the world. Pan Africanism is driven by the principle of shared cultural experiences and the need to foster solidarity and resistance to exploitation. Key figures, among many others, include, W.E.B. Du Bois, labeled the Father of Pan Africanism; Jomo Kenyatta, first president of Kenya and Pan African activist and Kwame Nkrumah, Pan African activist and Ghana's first president. Nkrumah is the Pan Africanist to whom the dream of a 'United States of Africa' is attributed.

The promotion campaign therefore presented opportunities for exploring topical issues such as African cultural identity, power, gender, equity and agency, using CDA.

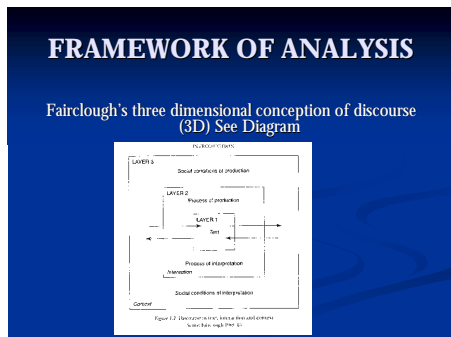
A Critical Discourse Analysis of the Stanbic Bank advertisement

Critical discourse analysis represents a wide range of approaches to text analysis and as such there can never be a prescribed method of doing discourse analysis (Huckin, 1997).

Using Fairclough's (1992), three-dimensional framework, the paper proceeds by examining specific textual, discursive, and contextual features of an advertisement from a bank, the aim of the analysis of which is to uncover hidden power relations, interests served and identities constructed.

Fairclough's three-dimensional framework incorporates three aspects of discourse viewed as interrelated layers, namely: description (textual analysis), interpretation (process of production and reception) and explanation (social conditions which govern processes of production and consumption). The descriptive part of the analysis involves description of the general aspects such as text type and the description of specific linguistic selections, including visual images, in terms of their juxtaposition, their sequences and their layout (Janks, 1997). Interpretation is an analysis of the connection between the discourse processes (the processes of production and reception) and the text. The explanation level includes analysis of the discursive processes. This part involves situating the specific linguistic selections that make up the text within their historical context as well as how they have been socially and historically determined.

The levels of analysis are illustrated in the figure below. Generally, critical discourse analysis may involve two stages, namely: an uncritical or superficial reading of the text and a critical reading of the text which includes taking a step back in order to raise questions, and mentally comparing it to related genres (Janks, 1997; Huckin, 1997).



This paper assumes a critical perspective from the onset because it seeks to examine and challenge underlying assumptions encoded in the advertisement and how readers and participants are positioned and thereby constructed.

Critical discourse analysts have various linguistic tools at their disposal. There are as many ways of organizing text analysis as there are critical discourse analysts. On the whole CDA uses approaches which attempt to ground text analysis in the social realities that inform its construction, production and reception and the way texts socially constitute identities.

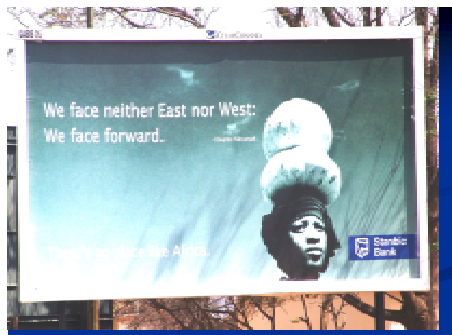
This paper examines only those specific semiotic and linguistic aspects that make up the text and those which are relevant to illustrate how power relations function and how gender identities are being constructed in this advertisement. To do this, the paper draws on the tools presented by Huckin (1997) in his paper, Critical Discourse Analysis. Huckin's (1987) model is based on Fairclough's three-dimensional framework.

The main linguistic headings which Huckin identifies are relevant for analyzing the questions the advertisement raises and for analyzing advertisements in general. The linguistic headings to be used in the analysis of the advertisement include: genre; text structure; omission; framing; foregrounding; discursive differences; back grounding; presupposition; sentence by sentence analysis; topicalization; agent-patient; deletion; insinuations; connotations; labels; metaphor; register; modality.

The paper first analyses the text as a whole, that is, the text type and genre questions, before delving into specific semiotic and linguistic features. Huckin (1997) recommends that analyzing the text as a whole, is a useful entry point into critical discourse analysis because, "this is usually where textual manipulations have their most powerful effect" (Huckin, 1997, p.4). His argument is based on the observation that readers usually do not engage in a close reading of text as an initial response to texts but rather start by focusing on the text as a whole. According to Huckin (1997) "advertisements as genre are usually immediately recognized by their use of attention grabbing language and visual aids, by the way they extol the virtues of some product or service and by their artificially personal tone-- ..." (p. 5).

In line with feminist critical discourse analysis approach to reading and specifically the idea of multiplicity of discourse, the paper acknowledges that there can never be a partial observation for any analytical approach and that this particular analysis is

shaped by sociological and ideological factors: ethnicity, race, gender, class and age.



Level one: Analysis of the text as a whole/the text structure

Examination of the text as a whole involves analyzing aspects of genre and framing of the text. At this level, the text is situated in its genre type or text structure and how the text conforms to it. In general, the organizational properties of the text are examined. Analysis here includes examining the way and the order the elements of a text are combined to constitute a text type. Fairclough (2000) argues that texts are shaped and constrained by social structure and culture. Assumptions about social relationships are built into rules and conventions governing text types. Texts can become useful means of studying systems of knowledge, and beliefs and power relations in society. Examining the text structure or text type of the advertisement might offer insights into the text's assumptions about social relationships and construction of identities.

The advertisement being analyzed appeared in a billboard and is part of a Pan African brand campaign in Botswana, in 2005. The billboard is in colour and appears in strategic places, such as along the main streets in Gaborone. It also appears in newspapers and is heard on the radio. The text is a banking advertisement and is part of a series of campaigns and is part of the first phase of the Pan African brand campaign. The brand campaign is not a typical commercial advertisement selling a specific product, but it aims to build and create a specific image and identity for the bank.

Through branding, viewers are positioned in such a way that they begin to associate the corporation with a particular and specific desired image. For example, through the use of a particular system of signification such as the colour used as the backdrop of the advertisement, green, which symbolizes earth and naturalness, Nkrumah's words and an African woman carrying a pumpkin, viewers are being positioned to associate Stanbic Bank with Africanness. Through the use of the system of signification and the unexpected use of Nkrumah's words, "We face neither East nor West: We face forward" the bank can be said to be creating for itself an African identity.

Taken in their historical and political context these words form what can be referred to as a discourse of decolonization. The use of Nkrumah's words give the text a mythical aura that helps to insert the advertisement in a political and historical

zone, even if they are several times removed from the actual context.

The image of an African woman carrying two pumpkins is imposing and draws viewer attention through its sheer size and position in the advertisement. Besides the fleeting dark clouds above her head, the image of the woman is the only other object that has prominent visibility in an advertisement that has a written text of thirteen words only. A great percentage of advertisements that use women as subjects/participants, use women with model like qualities. One distinguishing feature of this advertisement is that it uses a non-model looking woman but draws on a desexualized, traditional African woman who is carrying two pumpkins on her head. The use of a woman in a banking advertisement has many possible effects. The use of a woman carrying pumpkins, or the use of a woman, for that matter, may brand Stanbic as a bank sympathetic to the plight and struggles of African women. It can also be said that references to Nkrumah's words and to an African woman carrying pumpkins may help to brand the bank in particular ways aimed at advancing the bank as an African Bank and thus create a sense of authenticity for Stanbic bank as a 'genuine' African bank.

However, juxtaposing Nkrumah's words and the African woman has several implications. Reference to Nkrumah's words in this advertisement is a form of decontextualisation. Decontextualisation means that Nkrumah's words are cast outside of any specific setting and are deprived of their historical meaning.

Inserting a historical experience within a contemporary context produces a bricolage of sorts than can have several possible meanings. First, inclusion of Nkrumah's words in a banking advertisement can be read as a celebration of African history and politics and an attempt to invoke a significant piece of history. Nkrumah's words in this advertisement appeal to ideals of the African Renaissance, with its associations of the ascendance and revival of a giant Africa on the global scene.

At the same time, however, the juxtaposition of Nkrumah's words with banking can in fact have a devaluing effect, since Nkrumah's words are emptied of their historical, cultural and political uniqueness and significance. In addition, removing Nkrumah's words from their historical context has a commodifying effect. Commodification has a devaluing and trivializing effect.

To whom do Nkrumah's words appeal? Nkrumah's words might appeal to those readers with a political, historical and cultural memory of Nkrumah. While these words might appeal to readers with cultural knowledge, their appearance in a banking advertisement might, in fact, have a shocking effect on the very readers with such cultural knowledge. Readers might ask why these words appear in a banking advertisement and hence be alienated from the advertisement in shock and disgust. At the same time, the advertisement might potentially alienate and exclude those

viewers who do not share that cultural and historical memory of Nkrumah's words.

On the other hand, placing Nkrumah's words within a banking advertisement may allow readers to disassemble and reassemble these words in a new historical and cultural context, and thus create possible new hybrid meanings that characterise the hybridity and heterogeneity of postcolonial Africa, that is represented in naming practices, cultural activities such as songs and dance and even in architecture in urban spaces.

As already mentioned, the image of the black woman wearing a head scarf and carrying two white pumpkins can be read as part of that attempt to construct self-authenticity on the part of the bank. But this inclusion can also be part of an effort to construct visibility, voice and space for the black women. By making a black African woman the subject of a banking campaign, the advertisement succeeds in making visible what is generally invisible, and thus marks the bank as 'genuinely' African and 'progressive'.

Why pumpkins? Pumpkins are associated with farming and labour involved in their production, therefore can be read as invoking images of an agrarian Africa. This emphasis on pumpkins and head carrying through visuals may in fact have the effect of freezing Africa in a traditional past and a rural context. How the two pumpkins are balanced on the woman's head is eye catching and conjures up certain ideas about black African women's expertise, strength

and struggle at the same time. This is an image of an unhappy and burdened woman. The advertisement does not allude to the reasons for the woman's struggle and burdens, nor does it answer the question, why does she have to be strong? But she has had to be strong in the absence of male help. She has had to bear the abuse and discrimination silently for a long time. By invoking images of a strong woman, the advertisement inadvertently participates in reproducing and maintaining of stereotypical images of black African woman as strong and hardworking.

Perspective being presented (Framing)

The angle or the writer's perspective, including the relationship between the participants represented in the images, the producers of the images and the viewers may provide useful insights into social relations, how identities are constructed and how power relations are sustained. This advertisement is framed with the aid of visuals. The vast space of green forms the backdrop within which other visuals appear. The words, "We face neither East nor West: We face forward" and the image of the African woman stand out with almost ponderous intensity. It is significant that the woman is not facing the viewers but is presented at an oblique angle.

Kress and van Leeuwen (1990) argue that there is a relationship, which can be theorized among visual images, participants represented in the images and producers and consumers of the images. They identify visual contact between represented participants and viewers as a key factor in

the interpretation of visual images. They suggest that the manner in which participants gaze at the viewers can be useful for interpreting social relations between represented participants such that participants' gaze at the viewers can be interpreted as a request or 'demand. Absence of gaze can be read as an 'offer' made by the producers of the images to the viewers. Kress and van Leeuwen (1990) argue that short shots and long shots construct a close or impersonal social relation with the viewers. While a frontal angle constructs a social relation of involvement and subjectivity. It is their view that side or oblique angles create an attitude of detachment and avoidance of any subjectivity.

The angle with which the black African woman is presented in the advertisement suggests an attitude of detachment and alienation from the viewers. The viewers are not made to identify with the participant represented in the image. Also the woman's face is markedly troubled. Whether the woman is facing east or west is not clear. What is clear is that she is not facing the viewers. Could it be that her refusal to face the viewers is related to the stereotype of the quiet and timid African woman? If that is the case, the advertisement has succeeded in reproducing and maintaining the stereotype of an African woman who is silent and not assertive.

Presences and Absences

(i) Foregrounding and Back-grounding

The writer of the advertisement gives prominence and de-emphasizes, through foregrounding and back-grounding, elements in the advertisement. The words, "We face neither East nor West: We face forward" have been emphasized through the use of bold print and font size, while Kwame Nkrumah's name is in small print, and hardly readable. It is only people who have prior knowledge of these words, who can make immediate connection between the quotation and Nkrumah. It is important to ask why Nkrumah's name is not so prominent, and yet he is the speaker of the words. The fact that Nkrumah's name in small font may sell out some clues regarding the advertisement's aims. It would seem that Nkrumah's words have more significance than his name in this advertisement. But the erasure of the author erodes the contextual meaning of these words and succeeds in decontextualising them, which leads to commodification of Nkrumah's words. The question to ask is who is "we" in the words, "We face neither East nor West: We face forward"? (the pragmatics of deixis). Nkrumah spoke these words as a member of the Non-Alligned Movement in the sixties, when Africa was determined to not be aligned to either the West or East, politically. What do these words mean if they have lost their context and author?

The Stanbic logo is in white on a deep blue background. Even while it is tacked away in the corner and in small print, it makes a bold statement of its presence by introducing

a different colour blue and white on a green backdrop. The words “There is no place like Africa” appear like small print at the bottom of the advertisement and in much smaller font than Nkrumah’s words, and in white against a backdrop that fails to highlight these words. Visually the words, “There is no place like Africa” are in smaller font than Nkrumah’s words and they are hidden at the bottom of the advertisement. The question to ask is what is the significance of these words in this advertisement if they are positioned in such a way that denies them prominence? Are they not serving a commodifying purpose and also become a mere token to Africanism?

On the other hand the pumpkins the woman is carrying are fore-grounded. The pumpkin’s colour (white) and the woman’s black head scarf provide a striking contrast and help us focus attention on the load and foreground the woman as the carrier of the load, the thing that is acted on and not the agent. The light from the sun is cast on the woman’s face, focusing on her face like a camera. This has the effect of foregrounding her sadness and struggle. Her eyes slightly raised, look in the distance and not forward in line with Nkrumah’s admonition to look forward.

The head carrying can be viewed as a spectacle. It draws viewers’ attention partly because it is not a typical urban but a rural practice. It becomes subject for gaze in a new context. Through such decontextualisation, the image or the sign of the pumpkins gathers significance in and for itself more

than the “real”. The “real” is emptied of its actual reality. This emptying can lead to a trivialization of rural women’s experience.

(ii) Omission

Omission is the leaving out of certain aspects completely. It is a form of backgrounding. What is left out or omitted from this advertisement, as has already been indicated, is the relationship between Nkrumah’s words and banking and the black African woman. That relationship is not immediately clear. Apart from the Stanbic sign in the corner, nothing in the advertisement suggests that this is a banking advertisement.

Who do you ask when the picture does not supply these answers? The fact that the picture cannot supply answers to questions raised may still perpetuate an image of a silent black African woman. On the other hand, a picture is said to be worth more than words. Silence is not necessarily a weakness. This absence of any clues may actually work to perpetuate the myth of a strong and resilient silent black African woman.

(iii) Presupposition

Presupposition refers to the taken-for-granted. By using presupposition readers are positioned in contradictory zones. What is taken for granted in this advertisement is the “we” in the words, “We face neither East nor West: We face forward”. “We” can refer to the bank and at the same time the viewers or even the participants. The “we” is ambiguous in terms of its reference and its speakers and has the effect of positioning the

viewers as part of the advertisement and as belonging to the bank through its inclusivity. Further, there is nothing more about the bank, no telephone numbers, nothing else on this advertisement except the words Stanbic. There is the assumption that viewers know about this bank. The logo is self-sufficient. Reading the text, not purely as an advertisement, but as a form of branding might help the reader to understand why that kind of information has been presupposed. Brands are about marking and creating images and identity even with as little information as possible.

(iv) Discursive Differences

Discursive differences refer to different text styles. There is more than one style in this text. The advertisement sets up an interdiscursive relation with political statements and selling or marketing style. Nkrumah's words are authoritative, declarative statements which one expects in political rhetoric while the words, "There is no places like Africa," sound like words one would find in a travel magazine or tourist brochure. This mix of styles adds to the hybrid texture and tension in the advertisement.

Level two: Detailed analysis of the text at sentential level

This stage of analysis involves examining specific semiotic and linguistic features that involve a sentence-by-sentence analysis of the text. Not all sentences will be analyzed. The paper will focus only on specific sentences relevant for the analysis and the issues being examined. This level of analysis

is the textual analysis level, or the descriptive level in Fiarclough's model.

Creating Perspective

(i) Topicalisation

Just as a text can be framed, so can sentences be framed through what is called topicalisation. Topicalisation is a type of foregrounding at sentence level and not at a general level. The main sentence or topical sentence of the text is "We face neither East nor West: We face forward." The only other sentence is "There is no place like Africa." This implies that the advertisement has relied on visual effects such as colour (green and black are the dominant colours) and the image of the black African woman. The text is clearly, therefore, about creating an impression of Africaness through its visual effects and images.

(ii) Agent-patient

Sentences can also reveal power relations. This has to do with agency and subjectification. The question here is, who is doing what to whom and who is depicted as an agent? The 'we' in the topic sentence is not defined. The all-inclusive characteristics make the agent and patient unclear. The "we" could refer to the bank, Stanbic. The "we" can also be assumed to be the viewers or even the participants, the black African woman. The use of we positions viewers and participants as Africans and aligns viewers with the bank and with Africanism and Pan Africanism. It is unclear for whom these words are intended and it is also unclear what "west" and east" mean in this context. If it represents regions or blocks of countries

as it was used by Nkrumah, then Africa has a problematic choice. In a world where west and east are collapsing through globalization, the meaning of “look forward” complicates Africa’s position in relation to the West or East. Post Colonial Africa cannot simply afford to look forward, since Africa depends on both the West and East (See the growing interest of China in Africa). Africa will have to look in both directions and, in it, if it has to survive. This dilemma captures Postcolonial Africa’s identity as problematic.

“There is no place like Africa” has no clear agent. It can be easily concluded that the “we” in the topic sentence is also responsible for making the statement “There is no place like Africa”.

Omission at sentence level

(i) Deletion

The agents in “There is no place like Africa” have been deleted. Who is responsible for this belief is not announced. It is left to the reader to fill in any interpretations. Could this be an omission done on purpose? The phrase, “There is no places like Africa” is open to divergent interpretation. It could mean several things at once; poverty, crime, disease, natural resources and so on and so on. At another level, the phrase succeeds in casting Africa as unique a place and as a location to be further discovered. Read this way, the statement propels the myth of Africa as unique, and revives stereotypical views of an Edenic and pristine Africa propelled, in travel brochures.

The taken-for-granted at sentence level

(i) Presupposition

The sentence “There is no place like Africa” is highly manipulative. It succeeds in deleting agents. Such a statement is vague, and difficult to challenge, because the source is missing and lacks of precision. It adds to the ambiguity and contradictory texture of the advertisement. In addition, the sentence, “There is no places like Africa” presupposes that the reader or viewer has traveled and can make comparisons with other places. In addition, the text does not offer the reader or viewer an alternative view or option to disagree. The reader or viewer is not cast as a passive recipient of the text. Presupposition functions, in this instance, to take away power from the reader or viewer.

Double meaning

(i) Insinuations

The sentence “There is no place like Africa” can be read as insinuation. An insinuation is a statement that is slyly suggestive. In this case, the sentence “There is no place like Africa” could mean several things such as, there is no place like Africa as far as disease is concerned, as far as poverty and war are concerned. It could mean almost anything. Insinuations are difficult to challenge. The writer can claim one meaning and yet the sentence conjures up many interpretations. The writer of the advertisement can, in fact, deny any culpability. The lack of a consistent message regarding the sentence succeeds in taking away power from the viewers

(ii) Connotations

As already indicated above, the sentence “There is no place like Africa” carries several connotations, among which are, Africa’s uniqueness and Africa’s poverty and problems. In addition casting Africa as a unique place succeeds in mythologizing Africa and setting up Africa as a spectacle, emptied of content and context.

Level three: contextualized interpretation of the advertisement

Analysis cannot stop with charting the internal linguistic structures and rhetorical patterns of text and image; it should interrogate the values and ideologies that inform the text, that is, the ways in which the external contexts of production and reception shape the text. And so the paper will attempt to analyze the social conditions which govern the processes of production and consumption. A full discussion of the text should take into consideration, the socio-cultural context surrounding it. This could include the following: social conditions of production, which include the writers of the advertisement and positioning of the billboard.

The writers

The advertisement was created by an agency in South Africa. It is interesting that South Africa served as a distributing centre. From the interview conducted with a public relations officer in Gaborone, it seems that Botswana, the consumers of the advertisement, had no influence in the production and even the distribution of the brand campaign advertisement. The concept behind the brand campaign originated from South Africa.

The introductory words in a Stanbic Diary 2005 explain this context further. “The Standard Bank Group, recognizing the strategic importance of trade and investment between South Africa and the region, has over the past 16 years, substantially increased its presence on the African continent.” This statement can be analyzed for the binaries it sets up and this understanding might help in exploring the politics of production and distribution of this advertisement. South Africa is set apart from the region. South Africa is set as a centre and Southern Africa Development Community (SADC) states and the rest of Africa, are the periphery or margin zones. This thinking, that South Africa is not a part of Africa, explains several things regarding this advertisement. One can theorize a centre-margin matrix here, which explains why the advertisement is created in South Africa, the centre. There is a fascination with Africa and the myth of a pristine Africa, as expressed in “There is no place like Africa.”

In his *Orientalism*, Said (1978) defines Western fascination with the “other” as an example of western motivation to dominate Eastern society. It is a desire to dominate the exotic and to portray it as the “other”. Orientalism is a thinking that divides the world into two frontiers, the Orient (East) and the Occident (West) in which the West always dominates. This is an idea based on the belief that a superior cultural system exists, which the West presents to the Oriental world. Orientalism is therefore not only a constructed image of the “Other” but also a means by which the West exerts domination over the East. Conceptions of

the Orient became justifications for the West to take control of the Oriental. Besides control, the images of the “Other” fuel stereotypes. Drawing on the notion of Orientalism, the advertisement, particularly its emphasis on Africa and on the African woman, can be read as need to dominate the “Other” and the need for fetishes.

South Africa boasts of a strong economy and ‘stable’ democracy. South Africa prides itself as the super power of Africa. Analysis of this advertisement reminds one that questions of power are never far in South Africa’s relations with its perceived “Others”.

Another explanation for South Africa’s fascination with images of Africaness may stem from South Africa’s frantic search for an identity. South Africa, having come out of apartheid, must now carve for herself an authentic identity that unites it with the rest of Africa. Recently, South Africa has been on the forefront in supporting the African Renaissance movement. South African president, Thabo Mbeki’s famous statement: “I am an African” may be useful in explaining South Africa’s quest for an African identity and therefore South African’s fascination with issues of African cultural identity.

Investigations into the composition of directorship reveal that Stanbic Bank is essentially a white-owned bank. The answers to the question, what might be the function of the images of Africa, the typical African woman and Nkrumah mean, or connote, may lead to new areas for research. Critical discourse analysis might be a useful research tool for exploring these questions.

Conclusion

The paper employed Critical Discourse Analysis to uncover assumptions about Africa and black African women as portrayed in the Stanbic Bank Pan African advertisement. The advertisement’s representation of difference or the “other”; works much through what is and, as much as through what is not shown. On the surface, the advertisement appears to promote and identify with “Africaness” through its references to Nkrumah and the black African woman image. It can be argued that the advertisement is unsuccessful in its attempts to entrench itself as an African bank. Rather it succeeds in reproducing and sustaining myths and stereotypes about Africa, about black African women; and about the constructed other.

The Pan African brand campaign would have been successful had the creators of the advertisement avoided commodification and trivialisation of African images and content through decontextualisation. This could be achieved by defining Pan Africanism and by identifying the relevance of Pan Africanism, for viewers or readers who have no historical, cultural and political memory of Nkrumah. When viewers are in the know, alienation is minimized and active engagement is promoted. In addition, the creators of the brand campaign could have made connections between images and text clearer, at least. When viewers are able to make connections between images and words, viewers feel empowered to engage with the advertisement and participate more actively.

REFERENCES

- Bakhtin, M. (1981). *The dialogic imagination*. (M. Holquist, Ed., C. Emerson & M. Holquist, Trans.). Austin: University of Texas Press.
- Fairclough, N. (1989) *Language and power*. London: Longman .
- Fairclough, N. (1992). *Discourse and social change*. Cambridge: Polity Press.
- Fairclough , N. (1995). *Media discourse*. London: Edward Arnold.
- Fairclough, N. (2000). *Language and power*. New York: Longman.
- Fairclough, Norman (2003). *Analyzing discourse: Textual analysis for social research*. London and New York: Routledge.
- Fairclough, N. (2004). Semiotic aspects of social transformation and learning. In R. Rogers (Ed.), *An introduction to critical discourse analysis in education* (pp. 225-235). Mahwah, New Jersey: Lawrence Erlbaum.
- Foucault, M. (1982) The subject and power. *Critical Inquiry*, 8, (4), 777-795.
- Goffman E (1979). *Gender advertisements*. New York: Harper & Row, Publishers, Inc.
- Huckin, T. N. (1997). Critical discourse analysis. In T. Miller (Ed.), *Functional approaches to written text*. Accessed March 6, 2003 from http://exchanges.state.gov/education/engteaching/pubs/BR/functionalsec3_6.htm
- Janks, H. (1997) 'Critical discourse analysis as a research tool', *Discourse: Studies in the cultural politics of education* 18 (3), 329-342.
- Janks, H. (2002) 'Critical literacy: beyond reason'. *Australian Educational Researcher*, 29 (1), 7-27.
- Kress, G. & van Leeuwen, T. (1990). *Reading images*. Geelong, Victoria: Deakin University Press.
- Lazar, M. M. (2005). Feminist CDA as political perspective and praxis. In M. M. Lazar (Ed.), *Feminist critical discourse analysis: Gender, power and ideology and discourse* (pp.1-28). Basingstoke: Palgrave Macmillan.
- Luke, A. (1996). Text and discourse in education: An introduction to critical discourse analysis. *Review of Research in Education*, 21, 3-48.
- Olivier, B. (2003). Tarzan-myth and/or critique. In C. von Maltzan (Ed.), *Africa and Europe: En/Countering myths: Essays on Literature and cultural politics* (pp 65-76). Frankfurt: Peter Lang.
- Report of the first conference of intellectuals of Africa and the Diaspora (6-9 October, 2004). *First conference of intellectuals of Africa and the Diaspora*. Dakar: Senegal
- Said E. W (1978). *Orientalism*, New York: Pantheon Books.
- Stanbic Bank (2005). *Diary 2005*. Stanbic. South Africa.
- van Dijk (1985). (Ed.). *The handbook of discourse analysis*. London: Academic Press.
- Widdowson, H.G. 2004. *Text, Context, Pretext: Critical issues in discourse analysis*. Oxford: Blackwell.
- Wodak, R. (1996). *Disorders of discourse*. London and New York: Longman.

CORPORATE SOCIAL RESPONSIBILITY – A STRATEGIC IMPERATIVE FOR SUSTAINABLE GROWTH

Filomina P. George

School of Communication and Management Studies

Prathap Nagar, Muttom, Aluva, India

ABSTRACT:

In this era of competitiveness, business firms are under continued pressure to play a role in social issues as they strive to be good corporate citizens. Corporate have come to be harbingers on *Social Responsibility*. For many firms Social Responsibility is not just a philanthropic process but it has become a way of carrying out business process. Is it evolving as a *strategic imperative* for transforming firms to appear as socially responsible citizens in the interest of its sustained long term growth? How do Indian firms measure up? The paper discusses these issues with respect to select Indian companies.

Key words: *Corporate Social Responsibility, Strategic imperative, sustainable growth.*

Introduction

What is Corporate Responsibility?

Contemporary corporate literature is abounding with citation on defining corporate social responsibility (CSR). CSR is all about the philanthropy of giving back to the society. While the concept of CSR is widely accepted, there is no single, universally accepted definition of CSR. In generic terms, it refers to business decision-making linked to ethical values, compliance with legal instruments, and respect for people, communities and the environment. Business for Social Responsibility (BSR) defines CSR as "operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business." In this context, CSR refers to companies conducting business in a manner mindful of the impact of their business practices on various

stakeholders, which include employees, shareholders, investors, suppliers, consumers, regulators etc. CSR therefore envisages integrating social and environmental concerns in their voluntary interaction with stakeholders and may involve investment in community outreach, employee relations, creation and maintenance of employment, environmental stewardship and financial performance.

Four Distinct Types of CSR can be identified:

Good management - companies closely associated with a strong commitment to good causes that benefit their employees and society at large while aiming to improve the companies' bottom line,

Borrowed virtues - activities such as corporate philanthropy, financed out of corporate profit, which it considers morally

dubious when undertaken by corporate management, which is supposedly the custodian of shareholders' financial interests,

Delusional activities - by mere provision of them through a CSR establishment (e.g. dedicated CSR staff,) with no much commitment neither beneficial to the company nor the society, and

Pernicious CSR activities - by offering above market conditions which indirectly compels others to follow similar practices.

Two Extreme Views and a Third Dimension

There are two extreme views on CSR which are diametrically opposite. One is that firms should use their resources selflessly for society's benefit in which society comes first and the other extreme, propounded by Nobel Laureate Milton Friedman, which argues that the social responsibility of business is to increase profits. It is outside the business of corporations to expend the resources of its shareholders. In his own words, Milton Friedman himself makes the point, "there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud." If the goal of a company is to make profits, the goal of a CSR, run by a company, is to increase its profits, one way or other. It could be by assuring quality of supply of its raw materials, securing its interests or simply increasing goodwill or brand

awareness. In doing so, it does something that benefits society at large.

Michael E. Porter added a new dimension to these views by stressing that the economic objectives of the corporate should not be isolated from the social context. According to Porter corporate can leverage their capabilities and relationship strategically and improve the competitive context and the long term business prospects. Porter's theory is more apt in the context of modern business environment where corporate business objectives and corporate philanthropy go hand in hand for the long-term sustainability of business enterprises. For example ITC sells cigarettes, but does not ask people to choose smoking and appear to be good citizen by complying to the rules of business and it becomes an acclaimed corporate citizen through its *e-choupal* which has gained global recognition as exemplar model of CSR.

This approach would require adopting context oriented strategies focussing on

- investing in factors (human capital and infrastructure) that improve productivity,
- developing the comparative advantage and expanding the market
- crafting competitive strategy
- managing information and knowledge management

Old Wine in New Bottle

The origin of the first ethical model of corporate responsibility lies in the pioneering efforts of 19th century corporate philanthropists such as the Cadbury

brothers in England and the Tata family in India.

The nineteen eighties brought the stakeholder (Edward Freeman 1984) point of view into the mainstream of corporate arena whereby the corporate interest had to take care of a wider circle of stake holders than mere shareholders. This included customers, workers, lenders and the like as interested parties to the affairs of the corporate along with the shareholders. The corporate objectives began to be restated and if observed diligently corporate policies and actions would take good care of the society in wider circle.

Later the philosophy of CSR in most companies became “a borrowed virtue.” There were many companies who thought in the Friedman way, which firmly believed the responsibility of business was to make profit. And companies’ responsibilities were solely to the shareholders and it would be sufficient to generate wealth legally taking care of the economic bottom line. The corporate contribution by way of taxation and private charitable choices (mainly for tax avoidance) was directed for social needs. With the mushrooming of private enterprises small and large alike, profit maximization was at the core of business objectives. With competition hotting-up activities such as provision of housing, medical facilities and other welfare schemes were perceived as avoidable costs and became a *social cost*. With the market economy setting in, the *bone of contention* became the *Cost to the Company* (CTC) than

Benefits to the employee. So in the new age corporate philosophy, there was no much room for being socially responsible from the workers’ perspective. The commercial viability of business could not provide any room for expending money outside the enterprise. Many of the cost reduction programmes axed the so called social benefits. Between the two extremities, corporate lost their vision about their responsibility to society.

With the advent of the multinationals and with the onslaught of globalization *the style and structure* of CSR changed. Corporate wanted to appear to be *socially responsible* to a reportable scale for different reasons in the context of global transformation of market environment and deepening of competition, either by their desire for global acceptance or for fear of their *empowered customers*. In the urge of trying to look globally acceptable some business enterprises engaged themselves in ‘delusional’ and ‘pernicious’ CSR activities. In the new light of things CSR has become an important agenda in the corporate reporting.

Reportable CSR

What has been all along part of the corporate well being now comes under scan, for it is on the list of claims companies would make as part of their *Corporate Social Responsibility*. CSR has started receiving an important place in Corporate Annual Reports and reportable CSR encompasses corporate actions in the areas of providing health, education, quality of life, environment protection etc. Disclosures,

whether voluntary or regulated, increase transparency and credibility for all companies extending business ethics to extra-corporate issues; and as a result many companies now seek to at least appear dedicated to one or another version of CSR.. CSR has now emerged as a paradigm of corporate image and an indicator of good corporate governance. By reporting the accountability through commitments to CSR, many companies hope to send positive signals about corporate behaviour to their existing and prospective stakeholders. Meanwhile, ISO has begun its work to develop an international CSR standard, which will sit alongside other voluntary standards like the ISO9000 and ISO14000 series upon its completion by 2007.

The Modern CSR - the Strategist

In their famous article 'Strategy and Society - the link between competitive advantage and corporate social responsibility,' Michael E Porter and Mark R Kramer (*Harvard Business Review, December 2006*) propose a fundamentally new way to look at the relationship between society and business. According to them, corporate growth and social welfare should not be treated as a zero sum game. Perceiving social responsibility as an opportunity, individual companies should identify social consequences of their actions and leverage them to the benefit of society and thus strengthen the competitive context.

This concept of CSR focuses more directly on day to day business practices which will evolve into long term and sustainable

growth. By definition, business practices that adhere to the principles of corporate responsibility and sustainable development must take the long and multidimensional view of their outcomes. That is, they must manage for *both* private returns and societal returns, and do so with the view that the company will remain a growing concern for the indefinite future. This entails to a commitment to inter-generational responsibility, equitable development and environmental stewardship, the key building blocks of corporate responsibility as well as sustainability. At the same time, company strategy, policy and practices are trumped by short-term interests. To remain competitive, companies must continually improve productivity, create or import better technologies, and periodically reassess their business models.

Many businesses are learning that they are able to increase their profits by adapting models that empower consumers and workers while reducing environmental degradation. By integrating socially responsible principles into their corporate strategies, companies have been able to make impressive financial gains while improving the communities in which they operate.

Changing Perceptions and Expectations on CSR

A study conducted by ORG-MARG in 2001 covering several cities in India brought to light the perception and expectations on CSR amongst three sets of stakeholders- the

general public, workers and the corporate executives revealed

- that generally people believed that companies should be actively engaged in social matters,
- that majority of them felt that it was the primary duty of the companies to provide goods and services at economic prices, to operate in an environment-friendly manner, to treat employees fairly without discrimination, and apply standards which were globally relevant and be responsible for bridging the gap between the rich and the poor. Companies should be held responsible for roles over which they have direct control and that
- companies should be held responsible for roles over which they had direct control and should be responsible for bridging the gap between the rich and the poor.

CSR, therefore, should be reflective of the growing expectations of the society and the evolving role of companies in responding to the growing environmental, social and economic challenges.

Corporate Social Responsibility in India

CSR is not an entirely new phenomenon in India. The roots of CSR in India can be traced with the TATAS who believed that “in a free enterprise, the community is not just another stakeholder in business, but in fact, the very purpose of its existence” (J.N. Tata). The pressure on Indian industrialists to demonstrate their commitment to social development increased during the

independence movement, when Mahatma Gandhi developed the notion of trusteeship, whereby owners of property would voluntarily manage their wealth on behalf the people. Gandhi influenced Indian companies to play an active role in *nation building*. The government also facilitated an enabling environment by providing many incentives for putting up industries in backward areas which became the natural route of entrusting social responsibility with the corporate. As the communities around such business units were largely made of their employees, social development occurred not necessarily as a philanthropic intent but as part of the natural course of action of corporate employee engagement measures. Elements of social responsibility especially relating to workers were embedded in labour laws and management principles of the country.

The development of CSR as a corporate philosophy has come along as part of the evolutionary process and as a progeny of the industrial growth in India. It has now reached a strategy level. In its early incarnation, CSR often had strong religious and philanthropic flair, whereby individual companies engaged themselves in initiatives to further the interests of workers, the general community and the environment. It was common for Indian companies especially in the public sector to develop townships along side their industry units to house and take care of their employees. The amenities like healthcare clinics and hospitals, educational institutions came up as part of

the employee *welfare* which in effect was creating a *cared for* society.

Private business houses like TATAS were not behind; in fact they were way ahead of times. JRD TATA the visionary imbibed this responsibility even as early as 1907 by envisioning beautiful townships which have since developed into *steel cities* around the various steel plants providing world recognized amenities of life. Jamshedpur was India's first planned industrial township. India has to its credit many townships, of this nature including the ones being developed in Jamnagar (Reliance Industries), are being built as part of establishing the business process. This type of CSR goes with the traditional approach limited to the society around these business units, which are indeed part of the *good management* practice, with strong commitment to good causes that benefit the employees and society while aiming to improve the company's bottom line.

What are the key drivers of CSR?

Three major aspects which have acted as the key drivers of CSR can be identified. Firstly, the Core Value systems by which the firm feels responsible not only for Wealth creation but also for Social and Environmental good. Secondly, CSR is considered as the key to strategic development of a Company. Lastly, Public Pressure from Consumers, Media, State, Public bodies forms the key driver, pressing companies to be more socially responsible.

A number of factors have over the years shaped the development of CSR in India as well. Among such factors, globalization, trade liberalization, increased size and influence of companies, repositioning of Government and its roles, increased importance of intangible assets, changing value expectations of citizens, increasing competition for excellence and expertise, growing use of international supply chains and supplier codes, especially by MNCs, have helped to articulate social norms of acceptable corporate conduct in all jurisdictions where companies do business.

Traditionally CSR in India has been a paternalistic philanthropy by way of extending financial supports to schools, hospitals and other social institutions. With growing globalization, Corporate Social Responsibility (CSR) has been increasing in importance as it helps organizations to improve their relationships with local communities, increase brand value, and build a good corporate image for themselves. The socio-economic developmental activities undertaken by companies increase the purchasing power of the community, leading to an expansion in their market size. Over the years, CSR has evolved to be a business necessity. In the challenging business context, Indian corporate involvement in socially relevant objectives has become equally essential along with managing the core competency of each business. CSR has now become an all pervasive business complement of any forward looking business venture. While the government is mandating social objectives through its various

planning processes named under various *Yojanas and Social Charters*, it becomes the duty of any responsible corporate citizen to take care of the sustainability of its business context/environment. Since the 1990s, CSR has flourished as a major corporate trend. Many an Indian corporate have come to recognize the importance of being a responsible corporate citizen and have started vowing to follow best industry practices and placing the core values of honesty, integrity and fairness etc. at the centre of their relationship with customers and stakeholders. A variety of initiatives is recognized by Indian companies such as WIPRO, Infosys, Nestle etc focusing on education and community development., rural health and development, women empowerment and upliftment others like Wockhardt, Glaxosmithkline, Modicare etc, concentrate on healthcare, support for HIV infected, companies etc are some other focus areas .

As of now CSR has breached the contours of social philanthropy and traversed into the arena of business strategy for sustainable growth. The Indian corporate in their urge to become globally competitive and relevant have taken the CSR route to get on to the bandwagon. While to some, it is a matter of compliance to the prescriptions from Government and regulatory authorities like SEBI, to many others it has become a corporate philosophy. A good number of them have leveraged CSR and articulated it into business strategies for growth. This is quite the philosophy which is embodied in the following message from the minister of

commerce and industry *"If trade and commerce - and by extension, business and industry - is not sensitive to its social and environmental contexts, it will not be sustainable. And if it is not sustainable, it will collapse."*

The story of *India Incorporate* is abounding with examples of different types of CSR indulgence. The story of three business units from "Corporate India" is taken for illustrative purposes. In the forthcoming section we shall discuss the philosophies and practices of CSR by these companies.

TATA STEEL

From being incorporated in 1907 to 1912, when steel was first made, and to the present day, Tata Steel has come a long way creating milestones, pioneering labor and social welfare. Today, the company has become the 6th largest steel producer in the world expanding its presence to different geographies. Apart from the main steel division, Tata Steel's operations are grouped under strategic profit centers like tubes, growth shop (for its steel plant and material handling equipment), bearings, ferro alloys and minerals, rings, agrico and wires.

Tata Steel is one of the few Indian companies which has gained social recognition within India unto the core and also at global level. It has also been conferred with various awards and recognitions including the prestigious *Global Business Coalition Award (GBC) for Business Excellence in the Community* in view of its outstanding work in the field of HIV / AIDS awareness. The steel major has

repeatedly won many accolades for CSR. viz. the Prime Minister's Trophy, the Outstanding Corporate Citizen Award from *The Economic Times*, the Industry award for Rural Initiatives, the Corporate Social Responsiveness Award from *Business World* and Compaq etc.

The story of Tata Steel and Jamshedpur is more than the story of an industry and a township that grew around it. It is a story of vision of a man and how the vision is being transformed into a tradition, and how the tradition was institutionalized with a policy framework that was tailor-made for facilitation of the desired objectives. It a continuation of generations of people with a mission; the story of an industrious effort to create resources for a nation and wealth for shareholders and stakeholders alike; the story of an industrial enterprise's sincere and sustained endeavor to serve the community within which it exists. The underlying theme of this great story is its commitment to society right from day one (1907) when the company was instituted by J.R.D.TATA. "*Let industry established in the countryside 'adopt' the villages in its neighborhood ...it is also clearly in the interests of industry that surrounding areas should be healthy, prosperous and peaceful.*" was what J.R.D Tata's (Chairman, Tata Group 1938- 1993) vision of the responsibility of the corporate to society. It is with this vision and humanistic strategy that the company has dared to dream and establish its forceful presence in the global steel market and the story of how a hundred-year-old company can be the pivot around which the lives of around 1.2 million people

who live in and around Jamshedpur revolve. When the Tatas first came to Sakchi (which is now part of Jamshedpur), it was a harsh and demanding environment that yielded a meagre living to its tribal inhabitants. Within a few years of their arrival, the Tatas succeeded in transforming the bush land into a well-designed, clean, green and beautiful township that is Jamshedpur. Today, Jamshedpur, with its civic and social infrastructure, is one of the most proper to live cities in the country. It is the only city in South East Asia that has been selected by the United Nations to participate in the Global Compact Cities Pilot Programme. The TATAS *steel kingdom strategy* is one which merits in the first category of CSR which focuses on *good management* of its human capital and infrastructure.

Corporate townships in India have grown to be like a community where people live, work and socialize together. Villages and small towns grow around the township to provide services to the area. The township also attracts a significant mobile population like contract workers, truckers, etc. This provides an opportunity to reach out to the extended community in a concentrated and sustained manner. There is more to the building of steel cities. The care for the society which TATAs have pursued with missionary zeal has really helped them It has also been able to tide over times of tribulation and to sustain its name as a nation builder as a policy, the company has endeavored to ensure that the professional, material and social aspirations of its employees are met. Living quality of very

high standards for its employees is a focus area for the company even as all of them – and others who live in Jamshedpur – have access to quality healthcare provided by the company. As part of its Corporate Social Responsibility (CSR) initiatives, Tata Steel has reached out to the community at large, especially in rural areas beyond the periphery of Jamshedpur. The company's CSR initiatives are spread across diverse areas such as employee welfare, economic development of the rural poor, environment management, healthcare & childcare, education, sports & adventure, relief during natural calamities, arts and culture and social welfare. Amazingly this paternalistic company has also emerged as the *lowest-cost producer* of steel in the world (since 2001). *TATA's humane corporate strategy built on trust* seems to put Friedman's theory of profit on reverse gear.

ITC

Born as a smoking company with British origin ITC (the Indian (Imperial) Tobacco Company) has been making tall claims on its social responsibility. Indeed it is a living example of how crafting corporate strategy in a socially responsible language can entail sustainability and development. ITC's *e-Choupal* and social forestry programmes represent just two of the stellar examples of this philosophy in action.

ITC has been constantly making efforts to de-emphasize its tobacco business. Its corporate strategy focused on creating multiple avenues of growth based on its core competencies. In line with this strategy,

ITC's diverse strengths were being leveraged across three product groups - Lifestyle Retailing, Greeting Cards and Gifts and Branded Packaged Foods. The company aimed at generating 40 percent of its total revenues from such diversified businesses.

While making money through smoking the company has effectively managed to win the hearts of rural India through its well designed '*e-Choupal*' by technologically empowering the farmers. This strategy is a perfect blend of *business process* and *social context* which has been able to leverage from both ends of the supply chain very effectively. ITC's '*e-Choupal*' initiative is enabling Indian agriculture significantly enhance its competitiveness by empowering Indian farmers through the power of the Internet. This transformational strategy has put to context the otherwise "injurious to health" manufacturer as a socially relevant and valuable company which able to sustain and survive through diversification, yet maintain about 60 percent of its revenue sources from cigarette business. It is nothing but explicit expressions how corporate have felt the need to be socially relevant to survive in the modern world. ITC has envisioned being able to "to sustain its position as one of India's most valuable corporation through world-class performance, creating growing value for the Indian economy and the Company's stakeholders." This is the statement of commitment in the area of economic performance as it is encapsulated in its Vision statement.

ITC, as a premier 'Indian' enterprise, consciously exercises the strategic choice of contributing to and securing the competitiveness of the entire value chain of which it is a part. This philosophy, has shaped the company's approach to business into '*a commitment beyond the market*' by putting "citizens first" and thus become an exemplar of *triple bottom line*, namely, augmentation of economic, ecological and social capital.

The company sees no conflict between the twin goals of shareholder value enhancement and societal value creation. ITC recognizes that the challenge lies in fashioning a corporate strategy that enables realisation of these goals in a mutually reinforcing and synergistic manner. It has proved itself to the dictum that CSR is a strategic imperative to sustainable growth by entering the heart of people's choice both rural and urban alike. In the context on emerging retail boom ITC's Social Development Initiatives is bent on Web-enabling 10 million farmers through 20,000 e-Choupals in 100,000 villages, transforming at least 1,00,000 hectares of wastelands into productive and revenue-generating assets for the poor, creating at least 10,000 women entrepreneurs with a sustainable source of supplementary incomes etc should augur well in reaching further into rural India seeking the "fortune at the bottom of the pyramid"(C.K.Prahalad).

ONGC

ONGC's origin can be traced to the mid-1950s. Till 1955, exploration for hydrocarbon

resources within the country's boundaries was mainly undertaken by private oil companies like Assam Oil Company, Burmah Oil Company (both of which operated in Assam), and the Indo-Stanvac Petroleum project (in West Bengal). In 1955, the GOI decided to undertake exploration and production activities for oil and natural gas resources in different regions of the country. After passing through several institutional status (commission, directorate etc.) and strategic transformations, it was in 1993, the Oil and Natural Gas Commission was converted into a public limited company, ONGC Ltd., under the Company's Act, 1956. This is the genesis of a company which was born out of planned national breeding to take care of. Anyone would expect such accompany to be naturally socially responsible and no doubt it has embodied such an agenda in its statement of philosophy on CSR.

The mission of ONGC stated that the company would have an "abiding commitment to health, safety, and environment to enrich quality of community life." And this mission is being reflected in its CSR activities. Since its inception, ONGC had regularly contributed to various CSR initiatives in the areas of health, education, infrastructure, and culture. CSR at ONGC began as a philanthropic activity where the company contributed to several socio-economic developmental programs like building schools and hospitals, developing agriculture and cottage industry, building infrastructure facilities, etc., around its areas of operation on an ad hoc basis.

In 2004, it drafted a Corporate Citizenship Policy - a written guideline which was to provide a direction to the company's CSR initiatives. At the operational level these initiatives endeavour to promote community projects selected on the following parameters in the focus areas:

- Shared contribution by the Corporation and the community;
- Sustainable impact of the project on the well-being of the community; and
- Process credibility to enhance the corporate image
- Supporting national causes in the focus areas, and
- Creating enduring Values, Satisfactions and Recognitions

At the corporate level, it participates in disaster relief management in times of cyclone, earthquake, tsunami etc., by undertaking reconstruction, rehabilitation and restoration work. *ONGC is committed to allocate 0.75% of net profit of the year towards socio-economic development programmes. And at the Work Centre Level, it takes care of Education especially InfoTech, Healthcare including drinking water and various Entrepreneurship schemes. It is committed to the enforcement of the Water Management Projects such as project saraswati to provide sustainable solution to Ground Water Resource Management in North West Rajasthan in collaboration with state level national level water authorities. Carrying forward the vision espoused by Dr. A. P. J Abdul Kalam the company is involved in PURA (Providing Urban Amenities to Rural*

Areas) project to set up 50,000 PURA centres across six lakhs villages with priority to rural / tribal areas is also a similar initiative are aimed to create four types of connectivity: physical, electronic, knowledge and economic and to bridge urban-rural gap through balanced socio-economic development. Surely ONGC's recognition as a member of United Nations Global Compact Programme and ONGC is also a founder member of Global Compact Society India Global Compact. There is no derth of accolades and awards for this corporate giant too. ONGC conferred Golden Peacock Award for corporate social responsibility, 'Golden Jubilee Award for Corporate Social Responsibility in Emerging Economies - 2006,' during the 7th International Conference on Corporate Governance held at London. ONGC's commendable contribution in the sphere of Corporate Social Responsibility was instrumental in getting the award. The Company continuously contributes to socio-economic development programs, bringing in sustainable improvements in the spheres of Health, Education, Infrastructure, Culture, Sports in the social sector and entrepreneurial development in the industrial sector.

Thus CSR in India is no different from CSR in the developed countries. India with its specific challenges, corporate are joining the national agenda for *inclusive growth* and many are strategically leveraging it to the business benefit for building images or recreating a social status. Yet there are many businesses in India which do not have a clear policy on social responsibility. With the government mandates and global

requirements may be in the future, CSR in India would become more than a voluntary exercise. In a conference 'Implementing CSR as a Business Strategy - A Roadmap for Effective and Sustainable Penetration' organized by the Confederation of Indian Industry (CII) in December 2005, the possibility of a company reporting its CSR activities along with its financial reports was discussed. Many of India's "Best Companies" small and large have already started doing it.

Conclusion

The concept of CSR is underpinned by the idea that corporations can no longer act as isolated economic entities operating in detachment from broader society. It is increasingly becoming part of the international performance reporting and is recognized as part of good corporate governance. Typically forward looking and growth-oriented companies are finding a business justification for corporate responsibility. The premise that CSR *measures that are good for the environment or societal interests can also be good for a company's financial performance* is being testified by companies like ITC, TATAS, ONGC etc as they have been able to add value to their triple bottom lines.

Economic growth will translate into sustainable development only when it is inclusive, creating the capacity to consume among those living at the margin - the lion's share of whom are in rural India. Equally, sustainable development will be achieved only when environmental capital is enriched. A high level of community involvement

creates long term enduring partnerships that contribute to creating a stable environment for its operations. *'Implementing CSR as a Business Strategy'* as a *roadmap for effective and sustainable penetration'* is already an agenda put forward by the Confederation of Indian Industry. With so many challenges like continuing deforestation, increasing levels of air and water pollution, the remorseless increase in the quantum of wastelands and the rising demand for fossil, depleting energy resources etc, across the country, opportunities are plenty for corporate to embark on many a social initiatives relevant to their business context and craft effective strategies ranging from employee engagement to product positioning, building brand image and market expansion. At the macro level this would mean *inclusive growth*, which in turn is identified as one of the key solutions of taking India to its dream of being a developed nation by year 2020. In the words of Prime Minister, Dr Manmohan Singh *"Indian industry must rise to the challenge of making our growth processes both efficient and inclusive. This is our endeavor in Government. It will have to be yours too and I seek your partnership in making a success of this giant national enterprise. If those who are better off do not act in a more socially responsible manner, our growth process may be at risk, our polity may become anarchic and our society may get further divided. I invite corporate India to be a partner in making ours a more humane and just society."* This is the call of the nation.

References

"Annual Reports of ITC Ltd." Tata Steel, Infosys, ONGC.

Baron, David, P. "Corporate Social Responsibility and Social Entrepreneurship." *Journal of Economics and Management Strategy*. Vol.16, Issue 3, 683-717, 35, Sep., 2007.

Contracts Iyer, Arun. "The Missing Dynamic: Corporations, Individuals and Journal of Business Ethics." Vol.67 Issue 4, 393-406, Sep., 2006.

Estache, Antonio. "Accounting for Poverty in Infrastructure Reform: Learning from Latin America's Experience." The World Bank Washington, DC: 2001.

Gunther, Marc, Fortune. "Money and Morals at GE." Vol.150 Issue 10, 176-182, 5, 7c, November 15 2004.

López, M., García, Arminda, Rodríguez, Lazaro. "Sustainable ethics, Development and Corporate Performance: A Study Based on the Dow Jones Sustainability Index." *Journal of Business*. Vol.75 Issue 3, 285-300, 16, Dec., 2006.

Michael, E. Porter. and Mark, R. Kramer. "*Strategy and Society*": The Link between Competitive Advantage and Corporate Social Responsibility." *Harvard Business Review*. December 2006.

Perrini, Francesco, Russo, Angeloantonio, Tencati, Antonio. "CSR Strategies of SMEs and Large Firms. Evidence from Italy." *Journal of Business Ethics*. Vol.74 Issue 3, 285-300, 16, Oct., 2007.

Tom, Canon. *Corporate Responsibility*. Pitman Publishing, 1994.

Websites

<http://www.IndianNGOS.com>.

www.ebscohost.com.

TQM STRATEGIES AND HEALTH CARE DELIVERIES: LESSONS FROM NIGERIA

Olawale Ibrahim Olateju

Department of Business Administration and Management Technology
Lagos State University, Lagos, Nigeria.

Raheem Olasupo Akewushola

Department of Business Administration and Management Technology
Lagos State University, Lagos, Nigeria.

Oludare Tolulope Adeyemi

Dimension Consult Limited, Lagos, Nigeria

ABSTRACT

We examine the TQM Strategies and health care delivery in Nigeria, and the various means of measuring service quality. Nigeria continues to suffer outbreaks of various diseases cholera, malaria, cerebrospinal meningitis, measles, yellow fever, Bird flu e.t.c., all these diseases combine to cause high morbidity and mortality in the population. To assess the situation this paper looks at the relevant indicators like Annual Budgets by Government, Individual's income, the role of Nigerian Medical Association (NMA) and various health care agencies vested with the sole responsibility for elaborating standards for products and processes in Health care Delivery .

The paper also examines the implication of Government Budget estimates on the Life expectancy of an average Nigerian. The findings necessitated the need for the government to seek support from WHO to assist in strengthening the health care system by advocating and providing technical support to health sector reforms.

Keywords: Health, quality, hospital, clinic, sanitation, mortality, malnutrition, poverty, medicine.

1. Introduction

The organization of health services in Nigeria is pluralistic and complex. It includes a wide range of providers in both the public and private sectors: private for profit providers, NGOs, community-based organizations, religious and traditional care providers. The National Health Policy (1998) is based on the national philosophy of social

justice and equity. Primary Health Care (PHC) is the cornerstone of the health system. The policy provides for a health system with three levels: primary, secondary and tertiary. The policy also spells out the functions of each tier of government and provides for the establishment of the advisory National Council on Health chaired by the Federal Minister of Health (the

Minister of State for Health and State Commissioners of Health are members). Other organs set up by the policy include the State Health Advisory Committees and Local Government Health Committees. Their potential has not yet been fully realized. As part of the health sector reform process, there is a need to review the functions of these organs in order to maximize their use. According to the National Health Policy, the federal government is responsible for policy formulation, strategic guidance, coordination, supervision, monitoring and evaluation at all levels. It also has operational responsibility for disease surveillance, essential drugs supply and vaccine management. In addition, it provides specialized health care services at tertiary health institutions (university teaching hospitals and federal medical centres). These serve as referral institutions for the secondary health facilities. At the lower level, the states and LGAs share responsibility for health care. States largely operate secondary health facilities (general hospitals and comprehensive health centres), providing mostly secondary care and serving as referral level for the LGAs which provide the essential elements of PHC. Operationally, the decentralized health structures of the federal government are in the states, while those of states are in the LGAs. Some states build and operate tertiary facilities or specialist hospitals. While the federal government is responsible for the management of teaching hospitals and medical schools for the training of doctors, the states are responsible for

training nurses, midwives and community health extension workers (CHEWs). The LGAs provide basic health services and manage the PHC facilities which are normally the first contact with the health system. Some parastatals exist within the health system. The National Agency for Food and Drug Administration and Control (NAFDAC), National Primary Health Care Development Agency (NPHCDA), National Programme on Immunization (NPI), Nigerian Institute for Medical Research (NIMR) and National Action for Prevention and Control of AIDS (NAPCA) were created to deal with priority health issues. WHO (2007).

2. Statement of Problem

The Organization of Health service in Nigeria is Pluralistic and complex. It includes a wide range of providers in both the public and private sectors. Private for profit providers, NGOs, community based organization, religious and traditional care providers. The National Health Policy provides for a health system with three levels: primary, secondary and tertiary. The policy also spells out the functions of each tier of government and provides for the establishment of the advisory National Council on Health (the Minister of State for Health chaired and State Commissioner of Health are members). Other organs set up by the policy include the State Health Advisory Committees and local Government Health Committees. Their potential has not yet been fully realized. Realizing the functions of these organs maximize their

use. The problems identified by this work are listed below;

1. The various participants, the Government, public-private partnership (PPPs) that have been bestowed with the responsibility of providing health care delivery have no clear composition and documentation and therefore, there is need to understand their composition and direction in order to carry out effective evaluation of their activities. It is also necessary to established the extent to which the composition and direction is comparable.
2. The sectorial performance vis a vis find allocation and industry expectation in a TQM model cannot be ascertained.
3. The contribution of the various activities of the regulatory bodies and the parastatals on health care delivery cannot be ascertained.
4. The various participants in the health sector have not address the vital statistics, in health care delivery. This has led to improper planning and evaluation of health care delivery, vital statistics has not been well documented, consequently leading to improper planning and evaluation of health care delivery.

3. Limitation of Study

This study examines the TQM strategies and health care delivery in Nigeria. The study identifies manpower training, activities of the Regulatory bodies and parastatals bestowed with health care and the life expectancy of an average Nigerian. This study only considers the relationship between the budget estimate on capital

expenditure and recurrent expenditure on the life expectancy of an average Nigeria because the life expectancy at birth depends on the activities of the various participant in the health sector.

Operationalization

The degree of health care delivery depends on the direction and composition of the private, public and international bodies bestowed with health care delivery, vital statistics record, activities of the regulatory bodies and parastatal and resources allocation. This illustrated as follows;

$$HCD = f (PPI_{C+D} + VS + RP + RB + RE + \mu)$$

Where

HCD = Health Care Delivery

PPI_{C+D} = Private Public and International bodies composition and direction

VS = Vital Statistics

RB = Regulatory bodies

RS = Parastatals

RE = Resource allocation (budget estimate)

In order to access the level of Health Care Delivery the study identifies access to health care delivery, manpower training in health care delivery and the life expectancy of an average Nigerian.. This is illustrated as follows;

$$LE = f (PPI_{C+D})$$

$$LE = f (VS)$$

$$LE = f (RP)$$

$$LE = f (RB)$$

LE = f (RE) } —————> This study focuses on this variable only

$$MT = f (PPI_{C+D})$$

$$MT = f (VS)$$

$$MT = f (RP)$$

$$MT = f (RB)$$

MT = f (RE)

AH = f (PPI_{C+D})

AH = f (VS)

AH = f (RP)

AH = f (RB)

AH = f (RE)

Where

LE = Life expectancy of an average Nigerian

MT = Manpower training

AH = Access to health care delivery

4. The National Health Policy and Strategy

This policy to achieve health for all Nigerians was promulgated in 1988 and revised in 2004. The policy document was as a result of several consultative processes, incorporating views from stakeholders and reflecting new realities and trends in the National Health Situation including regional and global initiatives such as NEPAD and the MDGs. The main policy thrust focuses on National Health System and its Management; National Health Care Resources; National Health Interventions and Services delivery; National Health Information Systems; Partnership for Health Development; Health Research and Health Care Laws.

A National Health Reforms Agenda is being implemented to carry forward the health strategies of the National Economic Empowerment and Development Strategy (NEEDS), New Partnership for Africa Development (NEPAD) and the MDGs.

Primary Health Care continues to be the cornerstone of health development in

Nigeria. A working document has been developed for the revitalization of the implementation of primary health care as part of government stewardship role to reach the MDGs.

Health service management is decentralized at the three tier levels. In addition, some States have Health Management Boards which is responsible for direct service delivery while the Ministry focuses on policy formulation, standard setting and monitoring and evaluation. Community Participation is strengthened through the Village Health Committees (VHC). The establishment of VHC is emphasized in the current Health Sector Reforms. National Health Policy (2004)

5. Public-Private Partnerships (PPPs) for Healthcare in Nigeria

The call for improved health delivery services and expanded programs is particularly acute in developing nations like Nigeria where diseases are having a major impact on the health and quality of life of all people across all the sectors. Under serviced areas of developed countries also suffer from inadequate community health programs and have similar burdens and needs. Based on these, it has become imperative that there should be levels of Public –Private Partnerships (PPPs) towards sustainable healthcare delivery systems, as enunciated in the maiden National Health Summit held in Abuja, 1995 (Abuja Declaration).

Public-Private Partnerships have become critical frameworks through which some of

the elements of Health Sector Reforms are gated worldwide. Over the years, it has become increasingly obvious that good healthcare delivery systems had to be structured and driven under the purview of trans-sectorial partnerships or collaborations of different dimensions which are dependent on the nature of the environment and objectives of such arrangements. In a sense, Public-Private partnerships have to do with insights and practices touching public private sector relationships in ensuring regional or even global health quality outcomes and the conceptual aspects of such relationships, including the function of the key players in collaborating to make these partnerships achieve their set goals.

An additional disparity between PPP and privatization is that the extent of PPP business (and hence its latent capacity for turnover) are constrained contractually, rather than by market forces alone. Normal private incentives still apply in the management of a PPP, such as the need to earn an adequate return on capital, but the business risk is, in effect, partly regulated by virtue of the constraints defined in the terms of the contract. In addition, with a PPP, the public sector pays for services on behalf of the general public and retains ultimate responsibility for their delivery, whereas the private sector's role is limited to that of providing an improved delivery mechanism. In the case of privatized utilities, ultimate responsibility for service delivery is transferred to the private sector.

Finally, the essential role of the public sector in PPPs is to define the scope of business, to specify priorities, set targets, and specify performance standards against which the management of the PPP is given incentives to deliver. The essential role of the private sector in all PPPs is to deliver the business objectives of the PPP by offering higher value-for-money to the public sector than could be achieved by public sector provision alone. Francis, O.O.(1998)

6. Nigeria's health sector reform

The seed for the current health sector reform underway in Nigeria was sowed sometime back in the year 2000 in the early days of President Obasanjo's first term in office. For reasons not entirely clear, the reform could not be initiated during the president's first term.

Objectives of the reform:

Objective 1 - Expand and strengthen primary health care services throughout the country.

Objective 2 - Eradicate, eliminate and control childhood and other vaccine preventable diseases through adequate routine immunisation activities.

Objective 3 - Integrate and strengthen all disease control efforts and health promotion activities into health care at primary care level.

Objective 4 Address the demographic problems through the provision of family and reproductive health services including the necessary services to reduce the incidence of STD and HIV infection.

Objective 5 - Reduce environmental and occupational health related morbidity and mortality.

Objective 6 - Rapidly resuscitate and improve the services of secondary health care to serve as an effective referral for PHC.

Objective 7 - Improve investigative, diagnostic and treatment capability of tertiary health facilities to serve as an effective apex referral system to all health facilities in the country.

Objective 8 Ensure the attainment of the goals and objectives of the National Drug Policy (NDP), which focuses on self-reliance in essential drugs, vaccines and biologicals through local manufacture and an effective drug administration and control system.

Objective 9 - Protect the public from the harmful effects of fake drugs, unregistered medicines and processed foods.

Objective 10 - Ensure that the support given by donors, NGOs and UN agencies is provided within the framework of the national health policy and plans.

Objective 11 - Broaden financing options to expand and improve access to affordable and adequate health care to a majority of Nigerians.

Objective 12 - Strengthen policy formulation, general management, financial management, and planning capacity of the Federal Ministry of Health and parastatals.

Objective 13 - Strengthen the capacity to develop, implement, monitor and evaluate evidence-based national health policy, planning, programmes and activities. Perhaps to accommodate the interests of new parties to the reform, the following set of new objectives has been added:

Objective 14 - Institutionalize managed competition, public-private partnerships and National Health Accounts.

These fourteen objectives now form the core of Nigeria's 2004-2007 health sector reform agenda. Johnson .D (2000)

7. Servqual in Health Care Administration

SERVQUAL, a standard instrument for measuring functional service quality, is reliable and valid in the hospital environment and in a variety of other service industries.

SERVQUAL also provides hospital administrators with a tool for the measurement of functional quality in their own organizations. Deficient scores on one or more SERVQUAL dimensions will normally signal the existence of a deeper underlying problem in the organization. For example, assume that SERVQUAL indicates that patients do not perceive hospital employees as being willing to help. The low score on this aspect of quality may be symptomatic of deeper problems that center on the organization's ability to hire and retain high-quality employees, to evaluate and reward superior performance, or to provide adequate training. Likewise, billing inaccuracies may be symptomatic of staffing problems that prevent insurance claims from being filed promptly and payments from being recorded accurately.

Therefore, one of SERVQUAL's major contributions to the health care industry will be its ability to identify symptoms and to provide a starting point for the examination of underlying problems that

inhibit the provision of quality services. The measurement of patient expectations as well as perceptions provides a valuable dimension of insight into the process by which the quality of health care service is evaluated. Administrators should understand the areas in which expectations are particularly high so that the service delivery process can be tailored to meet those expectations (Parasuraman, Zeithaml, and Berry 1985). Similarly, in order to identify and correct service quality problems quickly, administrators should understand patients' perceptions of the quality of service delivered and the manner in which expectations and perceptions are balanced. In addition, the scale can also be used to measure the views of hospital managers and employees as they think patients perceive the quality of the service. This can be done easily by changing the instructions portion of the scale. Hence, the existence of another potential gap, the gap between the provider's view and the customer's view, can be assessed and monitored (Parasuraman, Zeithaml, and Berry 1985). Finally, it should be pointed out that SERVQUAL is designed to measure functional quality only (defined as the manner in which the health care service is delivered to the patient). However, functional quality in a health care setting cannot be sustained without accurate diagnoses and procedures. Such technical quality is the focus of research that is being conducted by a number of organizations, including the Joint Commission for Accreditation of

Healthcare Organizations (JCAHO). For the long-run success of a health care organization, both functional and technical quality has to be monitored and managed effectively.

8. Nigeria leads fight against "killer" counterfeit drugs

Nigeria has been at the forefront of global efforts to fight counterfeit drugs since Prof. Dora Akunyili took over the National Agency for Food and Drug Administration and Control (NAFDAC) in 2001. Prior to 2001 Nigeria was ranked as one of the most corrupt countries in the world, by Transparency International. Before her assumption of office, staff abused their position to extort money from honest manufacturers at the same time as taking bribes from counterfeiters in return for access to the Nigerian medicines market. Akunyili told the *Bulletin (World Health Organization 2007)*: "The level of corruption we had in 2001 cannot in any way be compared to what we have now. It has decreased to almost zero. But it is still a problem. We cannot rule it out completely."

The Nigerian agency is now a key player in reducing the manufacture and distribution of counterfeit medicines in West Africa. It has the support of the Food and Drug Administration and the Environmental and Occupational Health Science Institute at Rutgers University in the United States of America, among other regional and international agencies including WHO.

Her efforts have led to increased public awareness about counterfeit drugs and

tougher surveillance at Nigerian customs. She says that the number of fake drugs in circulation in Nigeria has been substantially reduced, although she and everyone else involved in fighting the illegal trade admit how difficult it is to quantify the problem and therefore measure their success. Still, there is plenty of anecdotal evidence that her measures have had an impact: shopkeepers no longer dare to sell counterfeits openly for fear of being reported to the authorities. Criminals behind the trade have left Nigeria and set up business in other countries, she says. Now governments across West Africa are working closely with Nigeria to crack down on the illegal trade. World Health Organization Bulletin (2007). The milestone achievement by NAFDAC could be traceable to the attention given to this sector by the present administration, the support of the citizenry and efforts by the stakeholders in the sector. Below are various Parastatals and regulatory bodies established by the Government and stakeholders all aimed at improving the health sector.

8.1. Parastatals

Primary Health Care Development Agency (NPHCDA)

National Health Insurance Scheme (NHIS)

Nigerian Institute For Medical Research (NIMR)

Nigerian Institute Of Pharmaceutical

Research And Development (NIPRD)

Regional Center for Oral Health Research and Training Initiatives (RCORTI)

Teaching Hospitals, Specialized Hospitals and Federal Medical Centres

8.2. Regulatory Bodies

Nigeria Medical & Dental Council

Nurses & Midwifery Council of Nigeria

Pharmacy Board of Nigeria

Dental Technologist Board of Nigeria

Health Records Officers Registration Board of Nigeria

Research Methods

To examine the effect of the activities embark upon by the stakeholders in the health sector on the life span of an average Nigerian, data were gathered from secondary sources such as the Central Bank of Nigeria Annual Reports. The data used covered a period of 14 years (1990 – 2003).

The method of analysis was based on Correlation Coefficient between Life expectancy and Budget estimates. Bar chart and line graphs were also used to show the relationship between Budget estimates and Life expectancy.

Regression analysis was used to show the relationship between the budget estimate and life expectancy.

Model Specification

$$LE = A_0 + X_1RE + X_2CE + U_t$$

Where LE =Life Expectancy (Dependent Variable)

RE = Recurrent Expenditure (Independent Variable)

CE = Capital Expenditure (Independent Variable)

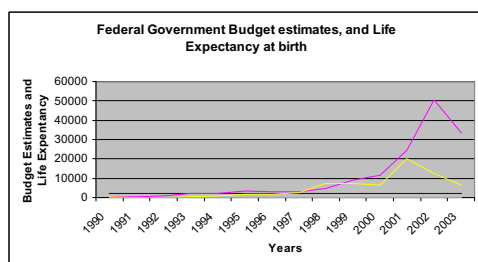
U_t = Error Term

Table 1 : Below shows federal government budget estimates, (Recurrent of capital expenditures) and life expectancy at birth, years.

| YEARS | RECURRENT EXPENDITURE | CAPITAL EXPENDITURE | LIFE EXPECTANCY AT BIRTH (YEARS) |
|-------|-----------------------|---------------------|----------------------------------|
| 1990 | 401.1 | 257.0 | 54 |
| 1991 | 619.4 | 137.6 | 51 |
| 1992 | 837.4 | 188.0 | 52 |
| 1993 | 2331.6 | 352.9 | 52 |
| 1994 | 2066.8 | 961.0 | 52 |
| 1995 | 3335.7 | 1725.2 | 52 |
| 1996 | 3190.0 | 1659.5 | 53 |
| 1997 | 3197.2 | 2623.8 | 53 |
| 1998 | 4860.5 | 7123.8 | 53 |
| 1999 | 8793.2 | 7386.8 | 54 |
| 2000 | 11612.6 | 6569.2 | 54 |
| 2001 | 24523.5 | 20128.0 | 54 |
| 2002 | 50563.2 | 12608.0 | 54 |
| 2003 | 33254.5 | 6431.0 | 57 |

Source: Central Bank of Nigeria annual Reports (2004)

Figure 1: Federal Government Budget estimates and life Expectancy at birth



Model Summary

| | R | R ² | Adjusted R ² | Std Error of the Estimate |
|---------|-------|----------------|-------------------------|---------------------------|
| Model I | 0.491 | 0.241 | 0.178 | 1.3394 |

| | R | R ² | Adjusted R ² | Std Error of the Estimate |
|----------|-------|----------------|-------------------------|---------------------------|
| Model II | 0.647 | 0.419 | 0.321 | 1.1716 |

9. Results and Findings

The coefficient of determination R² is 0.241 which shows that the CE the current expenditure accounts for 24.1% of the variation in the life expectancy of an average Nigerian within the time of the study.

The coefficient of determination R² is 0.419 which indicates that the RE explains 41.9% of the variations in the life expectancy of an average Nigerian.

Using the Spearman's correlation coefficient, the value 0.644 indicates that there exist a positive linear correlation coefficient between total expenditure and life expectancy. The increase in life span is not as sharp as one would expect compared to the increase in the Budget estimates of the health sector.

The Regression analysis shows that the percentage of contribution of capital expenditure and current expenditure is less than 40%, which is significantly very low compared to normal expectations.

The standard error of the estimates is greater than half the value of the estimates X₁ and X₂. This shows that the estimates are

not statistically significant at 5% level of significance for a two tail test.

The implication of the above findings is that the minor changes expressed in the life expectancy of an average Nigerian may not be due to the gradual increase in budget estimates for recurrent expenditure and capital expenditure. The changes may be as a result of health reform embarked upon by the administration of President Olusegun Obasanjo and also various efforts by stakeholders in the sector aimed at improving the health care deliveries in Nigeria.

10. Conclusion and Recommendation

Public health systems vary in different parts of the world, depending upon the prevalent health problems. In the developing world like Nigeria, where sanitation problems and limited medical resources persist, infectious diseases are the most significant threat to public health. Public health officials devote resources to establish sanitation systems and immunization programs to curb the spread of infectious diseases, and provide routine medical care to rural and isolated populations. SERVQUAL's major contributions to the health care industry will be to identify symptoms and to provide a starting point for the examination of underlying problems that inhibit the provision of quality services. Finally, it should be pointed out that SERVQUAL is designed to measure functional quality only (defined as the manner in which the health care service is delivered to the patient). However, functional quality in a health care

setting cannot be sustained without accurate diagnoses and procedures. Also, efforts by various Government's Parastatals and regulatory bodies to improve health care deliveries is impressive and commendable. Health reforms embarked upon by the President Obasanjo's regime have greatly revived the ailing sector.

However, the efforts made by authorities in charge of healthcare in Nigeria are impressive and commendable, but it should be sustained and improved upon.

References

- Central Bank of Nigeria, Annual Reports, 2004.
- Johnson, D. (2000) "COUNTRY HEALTH BRIEFING PAPER - Overview of Nigeria's Health System and Draft Plan of Action for Health Sector Reform" Health Systems Resource Centre for the UK Department for International Development. United Kingdom.
- Public-Private Partnerships (PPPs) for Healthcare in Nigeria: The Awakening Possibilities. Retrieved 25th May 2007, from www.ex-designz.net
- Facilitation Skills for Public Healthcare Professionals: An Introduction. Retrieved 25th May 2007, from www.ex-designz.net
- Olateju O. I. and Adeyemi, O. T. (2007) "Measuring Service quality of Health Management in Nigeria" Environmental Behaviour Association of Nigeria, Lagos.
- Parasuraman, A., et al(1985) "A Conceptual Model of Service Quality and Its Implications for Future Research." Journal of Marketing 49, pg. 41-50.
- World Health Organization Bulletin (2007), "WHO Country Cooperation Strategy: Federal Republic of Nigeria".

**THE ACCEPTANCE OF JAPANESE MANAGEMENT IN ROMANIA
(A STUDY FOR THE RELATION BETWEEN CORPORATE PHILOSOPHY AND
GLOBALIZATION)**

Shinji Naruo

University of Bucharest, Faculty of Business and Administration

ABSTRACT

This is a work paper for the discussion about the relation between corporate philosophy and globalization. Many Japanese excellent companies have very clear corporate philosophy. These philosophies are deeply integrated with Japanese moral, ethics, history, culture and education. When the company grew in scale and sales, the company's structure will be changed or customized. However, excellent company had kept founder's corporate philosophy even if changed business environment or corporate structure.

Such an original source of the excellence strengthens the company's corporate culture, and then had sustained business performance of the company. Excellent company knows what they can change and what they shouldn't change in case of economic environment change and / or the process of globalization.

1. Introduction: Corporate philosophy of Japanese excellent company

Postwar period economic and social revival in Japan was attained with hard and sincere work of Japanese people. Of course, there is also good social and economic environment with policy of administration, political stability, and international relationship. However, I think probably postwar economic growth could not be attained when there was no vitality in the private corporate activity itself.

Names, such as SONY, TOYOTA, and PANASONIC, are mentioned as a company representing Japan. I think that they are splendid companies. However, beside those famous establishment companies, there were also many small and medium size companies in Japan. They also worked globally in the world. These companies have sustained

economic growth of Japan. We name those companies the companies with "Kokorozashi". The companies with "Kokorozashi" have not pursued only financial profit, but also recognized the social mission of a company. They have undertaken the long-term viewpoint. Through active conduct of business, employee were trained and educated, product quality was raised, the organization was grown up, and it has contributed to the society.

Although CSR (Corporate Social Responsibility) becomes the center of attention these days, the companies with "Kokorozashi" had developed the idea in the company creed and philosophy initially before importing such a concept from foreign countries. The founder of a company rubbed the "ardent will" into the company creed, and appealed the idea to all employees. The

customer was valued, professional pride was taken in the product and services, it appealed for the contribution to society through the business with the employee. A top management visited the field of production or selling activities so that he may realize the idea, he tackled on the problem of an on-site level sincerely, repeated the daily improvement, and has improved productivity and quality.

The top management had responsibility in active conduct of business and its result. The employee tackled their work with responsibility. The company has always tackled the problems positively, and then repeated a success and failure again and again. Those continuous efforts have brought the advanced economic standard and the stabilized social system.

Now, as for Romania, the whole social system, such as politics, economy, education, and administration, has been redesigned since the revolution in December, 1989. I think this was the grand social challenge. A dramatic change is going to happen at the faster speed that Japan had experienced after the war.

A risk and a chance live together at the transition process. Various companies are born, some of the companies gain big profits with a success temporarily. However, when market environment is improved to a severe competition, only the handful of genuine company can survive. Only a company with high "Kokorozashi" survives bearing severe competition environment. They learn the

correspondence power to environmental change, and can keep growth.

I don't intend to say that a management style of Japan is omnipotent. After the bubble economy collapse in 1990 in Japan, many Japanese companies had struggled in long depression. However, there are some companies which have achieved the business success steadily under such a severe environment. Those are the genuine companies with "Kokorozashi".

The success of Japanese companies after the war was based on the entrepreneurship of a founder with "Kokorozashi", and then the high quality employee in the field operation were also critical factor. I think that there was an ethics in Japan. Japanese moral and high quality educational system was in the background.

I strongly expect that many companies with "Kokorozashi" grow up in Romania. Succeeding in money-making is not only an enterprise success. A company is a group who performs profit seeking. However, if the persons involved in the business with the company are not happy, it is not good for the company. I expect Romania companies provide the goods and services which are trusted by the customer. I hope the companies respected from people and society will grow in Romania.

After the affiliation in 2007 to EU, when a full-scale foreign capital comes in, I think that more severe next stage of selection will come. Only the company which established

the basic infrastructure can survive then. There are two choices for effective management reform in Romania. The management rebuilt by foreign capital is one of the choices. However, does it bring Romania wealth and prosperity truly? Another choice is Romanian initiative and self-innovation in this reform process.

This paper explains the basic concept of Japanese management the first half. And in the second half is the globalization of Japanese company. My hypothesis on this work paper is corporate philosophy is critical for the company's growth, and then it is also important for the globalization.

2. What is Japanese management?

Generally speaking, Japanese management was characterized as follows:

- 1) Seniority system
- 2) Life long employment
- 3) Labor union by company

In the age of high economic growth, those 3 characters were looked like industrial positive factors. However, after bubble economy (1990), those 3 characteristics have disappeared in many Japanese companies. Many companies restructured human resource, changed corporate welfare system, accelerated early retirement system in their companies. This restructuring process was enough to destroy the illusion of traditional Japanese management. The thought of "Corporate system" in Japan has collapsed too soon.

I think those 3 characteristics were outward

(External) characteristics, not substance of Japanese management. Many workers had believed that the company would protect employee. However, when economic environment got server, many companies had changed their conventional rules easily. On the other hand, some companies had kept their policy even if very tough situation. TOYOTA, HONDA, CANON, PANASONIC and Seven-Eleven Japan had kept their management policy. The difference between those companies and others is in Corporate Philosophy.

Founder of those companies had embodied corporate philosophy in the company in various ways like corporate splits, motto, corporate principle and corporate creed. The corporate philosophy has been succeeded to next generation in the company. It has been embodied in the company as corporate culture.

Toyota's TPS (Toyota Production System) was from Toyotatism. Toyota had accumulated kaizen in the field steady by steady. Accumulating continuous improvement in the field is Toyota-way. It enabled Toyota No.1 Automobile manufacturer in the world.

Honda started from small factory in the local town in Japan. The founder's motto was "Dream and fan". This corporate philosophy has been succeeded to current generation. They challenged small jet craft, Robot and something interesting. Hondaism is to enjoy the work and life.

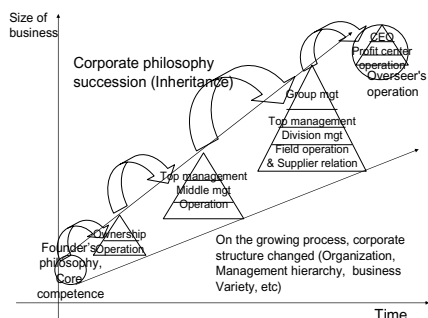
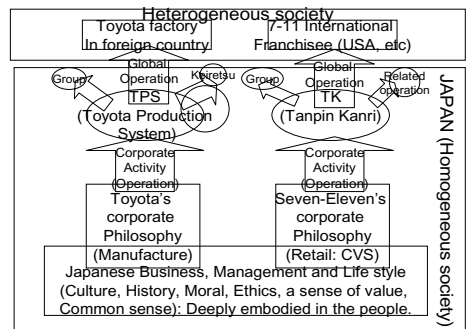
Seven-Eleven Japan franchises small retail store in the world. It is CVS (Convenience Store). The size of the CVS is between 100~150sqm. They are managing 11,000 stores in Japan. The company's slogan is "The countermeasure to changes, and executing basics thoroughly". Their philosophy is innovation; it is continuous business reform with customer's standpoint. Those companies are very open and flexible, however very rigid for corporate philosophy that has been succeeded. They know what they should change, and what they shouldn't change. On the other hand, many companies that restructured their companies easily after bubble economy didn't know what they should change, and what they shouldn't change.

Genuine excellent company, I named it the company with "Kokorozashi", has corporate culture. Those corporate cultures deeply depend on the culture in Japan. The culture has been built through history and practical experience in each country. The corporate performance are supported by those historical culture embodied in the company.

Historically, those Japanese companies had grown in homogeneous society. They shared same history, education system, moral, ethics and sense of value. Japanese society has strong homogeneous system historically. This helped Japanese company. Employee worked together, they put idea, and they keep high loyalty for the company. Unity of the company supported the quality of products and services.

However, when Japanese companies go to abroad, still is it possible to keep such a unity in the company? I think globalization is a challenge for Japanese companies. When they do business in foreign countries, the society is different from Japan. In addition, in many countries, the society could be heterogeneous society rather than homogeneous society.

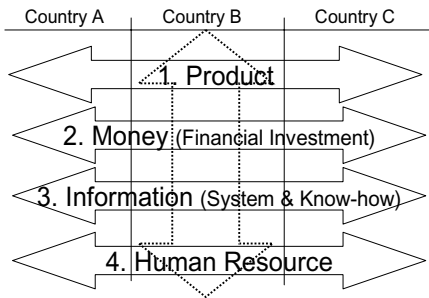
In order to succeed their business in the foreign countries, global Japanese companies must adapt their foreign subsidiaries to foreign countries. At that time, Japanese companies must think what they should adapt and what they should keep.



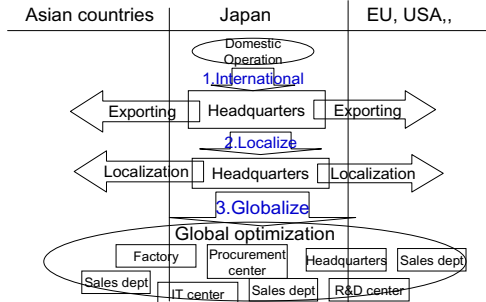
3. Globalization of Japanese companies.

Globalization is widespread in the world. There are some steps on the process of globalization; Information globalization, product globalization, capital globalization, and human resource globalization.

Business globalization (Level & Steps)

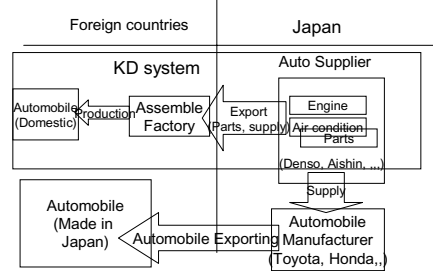


General model of Globalization (Manufacturing: Automobile industry)

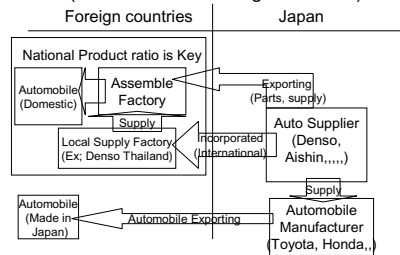


Another view is manufacturing 5 steps: Product export, KD (Assemble with imported parts and supply), Japanese suppliers' production in local, local suppliers, Localization, Exporting by local factory.

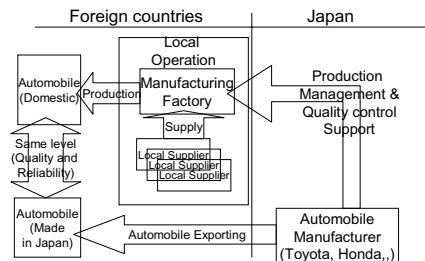
Globalization on Manufacturing Step 1: KD (Knock down) system



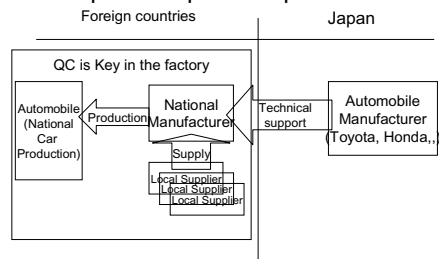
Step 2: Supplier's Globalization (Follow manufacturer globalization)

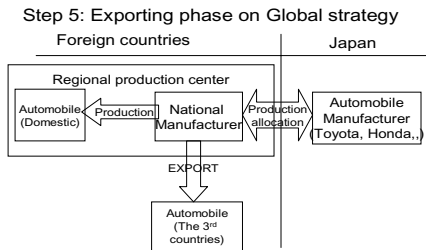


Step 3: Part & Supply local procurement



Step 4: Independent production





Globalization was a challenge for Japanese companies. Globalization threatens unit culture. Japanese company that had deeply depended on the Japanese culture must accept different cultures. This may require reconstruction of their corporate structure. However, if they lose their corporate philosophy, they will lose their identity and corporate culture. This may bring destruction to the company.

On the process of globalization, the company must respect differences between Japan and other countries. However, if it is an excellent company, the company must have good corporate philosophy. Then, it is applicable globally.

New terminologies are happening in the world as global standard: Corporate governance, Compliance, CSR (Corporate Social Responsibility), Accountability, and so on. The company that has not well-established corporate philosophy has jumped to catch those new management concepts. They accepted them as global standard. They tried to pretend global company. However, many of those companies failed to embody substance of those new management concepts.

On the other hand, excellent companies had already embodied such a new management concept in their management before globalization. They know substance of such a new management concept and social requirement. That's why, they didn't jump to catch such a new management concept. Again, they know what they should change, and what they shouldn't change. They keep corporate philosophy; they absorb such a new requirement as a part of corporate structure.

Local operation is one of the globalization processes. When Japanese companies start their operation in Romania, they have their criteria for the decision. They believed it is a much better approach in order to countermeasure globalization. They have their expectation for the local operation; cost, quality, speed, market distance, legal requirement, taxation, labor-management, and so on.

After starting the local operation, globalization becomes the issue again. The company must think how to manage local operation. We face the issue of corporate philosophy again. Should we bring Japanese philosophy to Romania? Should we bring Japanese facility in Romania? Should we bring Japanese know-how to Romania? Should we bring Japanese management tools and methods to Romania? Should we bring top management in Local operation? Should we customize Japanese know-how in Romania for smooth implementation? Should we modify Japanese business rule in Romania? Again, they must define what they should change, and what they shouldn't

change. Excellent company knows that.

There are some interesting books about Japanese management system implementation in Europe. One is “Japanese Management / Production system and EU” edited by Prof. Kumon and Abo, 2005. This book covers Japanese hybrid factory research: England, German, France, Benelux, Italia, Spain, Portugal, Hungary, and Sweden. This research covers Japanese companies: Panasonic, SONY, Toshiba, Sharp, Toyota, Nissan, Honda, Denso, and NEC.

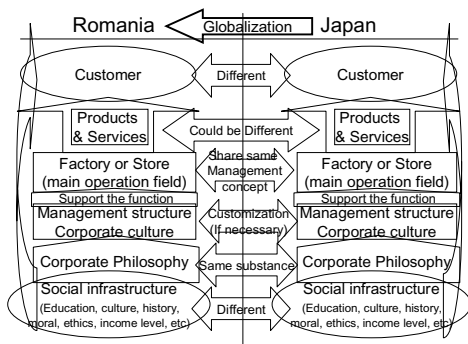
Another book is “Japanese management/ Production system in Middle east Europe” edited by Prof. Wada and Abo, 2005. This covers Japanese hybrid factory operation in Poland and Slovakia. They cover Toyota, Yazaki and JV companies.

Now, there is no similar survey in Romania. There are KOYO-Romania, Yazaki, Karusonic Kansei, Makita, Sumitomo Electronic, and so on. There are enough cases in Romania; however there is no study on it in Romania. We may have a chance to study “Japanese management/ production system acceptance in Romania”.

References

Edited by Prof. Hiroshi KUMON and Tetsuo ABO, “Japanese Management / Production system and EU” 2005, MINERBA Modern Economics No.78, published by Minerba publishing house.

Edited by Prof. Masatake WADA and Tetsuo ABO, “Japanese management/ Production system in Middle east Europe” 2005, published by Bunshinndo in Japan.



THE NATURE OF GLOBALIZATION

Amos Avny

OMNIDEV International, Israel

ABSTRACT

*Following the technological advancement and the democratization process the Globalization is one of the most affecting powers in world economy at present. The Globalization combines several process: a global reallocation of industries, a massive expansion of world trade, a rapid growth of merging and acquisitions trends, a significant moves of capital from one country to another, an increased power of global and regional trade organizations and a growth of lifestyles and consumption patterns similarity. The author measures the Globalization effect in Europe by exploring two variables: **Employment in the Service Sector** and **involvement in world trade**-increase of exports and imports. Countries with high percentage (75-80) of employment in the service sector and a fast growth of foreign trade fit best for the demanding conditions of Globalization. The 12 new EU members should adopt this strategy in order to accelerate their economic growth.*

Key Words: *Globalization, Service Sector, Foreign Trade, East Europe's countries.*

Introduction

The Globalization phenomenon invokes discussions and raises discourses in many countries few years ago. Some see it as another, updated and more sophisticated instrument of Capitalism in its way to dominate the world. Thus, those who are not capitalists, due of their perception or because of their limited resources, oppose and reject it. N. Hertz (2002) goes even further in her opinion that Globalization endangers Democracy. This paper does not take part in the ideological dispute. It accepts the Globalization as one of the major powers affecting world societies and economies and it tries to explain it construct, how it operates and how nations should act in order to maximize their benefit from it. After discussing the components participating in the Globalization phenomenon the author explores the last ten years occurrence in the EU. The study

investigates two major variable: **employment in the Service Sector** and **involvement in world trade**-increase of exports and imports.

The analysis indicates that countries with high percentage (75-80) of employment in the service sector and a fast growth of foreign trade fit best for the demanding conditions of Globalization. During the last ten years more than half of the 15 original EU members (8 out of 15) reached this target. The 12 new EU members still have a along way to go, but they should adopt this strategy in order to accelerate their economic growth.

A. Globalization as part of the world change

Since the last decade of the 20th Century the world is passing a process of transformation. Since the collapse of the Communist Regime

the socio-economic life of many nations changed. Fifty years of tremendous technological achievements and twenty years of expanding democracy enable the emergence of the Globalization.

In another paper Avny (2006) addresses the conceptual meaning of Globalization. Here it is suffice to note its dramatic effect on the world and Europe. Similarly to US the European economy, which in the past rested on manufacturing industry, is moving to become a service-oriented one. Thus, unemployment grows since many of the traditional big industries move to China and South East Asia. European governments should take seriously this issue and should look for satisfying solutions. Relying on the EU, its policy and ruling will not suffice for providing workable solutions. Further, we discuss the nature of Globalization and offer some recommendations for the EU new members.

B. The nature of the globalization

Globalization is among the noteworthy phenomena of the 20th Century's last quarter.

As such, it has a significant impact on both developed and Less Developed Countries (LDCs) economies. It came out and expanded due to the technological advancement, and the major advancement of the communication and transportation industries. These innovative measures enable the reallocation of manufacturing facilities to new countries and the transfer of industries from the traditional industrial nations to countries with low labor costs..

The Globalization, known also as the second industrial revolution, has a double effect on the industrial and non-industrial nations. At the short run it yields affluence and prosperity for most people in developed countries, but at the same time it causes the disappearance of many jobs in the manufacturing industries. At the long run, however, the Globalization forces the introduction of some social-economic reforms that affects and forces to reconstruct the retirement and welfare systems of many countries. For better understanding the effects of the Globalization it is necessary to address some of its major components:

1. A Global Reallocation of Industries

During the past twenty years more and more manufacturing industries moved from the traditional industrial nations to countries that have inexpensive labor force, mostly to China, South-East Asia and Latin America. This move is significant in the labor-oriented industries like textiles and apparels, light metal and basic engineering etc.

Even more advanced industries, like automobiles and aircraft companies tend to outsource great portions of their operations to subcontractors in LDCs.

One of the major results of this tendency is the vanishing of good professional jobs in the industrial nations and the growth of unemployment. In the LDCs, however, the industrial reallocation increase the demand for trained workers and contributes to the nation's economic growth. The final effect of the Globalization in this respect is that it

enables the LDCs to increase dramatically their share in the global production of manufactured goods. T. Friedman (2005), a prominent writer for the New York Times, addresses this issue and especially the impact of the globalization on US relationships with China and India.

2. A Massive Expansion of World Trade Volumes.

Due to the “industrial reallocation”, the new division of labor, and the move of production and manufacturing facilities eastward, more commodities, materials, goods and products are traded in the global market. Better communication and more advanced transportation facilities shortening delivery time and enable more countries to participate in world trade.

The former national autocratic perception is losing its ground and more and more countries increase their involvement and dependence on the global market. One can easily see how similar goods or products are available in different countries and the world is moving toward being a one-village community. All these developments cause a fast growth of the international trade and make it an important factor in the global and national economies.

3. A Rapid Growth of Merging and Acquisitions Trends

The move of industries to LDCs and the expansion of the transnational corporations to new areas initiated a rapid growth of acquisitions and merging. Although most of the corporations that led these processes

were from the US and Europe, there are also examples for an opposite action. For example, the Chinese Lenovo computer company that bought IBM's P.C. division or the Indian Mital Group that became the leader of world steel industry.

But, in general, resulting from the growing scale of trade activity, many indigenous industries are bought by, or forced to merge with international firms and multi-national corporations. In many cases these indigenous firms fail to meet the requirements of the global market or cannot survive in the throat cutting competition. The desire to use the international capital market pushes also to increase the corporation's size and the volume of their operation. As a result, local needs and preferences are frequently delayed or rejected in favor of global considerations. Life and success become difficult for single domestic manufacturers.

4. A Significant Moves of Capital from one country to another

The expansion of global activities and the growing influence of transnational operations were followed by a significant increase of capital moves. These financial operations include direct and indirect investments in LDCs, operations in the capital and stock exchange markets in the developed countries and the creation of huge amounts of free capital moving from one country to pursuing better revenue.

These moves can be very dangerous to domestic economy and can cause a serious

financial crisis in local capital markets, as was the case in South-East Asia countries in the late 1990's and in Russia few years later.

The potential dangers hidden in the international capital moves raise a basic issue of what type of relationships should be established and maintained between the local financial institutions, commercial banks and the Central Bank, and the International monetary system. This issue relates also to the ideological discourse between the advocate of a total free market activity and the supporters of a greater governmental involvement in fixing the market's failures. George Soros (1998), an American financial Guru, advocates in his book "The Crisis of Global Capitalism", some governmental intervention, because otherwise the prospects are frightening.

5. An Increased Power of Global and Regional Trade Organizations

Part of the growing effect of the Globalization is the creation of conflicts between the domestic economy and its surrounding trade organizations. Regional and international agreements dominate over many national economies and dictates activities of governments and business corporations. Although the intentions of all parties involved are good in real life some conflicts of interests are created. The classical conflict refers to the farmers in the EU countries, which even after so many years of dispute the conflict remains unsolved.

The European free common market promotes many benefits for its members, but still it cannot settle all the divergence interests. The recent joining of another ten members from East and Central Europe to the original 15 members makes the whole issue even more complicated. But, the EU Unification process is just one among other similar Inter-regional Trade Agreements, such as NAFTA or the Asian trade agreement. The situation of the World Trade Organization (WTO) is even more complicated since it refers to interests of large transnational corporations and big awakening economies like China and India.

6. A growth of Lifestyles and Consumption Patterns Similarity

The advanced technology of the global media channels, the rapid expansion of the Internet and the satellite communication networks make the world a "global village." Western styles, fashion, and habits are transmitted in real time to many countries, where people, especially youngsters, tend to imitate and copy them. For that reason China manufacture almost all American and European icons, regardless of trademark regulation and violating most of the Intellectual Property (IP) ruling.

The accumulated global demand is stronger and overcomes most of the bureaucratic limitations of the 20th Century.

In sum, the Globalization process significantly contributes to the creation of additional wealth and affluence in most developed nations and the increase of income in LDCs. It contributes also and hastens the transformation of the "Western" economy

and its move from a manufacturing into a mostly “service” oriented economy. Although this influence opens new horizons for poor nations, it poses salient challenges before most of West and East Europe countries. The fact that the EU, from its own reasons, prefers to disregard this issue does not resolve the problem.

C. The effect of the globalization on EU members

It is obvious that the globalization has some impacts on Europe's economy. Although the European Union is involved for the last years in the incorporation of twelve new member-states the impact of Globalization is still remarkable. No question that the global developments affect and guide many economic decisions made by the EU members. The author chooses two aspects for demonstrating the effect of the Globalization on the economies of the EU members. These two variables are: “Employment in the Service Sector” and “Expansion of External Trade”. These two variables were chosen because the first represents the outcomes of the industrial reallocation process, which changes employment structure, and the second represents the track for potential growth. All together it is assumed that the combined results well illustrate the globalization's impact on the reviewed economies.

1. Increase of employment in the service sector

As previously mentioned the Globalization caused the move of manufacturing industries from the traditional industrial

nations to other parts of the globe. This move resulted with increasing the industrial unemployment rate in those countries. On the other hand, employment in the service sector rose due to the increase of external trade. This type of employment change can be used for demonstrating the impact of Globalization on national economies. This impact is stronger in countries with high percentage of employees in the Service Sector. In countries where this percentage is relatively lower and more people are still employed in local agriculture and industry, the impact of the Globalization is not so significant as demonstrated by Table 1..

Although the criterion of Employment in the Service Sector does not suffice for determining the level of development and the level of national product, it provide quite a sound indicator for these needs. Normally, countries with high degree of Employment in the Service Sector as percentage of the total employment are also those with the higher of Gross National Product (GNP) and higher level of GNP per capita. Table 1 Indicates that in the 1992-2003 period employment in the Service Sector reached the level of 70 to 80 percent of the total employment, in 8 countries of the first group of EU Members. In this group the average employment growth at the Service sector were 2 to 9%, annually. Countries of this group were and are well involved in the globalization process and it affects significantly their economy. In 7 countries of the second group, Employment in the Service Sector was lower and reached only the level of 55 to 69%. Employment in service grew here faster, 3.7 to 10.1%/

annually In the 3rd and 4th groups, representing the 12th new-coming countries, Employment in the Service Sector was remarkably lower and it fluctuated from 35 to 62%.

2. A remarkable expansion of external trade

The “industrial relocation” and the new division of labor spread production and manufacturing facilities all over the globe.

As a result more commodities, materials, goods and products are moved, hauled and traded in the global market. This move caused international trade to grow and become an important factor in many economies. In this case we use the volume of exports for determining the impact of the Globalization process on local economies. Countries with large amounts of exports are more involved and affected by this process than non-export-oriented ones.

During the last decade aggregate exports of EU countries almost doubled as it grew from over 1,500 to 3,200 Billion Euros. At the same period, Imports increased similarly.

Table 2 figures show that most EU countries increased their annual exports by 200 to 300 percent during the 1995-2005 period. Countries of the first group increased their annual exports by **8 to 10** percent. Countries of the second group increased annual exports by **5 to 7** percent. Information on the 3rd group new members was recorded only from 1999 and although the percentage was high the amounts were small.

Conclusion

Globalization was and still remains an evoking issue. Although many of the former

opposing groups and people vanished there are still those who oppose it ideologically, because they cannot deny its benefit contribution. This paper describes the globalization's contents in general and its specific effects on the 15 original EU members. The paper explores two variables: Employment in the Service Sector and involvement in world trade-increase of exports and imports. The findings indicate quite clear that the new members of the EU should try hard to proceed in these two areas if they wish to attain a rapid economic growth. Based on that understanding some actions should be taken by those countries (Avny 2007):

- Every Nation should find its area of expertise and competitive advantage
- Government should encourage export oriented industries
- Government should increase its investment in Infrastructures
- Government and the private sector should promote Tourism
- Government should encourage creative initiatives and entrepreneurship.

References

- Avny A. 2006, Future Challenges for the Judiciary, in Kierkegaard S. (ed.) Business Law & Technology: Present and Emerging Trends, Vol.2, Copenhagen, Denmark: IAITL
- Avny A. 2007, How to Cope with the Globalization, in Kierkegaard S. (ed.) International Law and Trade: Bridging the East-West Divide, Ankara, Turkey: IAITL
- Friedman L.T.2005, The World is Flat, New York: T. Friedman
- Hertz N., 2002, The Silent Takeover–Global Capitalism and the Death of Democracy, United Kingdom: Arrow Books
- Soros G. 1998, The Crisis of Global Capitalism, New York: Public Affairs
- Stiglitz J. 2003, Globalization and its Discontents, New York: Stiglitz

Table 1: Employment in the Service Sector as % of Total Employment 1992-2003

| | Country | 1992 | 1998 | 2003 | 1992-2003 Change % | GNP per capita 2005 |
|---|------------------|------|------|------|--------------------------|------------------------|
| | EU 15 | 65.3 | 68.7 | 71.4 | 6.1 | |
| | EU Zone | 63.3 | 67.0 | 69.2 | 2.2 | |
| | <u>Group I</u> | | | | | |
| 1 | United Kingdom | 75.0 | 76.6 | 80.4 | 5.4 | 37600 |
| 2 | Netherlands | 71.9 | 75.8 | 77.7 | 5.8 | 36620 |
| 3 | Luxembourg | 67.6 | 73.0 | 77.2 | 9.6 | |
| 4 | Belgium | 71.0 | 74.2 | 75.6 | 4.6 | 35700 |
| 5 | Sweden | 72.8 | 72.8 | 74.8 | 2.0 | 41060 |
| 6 | Denmark | 70.6 | 72.2 | 74.5 | 3.9 | 47390 |
| 7 | France | 68.4 | 72.5 | 74.3 | 5.9 | 34810 |
| 8 | Germany | 61.2 | 66.8 | 70.3 | 9.1 | 34580 |
| | | | | | | |
| | <u>Group II</u> | | | | | |
| 1 | Finland | 63.6 | 65.9 | 68.9 | 5.3 | 37460 |
| 2 | Italy | 61.8 | 64.3 | 66.5 | 4.7 | 30010 |
| 3 | Ireland | 58.3 | 62.2 | 65.8 | 7.5 | 40150 |
| 4 | Spain | 61.6 | 63.9 | 65.3 | 3.7 | 25360 |
| 5 | Austria | 55.6 | 59.9 | 63.3 | 7.7 | 36980 |
| 6 | Greece | 50.5 | 57.7 | 60.6 | 10.1 | 19670 |
| 7 | Portugal | 55.2 | 51.4 | 55.0 | - | 16170 |
| | <u>Group III</u> | | | | | |
| 1 | Hungary | - | 58.0 | 62.3 | 4.3 | 10030 |
| 2 | Estonia | - | 58.2 | 61.5 | 3.3 | 9100 |
| 3 | Slovakia | - | 56.2 | 61.5 | 5.3 | 7950 |
| 4 | Latvia | - | 55.8 | 60.8 | 5.0 | 6760 |
| 5 | Czech Republic | - | 53.5 | 56.1 | 2.6 | 10710 |
| 6 | Lithuania | - | - | 54.1 | - | 7050 |
| 7 | Poland | - | 48.8 | 53.0 | 4.2 | 7110 |
| 8 | Slovenia | - | - | 52.3 | - | 17350 |
| | | | | | | |
| | <u>Group IV</u> | | | | | |
| 1 | Bulgaria | - | 43.2 | 46.4 | 3.2 | |
| 2 | Romania | 29.9 | 31.2 | 34.9 | 5.0 | |
| 3 | Turkey | - | - | 43.3 | - | |

Source: Eurostat

**Table 2: Increases of Imports and Exports, Billion Euro and Percentage
1995-2005**

| | | Imports (Billion Euro) | | | | Exports (Billion Euro) | | | |
|---|------------------|------------------------|-------|---------------------|-----|------------------------|--------|---------------------|-----|
| | | 1995 | 2005 | 1995-2005 Change | | 1995 | 2005 | 1995-2005 Change | |
| | | Euro | Euro | Euro | % | Euro | Euro | Euro | % |
| | Group I | | | | | | | | |
| 1 | Ireland | 21.5 | 54.7 | 33.2 | 254 | 28.6 | 88.3 | 59.7 | 309 |
| 2 | Austria | 45.5 | 101.5 | 56.0 | 223 | 37.9 | 100.0 | 62.1 | 264 |
| 3 | Netherlands | 120.1 | 288.6 | 168.5 | 240 | 128.9 | 323.5 | 194.6 | 251 |
| 4 | Spain | 74.7 | 224.2 | 149.5 | 300 | 64.5 | 150.5 | 86.0 | 233 |
| 5 | Belgium | 107.1 | 256.2 | 149.1 | 239 | 119.1 | 268.8 | 149.7 | 226 |
| 6 | Germany | 320.6 | 622.2 | 301.6 | 194 | 358.9 | 780.2 | 421.3 | 217 |
| 7 | Finland | 19.6 | 47.4 | 27.8 | 242 | 25.0 | 53.1 | 28.1 | 212 |
| 8 | Sweden | 43.5 | 89.4 | 45.9 | 206 | 51.5 | 104.6 | 53.1 | 203 |
| 9 | Portugal | 22.8 | 49.2 | 26.4 | 216 | 15.1 | 30.7 | 15.6 | 203 |
| | | | | | | 858.1 | 1899.7 | 1041.6 | 221 |
| | | | | | | | | | |
| | Group II | | | | | | | | |
| 1 | Denmark | 30.9 | 61.0 | 30.1 | 197 | 35.6 | 68.5 | 32.9 | 192 |
| 2 | Italy | 142.2 | 305.7 | 163.5 | 215 | 160.9 | 295.7 | 134.8 | 184 |
| 3 | Un. Kingdom | 196.8 | 410.1 | 213.3 | 208 | 172.4 | 307.7 | 135.3 | 178 |
| 4 | France | 206.8 | 400.2 | 193.4 | 194 | 210.7 | 370.0 | 159.3 | 176 |
| 5 | Greece | 18.1 | 43.5 | 25.4 | 240 | 7.9 | 13.8 | 5.9 | 175 |
| 6 | Luxembourg | - | 17.5 | - | - | | 14.8 | | |
| | | | | | | 587.5 | 1070.5 | 483.0 | 82 |
| | | | | | | | | | |
| | Group III | | | | | | | | |
| 1 | Poland | 10.6 | 81.2 | 70.6 | 766 | 25.7 | 71.9 | 46.2 | 280 |
| 2 | Czech Republic | 26.7 | 61.7 | 35.0 | 232 | 24.9 | 63.0 | 38.1 | 253 |
| 3 | Hungary | 26.3 | 53.1 | 26.8 | 202 | 23.5 | 50.2 | 26.7 | 214 |
| 4 | Lithuania | 4.4 | 12.4 | 8.0 | 282 | 2.6 | 9.5 | 6.9 | 365 |
| 5 | Estonia | 3.2 | 8.1 | 4.9 | 253 | 2.3 | 6.2 | 3.9 | 270 |
| 6 | Slovakia | 10.6 | 28.4 | 17.8 | 269 | 9.6 | 25.8 | 16.2 | 269 |
| 7 | Latvia | 2.8 | 7.0 | 4.2 | 250 | 1.6 | 4.2 | 2.6 | 263 |
| 8 | Slovenia | 9.5 | 16.3 | 6.8 | 172 | 8.0 | 15.4 | 7.4 | 193 |
| | | | | | | 98.2 | 246.2 | 148.0 | 251 |
| | Total | | | | | 1543.8 | 3216.4 | 1672.6 | 208 |

Source: Eurostat

POVERTY, UNEMPLOYMENT AND GROWTH IN NIGERIA: THE ROLE OF ENTREPRENEURSHIP

Raheem Olasupo Akewushola

Department of Business Administration and Management Technology
Lagos State University, Lagos, Nigeria.

Olawale Ibrahim Olateju

Department of Business Administration and Management Technology
Lagos State University, Lagos, Nigeria.

Oludare Tolulope Adeyemi

Dimension Consult Limited, Lagos, Nigeria

ABSTRACT

This paper identified crucial factors influencing the growth and development of entrepreneurship activity and specific role of entrepreneurship activity at ameliorating the burden of poverty, among people in Lagos State, Nigeria. It addresses specific causal factors, indices of poverty and unemployment and proffered panacea to the identified problems.

The choice of Lagos State was purposive because of its disposition as the commercial nucleus centre of the country. A multi-stage sampling procedure was adopted to get a sample size of 250 respondents. Descriptive statistics (such as frequency counts, percentages and means) were used to summarise and describe the data.

The findings reveal that entrepreneurial activities absorbs unemployed labour and reduces the dependency ratio of working class. It was also evident that optimum positive derivatives of entrepreneurship was not realized because of inherent problems of non-availability of accessible credit facilities and lack of multi-functional continuum of support to entrepreneurs.

Keywords: *Entrepreneurship, Poverty, Development, Growth, Unemployment.*

1. Introduction

Poverty in Africa is substantially higher than in other developing regions. More enigmatic is that poverty in Africa is chronic and rising. The share of the total population living below the \$1 a day threshold of 46 per cent is higher today than in the 1980s and 1990s-this despite significant improvements in the growth of African GDP in recent years. The implication: poverty has been

unresponsive to economic growth. Underlying this trend is the fact that the majority of people have no jobs or secure sources of income. Various reasons have been given for Africa's lack of response of poverty to economic growth. First is the inadequacy of the growth rate. African countries need to grow by an estimated 7 per cent a year to reduce poverty enough to achieve Millennium Development Goal 1, of

halving the number of poor people by 2015. This growth is far higher than the average of nearly 4 per cent in the last decade. Second is the low labour absorption in the growth sectors. Growth has been concentrated in the traditionally capital-intensive extractive sector. Agriculture, which employs most people in most African countries, is characterized by low productivity growth, and thus has not provided enough real employment and income security to the population, particularly in rural areas. Third is inequality in the distribution of opportunities created by economic growth. Poor people lack the capacity to meaningfully participate in the economy, either as producers of goods and services or as suppliers of labour. There is a close association between employment performance and poverty prevalence: poverty rates have remained roughly constant in the same manner as the recorded unemployment rate since the 1980s. And the volatility of growth has added to the vulnerability of poor people. Only a few countries in Africa have sustained growth over the years. Yet that is precisely what is required to increase employment and reduce poverty.

The reduction of poverty is the most difficult challenge facing any country in the developing world where on the average majority of the population is considered poor. Evidences in Nigeria show that the number of those in poverty has continued to increase. For example, the number of those in poverty increased from 27% in 1980 to 46% in 1985; it declined slightly to 42% in 1992, and increased very sharply to 67% in 1996

(National Bureau of Statistics, 1999). By 1999 when the last administration came to power, estimates had it that more than 70% of Nigerians lived in poverty. That was why last government declared in November 1999 that the N470 billion budget for year 2000 was "to relieve poverty." Before the National Assembly even passed the 2000 budget, the government got an approval to commit N10 billion to poverty alleviation programme. In the 2001 budget, the government has increased the allocation to poverty alleviation programme by 150%. This idea of poverty alleviation was received with high hopes especially given the speed with which this present administration tackled the fuel problem as soon as it came to power. Poverty alleviation was seen as a means through which the government can revamp the battered economy and rebuild self-esteem in majority of Nigerians who had been dehumanized through past military regimes. (Ogwumike and Aromolaran, 2002)

2. Literature review

There is no completely satisfactory way of defining poverty. The Longman Dictionary of Contemporary English defines it as a state of being poor. Atkanson (1984) provides an official definition of poverty as used by the U.S. as "absolute poverty standard". The definition was based on nutritionally sound food designed by the Department of Agriculture where the average cost of the family food plan is multiplied by 3 and the resultant total is defined as the poverty line. Hence any situation that falls below such line is described as absolute poverty. In another study, Todaro (1985) defines poverty

as a situation where a population or section of a population is able to meet only its bare subsistence essentials of food, clothing and shelter in order to maintain minimum levels of living. While poverty can be measured in terms in terms of income, in developed world, it has been argued that inadequate access to basic infrastructure like water, health and education facilities, transportation and even information will be important in defining poverty in a developing country like Nigeria (Olanrewaju 1996), (Onibokun et al. 1996). The view of poverty in the rural sector is not new as the nature of rural economy is (which is absolute subsistence) has over a long time been a cause of poverty in the rural population.

There is no precise definition of unemployment. In Britain for instance, the Department of Employment accepts as unemployed any school-leaver who is not in paid employment but who is available for work and is capable of working, (Olajide, S.O.1981). The Census Bureau of the United States of America accepts Lloyd G. Reynold's definition of unemployment as "the difference between the amount of labour offered at present wage levels and working conditions and the amount of labour hired at those level". According to a United Nations definitions, the unemployed consist of all persons who, during the reference period, were not working but who were seeking work for pay or profit, including those who never worked before. Unemployed persons also include those who were not seeking work because of temporary illness, because they made arrangements to start a new job

subsequent to the reference period, or because they were on temporary or indefinite lay-off without pay.

Underemployment on the other hand, is measured by the number of hours worked. Those who work for less than 40 hours a week for involuntary reasons in Nigeria are considered underemployed, (Englama 2001).

According to Smith (1997), unemployment is a stock concept. This is because the number and identities of people in the labour category are always changing and thus affect the level of those in the market.

Unemployment has also been categorized as one of the serious impediments to social progress. Apart from representing a colossal waste of a country's manpower resources, it generates welfare loss in terms of lower output thereby leading to lower income and well-being, (Olajide, S.O.1981). Unemployment is a very serious issue in Africa, and particularly in Nigeria, (Englama 2001). The need to avert the negative effects of unemployment has made the tackling of unemployment problems to feature very prominently in the development objectives of many developing countries. Incidentally, most of these countries' economies are also characterized by low productivity. Thus, it seems obvious to many policy makers that there must be a straight forward connection between productivity and employment/unemployment. While some researchers posit that higher productivity may increase unemployment (Englama 2001)

3. The poverty - unemployment relationship

Poor people have severely limited access to, and control over, key assets, including land and physical and human capital. Lacking production and labour market endowments, the poor have low income and low consumption. Most poor people are also inadequately educated and may be less healthy than the rest of the population. Many depend for their livelihoods on (low productivity) subsistence agriculture or on the informal sector, where returns to labour and capital are generally low. Workers in the informal sector have low salaries, limited protection and frequent spells of unemployment. These factors, coupled with lack of access to the institutions that shape policies, prevent poor people from acquiring the capabilities for decent living. The number of people living below the poverty line only tells half the story. In Africa, not only do many people live below the poverty line but they also stay poor for long and sustained periods. Many of these chronically poor people only emerge briefly from poverty because of seasonal employment, but lack the impetus to contribute to technological change and economic growth. Unable to directly participate in the growth process, for this group, albeit insufficient, overall economic growth is necessary to boost their incomes.

4. Poverty-unemployment reduction strategies in Nigeria

In Nigeria, the poverty alleviation measures implemented so far have focused more on

growth, basic needs and rural development approaches.

4.1 The Pre-SAP Era

During this era, poverty reduction was never the direct focus of development planning and management. Government only showed concern for poverty reduction indirectly. For example, the objectives of the first National Development Plan in Nigeria included the development of opportunities in health, employment and education as well as improvement of access to these opportunities. These objectives, if achieved could no doubt lead to poverty alleviation. Similarly, the Fourth National Development Plan, which appeared to be more precise in the specification of objectives that are associated with poverty reduction, emphasized increase in real income of the average citizen as well as reduction of income inequality, among other things, Ogwumike, (1987 and 1998). During this era national development plans, many of the programmes which were put in place in Nigeria by the government (either wholly or in association with international agencies) had positive effects on poverty reduction although the target population for some of the programmes were not specified explicitly as poor people or communities. (Ogwumike, 1995 and 1998).

4.2. Directorate of Food, roads and Rural Infrastructure (DFRRI)

The establishment of DFRRI was not only a radical departure from the previous programmes, but also recognized the complementaries associated with basic needs

such as food, shelter, potable water, etc. DFRRRI had tremendous impact on the rural areas. For instance, between the time of inception in 1986 and 1993, DFRRRI had completed over 278,526 km of roads. Over 5,000 rural communities benefited from its rural electrification programme . This integrated approach to rural development, no doubt, provided for the necessary basic infrastructures that can stimulate the growth of agro - allied small - scale enterprises in rural areas. (Ogwumike, 2002).

4.3. The National Directorate of Employment (NDE)

This was the main organ for employment creation during this period. The objectives of NDE include: to design and implement programmes to combat mass unemployment; and articulate policies aimed at developing work programmes with labour intensive potentials. Given that poverty manifests itself in the form of unemployment and underemployment, the schemes/Programmes of NDE could be said to have poverty alleviation focus. (Ogwumike, 2002)

4.4. Better Life Programme (BLP)

This was set up to enhance the quality of life of rural women, among other objectives. Poverty in Nigeria is a rural phenomenon and the rural women are worst hit by the dreadful malady of poverty; this is due to lack of basic skill and education necessary for gainful employment. The targeting of women in the fight against poverty will no doubt reduce significantly aggregate level of poverty in the country. The Better Life

Programme, therefore, tried to harness the potentials of rural women and thereby impacted positively on their economic activities and incomes. (Ogwumike, 2002)

4.5. People's Bank of Nigeria (PBN)

This was set up to encourage savings and provide credit facilities for the underprivileged in both urban and rural areas, Also, **Community Banks (CB)** were established to provide banking facilities for rural dwellers as well as to support micro - enterprises in urban areas, (Oladeji and Abiola, 1998). These two banking schemes were established in recognition of the indispensable role of finance in poverty alleviation and employment creation. Although the two banking schemes had some success, many of their goals and objectives were never realized. The schemes have been bedevilled with many adverse factors including corruption and gross mismanagement. For instance, late Tai Solarin resigned as Chairman of peoples Bank because of alleged corruption/executive rascality that characterized the management of the bank.

4.6. Family Support Programme (FSP)

This was set up to provide health care delivery, child welfare, youth development, and improved nutritional status to families in rural areas. Also, the **Family Economic Advancement Programme (FEAP)** was established to provide credit facilities to cooperative societies to support the establishment of cottage industries in both rural and urban areas. The programme was also designed to create employment

opportunities at ward levels, encourage the design and manufacture of appropriate plants, machinery and equipments, and provide opportunities for the training of ward - based business operators. (Oladeji and Abiola, 1998).

Other several programmes such as National Agricultural Land Development Authority (NALDA), the Agricultural Development Programmes (ADP), and the Strategic Grains Reserves Programmes (SGRP) have one way or the other impacted positively on the agricultural sector and by implication reduced poverty. Similarly, in the health, education and housing sectors there are several poverty reducing programmes which were implemented. For example, the Primary Health Care Scheme and the Guinea Worm Eradication Programme. Although the guinea worm eradication programme recorded a tremendous success, the effectiveness of the primary health care programme was grossly reduced due to inadequate funding, lack of equipment, essential drugs and trained manpower, (Egware, 1997).

5. Funding of Nigeria Poverty Eradication Programme (NAPEP)

The Poverty Eradication Fund (PEF) which is administered by the National Poverty Eradication Council (NAPEC) directly funds the National Poverty Eradication Programme. However, all poverty alleviation programmes originally budgeted for by participating ministries will continue to be funded from those budgetary provisions under the supervision of NAPEC. NAPEP is

also funded from contributions given to it by state and local governments, the private sector and special deductions from the Consolidated Fund of the Federal Government. It also gets donations from international donor agencies such as the World Bank, the United Nations Development Programme, the European Union, and the Department for International Development, the Japanese International Cooperation Agency, and the German Technical Assistance.

When NAPEP came on stream in January 2001, it was given a take-off grant of N6 billion (\$42.8m). This money was used to establish NAPEP structures in 36 states, the Federal Capital Territory, Abuja and 774 local government councils. Part of the money was also used in the NAPEP employment generation intervention which translated to the training of 100,000 youths, attaching 50,000 unemployed graduates in various places of work, training of over 5000 people in tailoring and fashion design, and the establishment of rural telephone networks in 125 local government areas. Other uses to which the money was utilized include of the delivery of the KEKE-NAPEP a three-wheeler vehicle project involving 2000 units in all the state capitals of Nigeria, the establishment of 147 youth information centres across the senatorial districts, the delivery of informal micro credit ranging from N10,000 (\$71) to N50,000 to 10,000 beneficiaries most of whom were women, and so on. (Elumilade, Asaolu and Adereti 2006)

5.1 NAPEP Interventions in Poverty Alleviation and Employment Drive

From January 2001, NAPEP has intervened in a number of projects. So far, about 140,000 youths have been trained in more than 190 practical hand-on trades over a period of three months. Every trainee in this intervention project was paid N3,000 (\$21) per month while N3,500 (\$215) was paid to each of the trainer. The training programme was packaged with the understanding that beneficiaries would subsequently set up their own businesses in line with the skills they have acquired. To actualize this, 5,000 beneficiaries were resettled with assorted tailoring and fashion designing equipment. Also under the Mandatory Attachment Programme for unemployment graduates, 40,000 beneficiaries were attached in 2001, each of whom was paid a monthly stipend of N10,000 (\$71). The installation of equipment under the Rural Telephone Project is currently in progress, while the KEKENAPEP project is currently being vigorously implemented. The project offers:

- A vehicle with a powerful diesel engine, and a fuel tank capacity of 10.5 litres
- A vehicle with a passenger capacity of four people
- A vehicle with a payload capacity of 320kg
- A vehicle with adequate room for passenger luggage
- A vehicle whose maximum speed is up to 80 km per hour
- A vehicle that is suitable for intracity commuting and commercial passenger carriage; and

- A vehicle that has a low fuel consumption of 38km per litre. (Elumilade, Asaolu and Adereti 2006)

6. Research methodology

The area of study includes the five (5) divisions of Lagos State namely Epe, Ikorodu, Ikeja, Island and Badagry. Lagos State has a total land area of 358,861 hectares or 3,577 square kilometers and is located in the Southwestern part of Nigeria on the narrow coastal plain of the Bight of Benin. The State lies approximately between Longitudes 2°42' and 3°22' East of the Greenwich Meridian (London) and between Latitudes 6°22' and 6°42' North of the equator.

It is bounded in the North and East by Ogun State of Nigeria, in the West by the Republic of Benin, and stretches over 180 kilometers along the Guinea Coast of the Bight of Benin on the Atlantic Ocean. The method of analysis was based on Descriptive statistics (such as frequency counts, percentages, means and standard deviations) were used to summarize and describe the data.

6.1. Sampling Technique and Sample Size

A purposive selection using multi-stage sampling technique was adopted in selecting (10) Communities. The communities are Temu and Noforija (Epe Division), Imota and Oriwu (Ikorodu Division) Idale and Irewe (Badagry Division) Surulere/Anikanle and Ijedodo, Sangotedo and Idi-Araba (Island).

In each of the randomly selected communities, two producer co-operative societies were identified and purposively chosen. In all two hundred and fifty (250) respondents were investigated based on strength of the communities and population size. Through the use of structured and unstructured interview schedules administered at two different periods within a month, the validity of the instrument was established.

The Independent variable, Entrepreneurship was measured by the number of businesses ventures which a respondent had and the total number of employees who worked for him. The dependent variables-poverty and unemployment was measured by number of meals per day, informal borrowing from friends, sales of Assets, underemployment e.t.c. A total mark of five (5) was awarded based on the response from the respondent.

7. Data analysis

Frequency counts, percentages, means and standard deviations were used to describe and summarize the data collected. The standard deviation was used to determine the degree of dispersion of the means.

7.1. Discussions and Findings

This research finding depicts that the level of paid employment in the selected areas is very minimal and that decent employment is the main escape route out of poverty. The prerequisites for creating decent employments include the transformation of local communities from low productivity traditional agriculture to labor-intensive

high value industrial and services sectors, taking advantage of globalization opportunities.

However, it was observed that traditional measures of alleviating poverty may not easily work in the communities being researched without radical changes in the assets ownership structure, credit structure e.t.c.

The major findings are presented under basic socio-economic variables, supportive variables and promotional infrastructure.

Basic Socio-economic variables

We observed that 78.2 percent of the respondents were male while 21.8 percent was female, 33 percent of the population had tertiary education with an average fairly size of 8 members. The average age of respondents was 44.63 years, 87.6 percent of respondents are married, 8.1 percent are widower and 4.3 percent are divorce. The average income of respondents was N12,800 per month. Majority of (39%) respondents are engaged in farming, and poultry (34%) and small proportion are simultaneously Civil Servant, transporters and fashion designers (18%). The findings reveal that most respondents had affiliations with the State Ministry of Agriculture (62.8%), Ministry of Rural Development (68.1%) and (23.8%) benefited from the National Poverty Eradication Programme (NAPEP). About 67.3 percent of the respondents are registered members of different Co-operative thrift and Credit Societies and barely 18.1 percent had benefited directly from their Co-

operative societies. The active Co-operators secured credit facilities that could aid their entrepreneurship activities in Garri-Processing, Fishing Processing, Boat making, palm oil Processing Coconut-Local mat, weaving and Fashion designing.

Sex of respondents (%)

Marital status of respondents (%)

Mean age of respondents (years)

Mean income of respondents (monthly)

Occupation of respondents (%)

Supportive Infrastructure

These are the variables that assist the functioning of Entrepreneurship. The study revealed that 57.3 percent of the respondents admitted that their communities had both feeder roads that are motorable. Water supply (%) to these communities were mainly through wells (53.8%) streams (27.6%) and by water corporation (18.4%). Although, electricity supply by Power Holding Company Nigeria Limited was highly unstable, but it accounted for about (62.3%) of power supply (%), 37.7 percent of the Entrepreneurs in these communities have alternative source of electricity as a back-up mechanism.

Promotional Variables

These are variables and factors which are directly and indirectly influence the development of entrepreneurship. Analysis revealed that 35.8% of respondents admitted that postal services were available in their communities. Most communities had no banking facilities and police security posts.

However, maternity centres and traditional health centres were the major health facilities in the communities. It was observed that major constraints to investment (%) drive are lack of credit facilities (72.3%), lack of stable power supply (27.6%). It was also noted that most government projects in the communities are tailored towards benefiting a particular section of the communities who are perhaps political power brokers in the communities.

8. Summary / recommendations and conclusion

Decent employment is the main escape route. A major route out of poverty in Nigeria is decent employment, a concept that encompasses the quality of employment- rooted in productive and secure jobs that provide adequate income and reasonable work conditions-and the quantity of employment. Decent employment strengthens the link between economic growth and aggregate poverty reduction. Prerequisites for creating decent employment include the transformation of African economies from low productivity traditional agriculture to labour-intensive high value agriculture and agro processing and to the growing industrial and services sectors, taking advantage of globalization's opportunities. Political leadership is thus required in managing African economies to give priority to broad-based employment creation in national development programmes, including poverty reduction and Employment creation strategies.

This paper focuses on four key challenges for Nigeria in the fight against unemployment and poverty: achieving structural transformation to break away from the underutilizations of rural labor, addressing widespread youth unemployment, harnessing globalization to create decent jobs and creating an enabling environment for accelerated expansion of private sector job-creation through increased investments. The papers put forward concrete approaches for decent employment-based poverty reduction programmes in Nigeria:

* Structurally transforming the economies of communities through labor-intensive technologies, underpinned by productivity enhancements in agriculture and the informal sector.

* Improving poor people's access to productive resources and requisite human capital to enable them to share in the benefits of growth.

* Minimizing regulatory obstacles to private investment, domestic and foreign and providing productive infrastructure to make domestic firms competitive in a globalizing environment.

* Improving political governance to sustain growth, and to facilitate the equitable distribution of income and other economic opportunities, backed by the political will to secure change from traditional attitudes where desirable.

References

Alkanson, A.B. The Economics of Inequality 2nd Edition Oxford University Press, New York.1984

Egware, L. "Poverty and Poverty Alleviation: Nigeria's Experience". In *Poverty Alleviation in Nigeria, Selected Papers for the 1997 Annual Conference of Nigerian Economic Society*.

Elimilade, D.O., Asaolu, T.O. and Adereti, S.A., "Appraising the Institutional Framework for Poverty Alleviation Programmes in Nigeria" *International Research Journal of Finance and Economics* Issues, 2006.

Englama, .A. "Unemployment: Concepts and Issues" *Central Bank of Nigeria Bullion*, Vol. 25, No. 4, 2001.

Meeting the Challenges of Unemployment and Poverty in Africa, 2005; Overview.
www.uneca.org/era2005

National Bureau of Statistics (NBS) Press Release on Poverty Profile for Nigeria 1980-1996, Abuja, 1999

Oladeji, S. I. and Abiola A. G. "Poverty Alleviation with Economic Growth Strategy: Prospects and Challenges in Contemporary Nigeria" *Nigerian Journal of Economic and Social Studies (NJESS)*, Vol. 40, NO. 1. 1998.

Olajide, S.O. Elements of Rural Economy University of Ibadan, Nigeria: Ibadan University Press, 1981

Ogwumike, F.O., "An Appraisal of Poverty Reduction Strategies in Nigeria" *Central Bank of Nigeria Economic and Financial Review*, Vol. 39. No. 4. 2002.

Ogwumike, F. O. "The Effects of Macro- level Government Policies on Rural Development and Poverty Alleviation in Nigeria" *Ibadan Journal of the Social Sciences*, Vol. 1, NO. 1, pp. 85 - 101 1995

Ogwumike F. O. "Poverty Alleviation Strategies in Nigeria". In *Measuring and Monitoring Poverty in Nigeria, Proceedings of the Seventh Annual Conference of the Zonal Research Units of CBN, 1998*

Okojie, C. E. Anyanwu, J. C, Ogwumike, F. O. and Alayande, B. A. "Poverty in Nigeria: An Analysis of Gender Issues, Access to Social Services and the Labour Market" . *AERC Report*. 2000

Olanrewaju, D.O. "Social and Economic Deprivation in a medium sized Urban center in Nigeria" *Habitat International*. Vol. 20, No. 2, 1996.

Onibokun, et al. "Urban Poverty in Nigeria land tenure system and land use act" *CASSD Monograph Series* 10

Todaro, M. Economic Development in the Third World 2nd Edition New Longman Group Ltd UK. 1985

STRATEGY MAKING WITH QUANTIFIED SWOT APPROACH: A CASE ANALYSIS ON TOURISM INDUSTRY IN BLACK SEA REGION OF TURKEY

Nermin Celik

Zonguldak Karaelmas University, Turkey

Department of Business Administration

ABSTRACT

Due to the increasing demand, service competitiveness requirements, and customer expectations in tourism sector in Turkey, satisfactorily solutions and development strategies are required for the ongoing problems to keep the business performance in desired level. Recent researches indicate that the popularity of Black Sea Region, located in the north side of Turkey, has been raised, however, the enterprises and infrastructural quality of service facilities are dramatically seemed to be insufficient. Hence, this paper proposes development strategies on tourism industry by utilizing the Quantified SWOT Analysis. The outcomes of this paper originally contribute strategic vision of Turkish tourism industry subsequently. The extension of this research can be performed to cover the collaborative research programs towards tourism sector under unique implementation plan of Black Sea Economic Cooperation (BSEC).

Key words: *Tourism Industry, Analytic Hierarchy Process, SWOT Analysis.*

1. Introduction

Tourism is a one of the sectors that largest and fastest improving in the world has an important role to provide employment chance, improvement infrastructure and superstructure, grow economy, and maintain environment for many countries and regions. It can't be denied that Turkey, which has got a tourism potential which can meet the changes and new expectations emerging in the world tourism market with all of its aspects, is of importance in tourism industry. Turkey is the 11th most visited country in the world and ranks 9th in tourism income (Turkiye Tourism, 2006). With lush and green throughout the year, rocky mountains, the cool waters of the coast and plantations of tea, hazelnuts, tobacco and corn, the Black Sea is a unique part of the Turkey which is a country situated at

crossroads of three continents: Asia, Europe, and Africa. The culture, cuisine, climate, and even dialect are different to the rest of Turkey, and the coastal road stretches from east of Istanbul to the border with Georgia. Along the coastline, mile after mile of beautiful uncrowned beaches offer sun, swimming and relaxation. The humid climate and fertile soil encourage cultivation of a variety of crops including tea, tobacco, corn and hazelnuts. The cities in this region are Amasya, Artvin, Bolu, Corum, Duzce, Giresun, Gumushane, Kastamonu, Ordu, Rize, Samsun, Sinop, Tokat, Trabzon, Zonguldak, Bartin, and Karabuk (Ministry of Culture and Tourism, 2005). The Black Sea is easily accessible to tourists and provides a wide range of hotels and restaurants at a variety of prices (Turkiye Online, 2007). For over half a century, the

Black Sea has been a popular tourist destination, particularly for residents of the former Soviet Union and the countries in Central Europe (BSERP, 2007). It has remarkable natural, cultural and historical resources for development of tourism. So it attracts a lot of local and foreign tourists to region. The sustainable development of tourism may vitalize some of the poorest province of the region.

With the technological innovations, globalization, competition, and increasing demand, the importance of destination marketing has been increased in last decade. To gain competitive advantage in destination, basic characteristics of destinations should be determined and evaluated and it is necessary to create specific tourism policies for developing a long term plan for tourism industry and to avoid the long term problems associated with faulty tourism development. (Boz et al., 2007). SWOT (the acronym standing for Strengths, Weakness, Opportunities, and Threats) analysis which is an effective tool for analyzing internal and external environments in order to attain systematic approaches and supports for successful industry strategy formulation, can be used. Combination of SWOT analysis with Analytic Hierarchy Process (AHP) are proposed in this paper, because of the conventional SWOT analysis is based on the qualitative method and it has no means of identifying and evaluating the importance of factors analytically (Shinno et al., 2006). The proposed method is achieved by performing pair-wise comparisons between SWOT

factors and then analyzing them by means of the Eigen value method applied in the AHP (Saaty and Hu, 1998, Monitto et al., 2002). Furthermore, the effectiveness of the proposed method and possibilities for its application to the competitive strategy formulation has been confirmed.

The rest of this paper is divided into three sections: Section 2 overviews Quantified SWOT Analysis generally. A combination of SWOT analysis with AHP for Black Sea Region of Turkey is represented in Section 3 which divided three sub-sections. These sub-sections propose strategies on tourism sector afterwards classify and priority of the related SWOT factors. The paper is concluded with findings of this research, and assigning the further research directions.

2. Brief Overview on Quantified SWOT Analysis

SWOT analysis which is a strategic planning tool used to evaluate the different factors in situation analysis (Dwyer and Tanner, 2002). This analysis involves systematic thinking and comprehensive diagnosis of factors relating to a new product, technology, management, or planning (Wehrich, 1982) and it allows to categorize factors into internal (strengths, weaknesses) and external (opportunities, threats) as they relate to a decision and thus enables them to compare (Wheelen and Hunger, 1995; Kotler, 2002). One of the main limitations of this analysis is that the importance of each factor in decision making can not be measured quantitatively on the proposed plan or strategy. So it is difficult to assess

which factor influences the strategic decision most (Pesonen et al., 2000). If SWOT approach is used in combination with AHP, it can be provided a quantitative measure of importance of each factor on decision-making (Kurttila et al., 2000; Saaty and Vargas, 2001; Ananda and Herath, 2003).

The AHP developed by Saaty is one of the mathematical methods for analyzing complex decision problems with multiple criteria, and can deal with qualitative attributes as well as quantitative (Saaty, 1990a, 1990b). By utilizing the AHP in SWOT analysis, individual SWOT factors are arranged in a hierarchic structure in a systematic manner and weighted quantitatively (Badri, 1999; Kurttila et al., 2000). There are four main steps in applying the AHP: building a hierarchy, making pair wise comparisons, generating priority vectors, and synthesizing with respect to overall goal.

Each factor used in decision making is compared pair-wise; afterwards a hierarchical decision schema is constructed by decomposing the decision problem. The judgments are taken in the form of paired comparisons because of the most effective way to concentrate judgments is to take a pair of elements and compare them on a single property without concern for other properties. The pair-wise comparisons made by the decision makers are assigned numerical values based on the 1 to 9 scale recommended by Saaty shown in Table 1.

There are $n(n-1)/2$ judgments required to develop the set of matrices. Synthesis is used to weight the eigenvectors by the weights of the factors. Having made all the pair-wise comparisons, the consistency is determined by using the Eigen value to calculate the consistency ratio (CR) using the Super Decisions software package (Super Decisions, 2007). The CR is acceptable, if it does not exceed 0.10. If it is more, the judgment matrix is inconsistent. Knowledge of inconsistency enables one to determine those judgments that need reassessment (Zakarian and Kusiak, 1999). Furthermore when standard AHP is applied, it is recommended that the number of factors within a SWOT group should not exceed 10 because the number of pair-wise comparisons needed in the analysis increases rapidly.

This method is utilized in the various application areas such as environment (Kangas et al, 2003; Leskinen et al., 2006; Masozera et al., 2006), tourism (Kajanus et al., 2004), project management (Stewart et al., 2002), agriculture (Shrestha et al., 2004), manufacturing (Shinno et al., 2006) etc. Furthermore, relevant applications on utilization of the Simple Multi-Attribute Rating Technique (SMART) (Kajanus et al., 2004), Stochastic Multi-criteria Acceptability Analysis with Ordinal criteria (SMAA-O) (Kangas et al., 2003) and Analytic Network Process (ANP) (Yüksel ve Dağdeviren, 2007) in SWOT analysis is studied in literature.

3. Implementing Quantified SWOT Analysis

SWOT analysis explained the former section can be used as a tool to be profited in order to determine internal and external factors of tourism potential of a region. For determining priority values of assessment factors, it is combined AHP with SWOT analysis in this study. To reach this aim, firstly classification and evaluation of factors are made in this paper. Outcomes identify as to propose strategies to Black Sea Region finally. The Quantified SWOT approach consists of the following three steps:

3.1. Structuring of the Key SWOT Factors

This section eagerly motivates on identifying the key SWOT factors on tourism competitiveness. This wide range of review includes the research proposals on competitiveness and strategic management towards regional development of tourism industry. Moreover, the market-based survey is also performed to outline the tendencies of local authorities in the Black Sea Region of the Turkey as well.

As one of the researches regarding with the strategic planning on tourism industry, Kajanus et al. (2004) tested and demonstrated the usability of a novel planning tool in tourism planning by utilizing a hybrid method combining the well-known SWOT analysis and the AHP. They found generating incomes from tourism business in the region, new economy, reform in rural areas, and strong culture were the most important means of maintaining the

vitality of rural areas. Enright and Newton (2004) generated a set of tourism specific items based on the core resources and attractors such as climate, different culture, cuisine, notable history, interesting festivals, museums etc. Similarly, Crouch (2006) researched destination competitiveness theory on tourism development and described culture and history, mix of activities, special events, entertainment, superstructure, market ties as core resources and attractors. Lordkipanidze et al. (2005) emphasized the importance of infrastructure on tourism development and stated that governments play a central role in providing the necessary physical infrastructure for business, e.g. streets, roads, water systems, airports and businesses require raw materials, labor, management, technology, and transportation in order to produce goods and services necessary for survival in the marketplace.

For shifting the motivation towards tourism potential of Black Sea Region, the relevant papers on Turkish tourism sector (Smid and Loewendahl-Ertugal, 2002; Ministry of Culture and Tourism, 2005; BSERP, 2007; Turkiye Online, 2007) were investigated and synthesized. Moreover, the tourism industry professionals (i.e tourism agencies, academicians, national authorities, private sector representatives, and etc.) in the Black Sea Region additionally contributed the structure of the control hierarchy of the proposed SWOT approach.

At the end of the literature review and market-based survey, the decision-making

factors on developing of competitive strategies regarding with enhancing the tourism potential of Black Sea Region are structured. Table 2 illustrates the key SWOT factors for internal and external assessments of the potential tourism characteristics of Black Sea Region.

3.2. Prioritization of the Factors

After the list of SWOT factors in decision making process is identified, scores on factors are evaluated by using questionnaire survey form which consists of seventy two questions. The judgments are taken with the help of a questionnaire form of pair-wise comparisons that is the most effective way to concentrate judgments. The pair-wise comparisons are made using a fundamental scale that called scale of relative importance or nine point scale. The geometric means of all responses for each pair-wise comparison are analyzed using the Super Decisions. In this study pair-wise comparison reflects the judgments and main tendency of different experts such as owners of travel agents, manager of the tourism and culture organization, and academicians and students from tourism training institutions. Ten members from the different group complete the questionnaire.

To obtain the group consensus, geometric means of expert opinion is calculated. A consistency ratio is also calculated for each comparison matrix is found less than 10 % using the Super Decisions. The strength vector is found by Eigen value solution which is often used in numerical analysis and the relative weights of key factors are

obtained by utilizing the AHP method after the consistency test. As a result of investigation, an overall assessment scheme for the problem is structured and it is illustrated in Table 4.

In this paper, weights of SWOT groups are the same while priority values of all factors reflected experts opinion are different each one. According to experts the most strength aspect of the region is located in the cross-road of Europe and Asia (0.4976). Diversity of natural features including coastal and rainforest and unspoilt natural scenery (0.2408) is the secondary strength aspects. Also the availability of infrastructure (road, airports, etc.) and support services (e.g. national marketing and promotion plan) are weaknesses factors which affect development in the region.

Figure-1: Matrix of the Black Sea Region under the SWOT Analysis

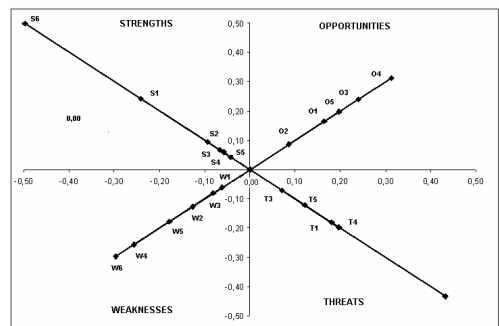
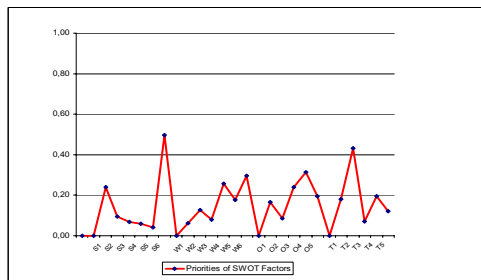


Figure2: The SWOT Analysis of the Black Sea Region with Graphical Illustration

The major opportunity in this region is word' tourism grown up gradually (0.3132) followed by development of package tourism such as trekking, ornithology, botany,

canoeing, rafting, cycling, scuba diving, paragliding and skiing (0.2397). The most important treat for this region which is the common problem of tourism regions is wars, terrorism, and political instability experienced in close neighbors (0.4323). The strengths, weaknesses, opportunities, threats of the Black Sea Region can be seen easily in the charts (Figure 1 and Figure 2).



3.3. Improvement Strategies on Black Sea Region

The classification and prioritization of the strengths, weaknesses, opportunities, and threats of the Black Sea Region about tourism potential help contribute this paper to choose suitable strategy formulation and development on the region. Due to the over capacity, changes in tourist enjoyments and preferences, service competitiveness requirements, and new tourism types, SWOT analysis which is a way of summarizing the current state of a region and helping to devise a plan for the future is necessary to applied in Black Sea. Hence, the proposed quantitative SWOT analysis can provide an important foundation for formulation of a successful strategy. Proposed strategies on tourism sector in Black Sea Region of Turkey can be improved

as shown in Table 4.

According to the findings, it is clearly understood that it is possible to improvement new strategies about Black Sea Region by emphasizing the strengths, eliminating the weaknesses, taking advantage of the opportunities, and resisting the potential threats. Because of proposed framework, short and long term strategies listed in Table 5 are developed.

4. Conclusion and Further Studies

A structured methodology for identifying and analyzing the SWOT factors of the tourism industry in Black Sea Region of Turkey has been utilized in this study. Hence current and future situations of tourism in Black Sea are criticized by means of Quantified SWOT analysis. The analysis aims to identify the main trends and key issues that influence development of the region tourism industry. As a result, Black Sea has important tourism potential with strategic location and natural features; however infrastructure and promotion for tourism are inadequate. Moreover, the Black Sea can be one of the most popular tourism centers in the world if proposed strategies are implemented. Consequently, the original contributions of this paper are expected for the further research projects on investigating the tourism potential of the Black Sea Region. The collaborative research programs towards tourism sector under unique implementation plan of Black Sea Economic Cooperation (BSEC) can further be performed by involving of the neighbor countries in the region such as Bulgaria, Romania, Ukraine, and so on.

Reference

- Ananda, J. and Herath, G. (2003), "The Use of Analytic Hierarchy Process to Incorporate Stakeholder Preferences into Regional Forest Planning", *Forest Policy and Economics*, Vol. 5, pp. 13–26.
- Badri, A. M. (1999), "Combining the AHP and GP for Global Facility Location-Allocation Problem", *International Journal of Production Economics*, Vol. 62, No. 3, pp. 237–248.
- Boz, Mustafa, Emrah Özkul and Sule Aydın (2007), "Swot Analysis for the Determining Touristic Policy and Plans in Canakkale", *2007 International Tourism Biennial*, Canakkale, April 30 - May 5 2007.
- BSERP (2007), *Black Sea Study Pack: A Resource for Teacher*, <http://www.bserp.org/Text/ESP/Tourism.htm>, [Accessed 13.9.2007]
- Crouch, Georfley I. (2006), "Destination Competitiveness: Insight into Attribute Importance", *International Conference of Trends, Impacts and Policies on Tourism Development*, Hellenic Open University in Heraklion, Crete, June 15-18 2006.
- Dwyer, R. and Tanner, J. (2002), *Business marketing*. Second edition, International edition, NY: McGraw-Hill.
- Enright M. J. and J. Newton (2004), "Tourism Destination Competitiveness: A Quantitative Approach", *Tourism Management*, Vol. 25, pp. 777-788.
- Kajanus M., Kangas J. and Kurttila M. (2004), "The use of value focused thinking and the A'WOT hybrid method in tourism management", *Tourism Management*, Vol. 25, pp. 499– 506.
- Kangas J., Kurttila M., Kajanus M. and Kangas A. (2003), "Evaluating the management strategies of a forestland estate - the S-O-S approach", *Journal of Environmental Management*, Vol. 69, pp. 349–358.
- Kotler, P. (2002), *Marketing management*, Tenth edition, USA: Pearson Custom Publishing.
- Kurttila, M., Pesonen, M., Kangas, J. and Kajanus, M. (2000), "Utilizing the analytic hierarchy process AHP in SWOT analysis – a hybrid method and its application to a forest-certification case", *Forest Policy and Economics*, Vol. 1, pp. 41–52.
- Leskinen L. A., Leskinen P., Kurttila M., Kangas J. and Kajanus M. (2006), "Adapting modern strategic decision support tools in the participatory strategy process – a case study of a forest research station", *Forest Policy and Economics*, Vol. 8, pp. 267-278.
- Lordkipanidze, M., Brezet H., Backman M. (2005), "The entrepreneurship factor in sustainable tourism development", *Journal of Cleaner Production*, Vol. 13, pp. 787-798.
- Masozera, M. K., Alavalapati, J. R. R., Jacobson, S. K. and Shrestha, R. K. (2006), "Assessing the suitability of community-based management for the Nyungwe Forest Reserve, Rwanda", *Forest Policy and Economics*, Vol. 8, pp. 206-216.
- Ministry of Culture and Tourism (2005), *Black Sea Region*, www.kultur.gov.tr/EN/yonlendir.aspx?17A56AE30572D3137EE1F1486EE5030EF9F8102006DD7892, [Accessed 23.9.2007].
- Monitto, M., Pappalardo, P. and Tolio, T. (2002), "A new fuzzy AHP method for the evaluation of automated manufacturing system", *Annals CIRP*, Vol. 51, No. 1, pp. 395–398.
- Pesonen, M., Kurttila, M., Kangas, J., Kajanus, M. and Heinonen, P. (2000), "Assessing the priorities using A_WOT among resource management strategies at the Finish Forest and Park Service", *Forest Science*, Vol. 47, No. 4, pp. 534–541.
- Saaty, T. L. (1990a), "An Exposition of the AHP in Reply to the Paper Remarks on the Analytic Hierarchy Process", *Management Science*, Vol. 36, No. 3, pp. 259-268.
- Saaty, T. L. (1990b), "How to make a decision: The Analytic Hierarchy Process", *European Journal of Operational Research*, Vol. 48, pp. 9–26.
- Saaty, T.L. and Hu, G. (1998), "Ranking by eigenvector versus other methods in analytic hierarchy process", *Appl. Math. Lett.*, Vol. 11, No. 4, pp. 121–125.
- Saaty, T. L. and Vargas, L. G. (2001), *Models, Methods, Concepts and Applications of the Analytic Hierarchy Process*, Kluwer Academic Publishers, Boston, MA.
- Shinno, H., Yoshioka, H., Marpaung, S. and Hachiga, S. (2006), "Quantitative SWOT analysis on global competitiveness of machine tool industry", *Journal of Engineering Design*, Vol. 17, No. 3, pp. 251–258.
- Shrestha, R. K., Alavalapati, J. R. R. and Kalmbacher, R. S. (2004), "Exploring the potential for silvopasture adoption in south-central Florida: an application of SWOT-AHP method", *Agricultural Systems*, Vol. 81, pp. 185–199.
- Smid, Siemon and Loewendahl-Ertugal, Ebru (2002), *Tourism on Turkey*, *IBM Global Services*, Business Consulting Services, No: 00.068.
- Stewart A. R., Mohamed S. and Daet R. (2002), "Strategic implementation of IT/IS projects in construction: a case study", *Automation in Construction*, Vol. 11, pp. 681–694.
- Wheelen T. L. and Hunger J. D. (1995), *Strategic Management and Business Policy*, 5th edition, Addison Wesley, Reading, MA.
- Yüksel İ. and Dağdeviren, M. (2007), "Using the analytic network process (ANP) in a SWOT analysis: A case study for a textile firm", *Information Sciences*, doi:10.1016/j.ins.2007.01.001, (In press).
- Zakarian, A. and Kusiak A. (1999), Forming Teams: An Analytical Approach, *IIE Transactions*, Vol. 31, pp. 85–97.

Table- 1: Saaty's scale of relative importance

| Intensity | of | relative | Definition |
|-----------|----|----------|--|
| 1 | | | Equal importance |
| 3 | | | Moderate importance of one over another |
| 5 | | | Essential or strong importance |
| 7 | | | Very strong importance |
| 9 | | | Extreme importance |
| 2,4,6,8 | | | Intermediate values between the two adjacent |

Source: Saaty: 1990b: 15.

Table- 2: Key SWOT factors for internal and external assessments

| SWOT groups | SWOT Factors |
|----------------------|---|
| Strengths (S) | <i>S₁</i> Diversity of natural features and unspoilt natural scenery |
| | <i>S₂</i> Interesting edifice like Old Ottoman houses, Ayasofya Museum, Sumela Monastery |
| | <i>S₃</i> Richness of cultural heritage such as festivals, craft, cuisine, dance, museums etc. |
| | <i>S₄</i> Skiing centre like Kartalkaya, Ilgaz, Gumus |
| | <i>S₅</i> Suitable streams for rafting, canoe, sandalwood, fishing |
| | <i>S₆</i> Strategic location on the cross-road of Europe and Asia |
| Weaknesses (W) | <i>W₁</i> Ineffective coordination between the related and supporting industries |
| | <i>W₂</i> Impact of seasonality on sustained growth and performance of nature based tourism |
| | <i>W₃</i> Lack of conference center |
| | <i>W₄</i> Lack of an integrated national marketing and promotion plan |
| | <i>W₅</i> Weak standard of service generally because of inadequate training facilities |
| | <i>W₆</i> Lack of infrastructure of travel industry |
| Opportunities (O) | <i>O₁</i> Implementation of the suite of initiatives |
| | <i>O₂</i> Affluence of water resource |
| | <i>O₃</i> Development of long trip opportunities |
| | <i>O₄</i> Word' tourism grown up gradually |
| | <i>O₅</i> Development of package tourism |
| Threats (T) | <i>T₁</i> Underdeveloped tourism infrastructure (communication, presentation, |
| | <i>T₂</i> Wars, terrorism, and political instability experienced in close neighbors |
| | <i>T₃</i> Scarcity of skilled person in tourism field |
| | <i>T₄</i> Less care of environment and global warming |
| | <i>T₅</i> Competition with other regions in tourism sector |

Table- 3: Distribution the number of experts

| Expert Group | Number of person |
|----------------------------------|------------------|
| Tourism Training Institutions | 7 |
| Tourism and Culture Organization | 1 |
| Travel Agents | 2 |
| Total | 10 |

Table 4: Priorities of SWOT Groups and Factors

| SWOT Groups | Priorities of SWOT Groups | SWOT Factors | Priorities of SWOT Factors |
|-------------|---------------------------|----------------|----------------------------|
| S | 0,25 | S ₁ | 0.2408 |
| | | S ₂ | 0.0937 |
| | | S ₃ | 0.0666 |
| | | S ₄ | 0.0585 |
| | | S ₅ | 0.0428 |
| | | S ₆ | 0.4976 |
| W | 0,25 | W ₁ | 0.0620 |
| | | W ₂ | 0.1263 |
| | | W ₃ | 0.0805 |
| | | W ₄ | 0.2569 |
| | | W ₅ | 0.1780 |
| | | W ₆ | 0.2963 |
| O | 0,25 | O ₁ | 0.1645 |
| | | O ₂ | 0.0863 |
| | | O ₃ | 0.2397 |
| | | O ₄ | 0.3132 |
| | | O ₅ | 0.1964 |
| T | 0,25 | T ₁ | 0.1801 |
| | | T ₂ | 0.4323 |
| | | T ₃ | 0.0701 |
| | | T ₄ | 0.1965 |
| | | T ₅ | 0.1210 |

Table- 5: Proposed Improvement Strategies for Black Sea Region

| No | Proposed Improvement Strategies | Related SWOT code |
|----|---|--|
| 1 | Strengthening collaborations between the related and supporting industries by arranging meetings, and entertainments. | W ₁ |
| 2 | Setting up the Research and Development (R&D) by ensuring cooperation between public sector and private sector. | W ₁ |
| 3 | Emphasizing strong values of culture-based tourism (e.g. craft, cuisine, dance) by displaying them in special days like New Year's Day or Religious Festival. | W ₂ , S ₃ |
| 4 | Utilizing the both historical and cultural characteristic at the presentation of the region in festivals and fairs to attract tourists. | W ₂ , S ₂ , S ₃ |
| 5 | Arranging unusual activities to revive winter tourism. | W ₂ , S ₄ , T ₅ |
| 6 | Increasing the presentations of the interesting place by means of national and international channels and exposition arranged by tourism organizations | W ₂ , W ₄ , S ₂ |
| 7 | Building the conference centers or meeting rooms to different place of region. | W ₃ |
| 8 | Arranging competitions concerning with photograph and picture to help region' presentation | W ₄ , W ₁ , S ₁ |
| 9 | Increasing the number of package tour with reduction in this region | W ₄ , O ₅ |
| 10 | Supervising communication, presentation, and accommodation systems to resolve the problems related tourism infrastructure | W ₄ , T ₁ |
| 11 | Developing of human resource especially in accommodation fields with training facilities. | W ₅ |
| 12 | Considering of the importance of quality beginning from training institution | W ₅ , T ₃ |
| 13 | Rearranging the roads and airports by using initiatives | W ₆ , O ₁ |
| 14 | Improving services of the technical infrastructure and getting priority technical infrastructure investments | T ₁ |
| 15 | Making local people conscious of environment using billboard, television channels, radio programs | T ₄ |

USING SERVQUAL TO MEASURE EMPLOYEE SATISFACTION: AN IRANIAN CASE STUDY

Mehran Nejati

*Department of Economics, Management and Accounting
Yazd University, Iran*

Mostafa Nejati

*Faculty of Management
University of Tehran, Iran*

Azadeh Shafaei

Faculty of Humanities, Rasht Islamic Azad University, Iran

Abstract

The purpose of this study is to measure employee satisfaction and determine the existing gap between employees' expectation and perception of their working condition. This paper uses SERVQUAL model to measure employee satisfaction in an Iranian auto parts manufacturing company. The results from the gap model highlighted which aspects of the job condition employees would like to see improved. The gap measurement is effective for use in managerial decisions to improve and diagnose physical environmental features. This paper can be used as a guide for managers who are interested in measuring employee satisfaction in order to excel in satisfying their expectations, increase their motivation, and as a result lead to more productivity.

Keywords: Employee satisfaction, Job satisfaction, SERVQUAL, Satisfaction grade

Introduction

Employee satisfaction is perhaps the most frequently studied construct in the organizational sciences (Schneider and Brief, 1992). Employee satisfaction (often referred to as job satisfaction) has been defined as "a pleasurable or positive emotional state resulting from the appraisal of ones job or job experiences" (Locke, 1976).

It is often assumed that employees who are more satisfied with their job condition are more likely to produce better work outcomes.

This is based on the rationale that higher levels of satisfaction improve morale and reduce voluntary turnover (Dole and Schroeder, 2001). A meta-analysis conducted by Petty et al. (1984) concluded that job satisfaction and performance are indeed positively correlated ($r = 0.23$, uncorrected).

Models of employee turnover almost universally propose a negative relationship between satisfaction and turnover (Hom and Griffeth, 1991; Hulin et al., 1985; March and Simon, 1958; Mobley et al., 1979; Price and

Mueller, 1986; Rusbult and Farrell, 1983). More importantly, three meta-analyses have concluded that such a link exists (Carsten and Spector, 1987; Hom and Griffeth, 1995; Steel and Ovalle, 1984), and studies using structural equation modeling techniques support the viability of a causal relationship (Hom and Griffeth, 1991; Price and Mueller, 1986). Improving employee satisfaction thus appears to be instrumental for decreasing employee turnover.

Due to the potential impact that employees have on the business, it is imperative that management understand the specific dimensions that help shape employees' attitudes toward their jobs. Over the past several years, considerable attention has been given to role conflict, role clarity, job tension and job satisfaction as four very important determinants of the performance of individuals and their impact on the operational effectiveness of the organization (Kelly et al., 1981; Lusch and Serpkenci, 1990).

From a user's perspective, satisfaction is related to confirmation or disconfirmation of expectation. This study explored the differences between employees' perception of job features and the attributes employees expect, based on the propositions of SERVQUAL (Parasuraman et al., 1988) and introduced a simple method for calculating overall employee satisfaction grade.

Gaps between perceptions and expectations within job related indicators

Traditional employee satisfaction measurement methods are mostly perception-based; that is they usually ask questions such as "all things considered, how satisfied are you with indicator x regarding your job?" without asking about "how important that indicator is to you?" The latter question can clarify the opinions or expectations of the employee toward the indicator. In such cases, unless people indicate severely low satisfaction levels, it is hard to provide specific managerial direction from the results. For instance, in an imaginary company, the mean satisfaction with wage is 82 percent, while the satisfaction level with job enrichment is 67 percent. How should a reader interpret this? Does the higher satisfaction level mean no action is required, or should more effort be put on increasing employees' wage because it might be much more important to them than other factors?

Frequently, satisfaction results may be interpreted with the researcher's perspective rather than reflect the actual user's perspective. Varady and Carrozza (Varady and Carrossa, 2000) argued that structured questions tend to limit the kinds and the depth of questions, and results from satisfaction surveys are likely to have a number of different interpretations.

Parasuraman et al. (1985) developed "SERVQUAL" to measure customers' appraisal together with expectation of

service quality. In SERVQUAL, perceived quality is represented by the difference in scores between perception rating and expectation rating.

Therefore, the present study measures job satisfaction in a company by using SERVQUAL. Founded in 1992, the company has been manufacturing auto parts since then. Here for copy right purposes, the name of the company is not mentioned.

Job satisfaction literature

Job satisfaction has long been viewed by researchers as a way to assess workers' affective responses to their jobs across time and place because it represents a "generic" type of work attitude (Firebaugh and Harley, 1995).

In general, studies suggest that satisfaction is higher among workers in jobs that are more complex and autonomous, more secure, less dangerous, and more highly rewarded (Kalleberg and Griffin, 1978; Miller, 1980; Wharton and Baron, 1987). While the effects on satisfaction of numerous other job and firm characteristics—such as the percentage of women in the job or occupation, unionization, firm size, ownership arrangements, among others—have also been investigated, these results are much less consistent (Jiang et al., 1995). Generally, researchers have viewed satisfaction as a function of workers' reward levels and expectations.

Job satisfaction refers to the individual's attitude toward the various aspects of their job as well as the job in general. High role conflict and low role clarity contribute to low job satisfaction, which can, in turn, lead to increased absenteeism and turnover (Lawler and Porter, 1967). In addition, low job satisfaction has the potential of causing low quality service encounter performances on the part of the employee (Bitner et al., 1990). This inferior performance will lead to customer dissatisfaction, firm switching and negative word-of-mouth communication on the part of the customers about the employee and the firm (Bitner, 1990).

Using data for The Netherlands, Groot and Maassen van den Brink (1999) analyze the relation between allocation, wages and job satisfaction, by using an empirical model. Five conclusions emerge from the empirical analysis: satisfaction with the job content is the main factor explaining overall job satisfaction; the effects of individual and job characteristics on job satisfaction differ by the aspect of the job considered; the response to a general question on job satisfaction differs from the response to questions on satisfaction with different aspects of the job; it is relevant to consider the joint relation between wages and job satisfaction; and skill mismatches do not seem to affect job satisfaction.

Lam (1995) has conducted a study of Job Satisfaction and total quality management among front-line supervisors on eight diverse organizations in Hong Kong. Having a sample size of 211, the study showed that

front-line supervisors were less satisfied with work dimension than with the other Job Descriptive Index dimensions like supervision and co-workers. The study also showed that only (16.1%) of the respondents claimed that their overall job satisfaction had increased.

Castaneda and Nahawandi (1991) conducted a study of job satisfaction and the relation of managerial behaviours to the performance ratings of bosses and subordinate satisfaction with a sample size of 94 managers. The study reveals that clearer relation to subordinate satisfaction is important than to structural behaviours. High performance ratings from bosses were associated with structural behaviour.

Alan (1991) has conducted a study of job satisfaction in its 5th annual job satisfaction survey, computer world magazine with sample size of 851 senior and middle information systems managers and professionals surveyed. The study reveals that two third (2/3) do not believe they are working up to their personal potential, Information Systems (IS) middle managers cited salary (57%), relationship with managers (55%), and opportunity for advancement (53%) as factors that have an impact on job satisfaction.

SERVQUAL – literature review

There seems little doubt that in the past decade SERVQUAL has proved to be the most popular instrument for measuring service quality. It aims to measure

perceptions of service across the five service quality dimensions identified by Parasuraman et al. (1988):

1. Tangibles;
2. Reliability;
3. Responsiveness;
4. Assurance; and
5. Empathy.

The instrument consists of two sets of 22 statements: the first set aims to determine a customer's expectations of a service firm: for example, "they should have up-to-date equipment"; while the second set seeks to ascertain the customer's perceptions of the firm's performance: for example, "XYZ has up-to-date equipment". The respondent is asked to rate his/her expectations and perceptions of performance on a five-point Likert scale ranging from 1 (very bad) to 5 (very good). The results of the survey are then used to identify positive and negative gaps in employees' job satisfaction on the five service quality dimensions.

The gap between expectations and perceptions (perceived service quality) is measured by the difference between the two scores (perception minus expectations).

A more recent version of the instrument (Parasuraman et al., 1991) includes a third section that measures the relative importance of the five dimensions to the customer. These scores are then used to weight the perceived service quality measure for each dimension, the main purpose being to give a more accurate overall perceived service quality score.

Potential uses of SERVQUAL in measuring job satisfaction

There are a number of ways in which SERVQUAL can be used to help companies identify areas for performance improvement. Some of these ways include: Understanding current job satisfaction level, Prioritization, and Performance analysis over time.

Methodology

A questionnaire composed of questions related to different aspects of job satisfaction was designed based on SERVQUAL model. The employee population used in this study was limited to employees in the auto parts manufacturing company mentioned before. After a pre-test, questionnaires were distributed to 50 employees of the company using written questionnaires. All the 50 completed questionnaires were analyzed for this study.

Items on the questionnaire represented various job condition aspects. Each aspect was concisely repeated in two statements: one to measure expectations and the other to measure perception about job condition, following the method used by Parasuraman et al. (1988). These aspects fell in the five dimensions of SERVQUAL model including Tangibles, Reliability, Responsiveness, Assurance, and Empathy. A five-point Likert scale ranging from very good to very bad was used to measure each of the indicants. (Very Bad = 1, Bad = 2, Fair = 3, Good = 4, Very Good = 5)

Understanding current job satisfaction level

Table 1 shows a summary of the expectation, perception and gap scores in the pilot study. According to the results, company employees have a job satisfaction level of below mean in 3 of the 5 dimensions. However, there exist a negative gap score in all the dimensions which implies that employees are not satisfied with their current job condition. Interestingly, a traditional employee satisfaction measurement method would just focus on the perception scores and therefore consider the tangibles and assurance dimensions to be in a good condition. This is probably one of the most important potential advantages of SERVQUAL over a traditional job satisfaction method.

Prioritization

The importance attached to each dimensions by employees varies markedly, with Reliability always having the highest weight (with the exception of Production Unit) and Empathy typically the lowest. For Tangibles, in particular, the weight varies from 18 percent for Engineering Unit to 33 percent for Production Unit. However, in spite of differences between the actual weights, there is considerable consistency on the rankings of these within each unit. Reliability is ranked first by six of the seven units (and second by the remaining unit), Responsiveness typically ranked second and Empathy last.

Performance analysis over time

Repeating the gap survey over time allows the company to track whether actions taken, have closed the existing gaps and whether new gaps are emerging. The company in this study, is planning to use SERVQUAL for measuring employee satisfaction next year to see how successful its improvement actions been in reducing the existing gaps.

Discussion of results

In order to determine employees' expectations toward their workplace, this study investigated the relationship between expectation levels and perception levels of different job satisfaction features. Gap scores between perceptions and expectations are presented in Table 1. Table 2, on the other hand, shows the importance of each dimension for each of the working units.

The results indicated that employees participating in this study expected to have more Reliability. The largest gap was again found in Reliability (with a gap score of - 2.2). The second largest gap belongs to Responsiveness Dimension of the job. The results taken from this research show that any improvement in factors related to Reliability will result in greater satisfaction among employees.

Conclusion

This study used SERVQUAL model to measure employee satisfaction and determine the existing gap between employees' expectation and perception of their working condition. The model was used for an auto parts manufacturing company in Isfahan and the results were discussed. The paper also verified that Insightful employee satisfaction research is the key to understanding how to improve it.

References

- Alan, J.R. (1991), "More to offer.", *Computerworld*, 25 (36), 64-65.
- Bitner, M.J. (1990), "Evaluating Service Encounters: The Effects of Physical Surroundings and Employee Responses", *Journal of Marketing*, Vol. 54, April, pp. 69-82.
- Bitner, M.J., Booms, B.H. and Tetreault, M.S. (1990), "The Service Encounter: Diagnosing Favorable and Unfavorable Incidents", *Journal of Marketing*, Vol. 54, January, pp. 71-84.
- Carsten, J.M. and Spector, P.E. (1987), "Unemployment, job satisfaction, and employee turnover: a meta-analytic test of the Muchinsky model", *Journal of Applied Psychology*, Vol. 72, pp. 374-81.
- Castaneda, M. and Nahawandi, A. (1991). "Link of manager behavior to supervisor performance rating and subordinate satisfaction.", *Group and Organization Studies*, 16 (4), 357 (10).
- Dole, C. and Schroeder, R.G. (2001), "The impact of various factors on the personality, job satisfaction and turnover intentions of professional accountants", *Managerial Auditing Journal*, Vol. 16 No. 4, pp. 234-45.
- Firebaugh, Glenn and Brian Harley (1995), "Trends in job satisfaction in the United States by race, gender, and type of occupation.", *Research in the Sociology of Work*, 5:87-104.
- Groot, W. and Maassen van den Brink, H. (1999), "Job satisfaction of older workers", *International Journal of Manpower*, Vol. 20 No. 6, 1999, pp. 343-60.
- Hom, P.W. and Griffeth, R.W. (1991), "Structural equations modeling test of turnover theory: Cross-sectional and longitudinal analyses", *Journal of Applied Psychology*, No. 76, pp. 350-66.
- Hom, P.W. and Griffeth, R.W. (1995), *Employee Turnover*, South-Western, Cincinnati, OH.
- Hulin, C.L., Roznowski, M. and Hachiya, D. (1985), "Alternative opportunities and withdrawal decisions: empirical and theoretical discrepancies and an integration", *Psychological Bulletin*, Vol. 97, pp. 233-50.
- Jiang, Shanhe, Hall, R.H., Loscocco, K.L. and Allen, J. (1995), "Job satisfaction theories and job satisfaction." *Research in the Sociology of Work* 5:161-178.
- Kalleberg, A.L. and Griffin, L. (1978), "Positional sources of inequality in job satisfaction.", *Work and Occupations*, 5:371-376.
- Kelly, J.P., Gable, M. and Hise, R.T. (1981), "Conflict, Clarity, Tension and Satisfaction in Chain Store Manager Roles", *Journal of Retailing*, Vol. 57, pp. 27-42.
- Lam, S.S.K. (1995), "Total quality management and job satisfaction in Hong Kong.", *International Journal of Management*, Vol. 12, No. 1, pp. 96-101.
- Lawler, E. and Porter, L. (1967), "The Effect of Performance on Job Satisfaction", *Industrial Relations*, Vol. 7, pp. 20-8.
- Locke, E.E. (1976), "The nature and causes of job satisfaction", in Dunnette, M.D. (Ed.), *Handbook of Industrial and Organizational Psychology*, Rand McNally, Chicago, IL, pp. 1297-349.
- Lusch, R.F. and Serpkeni, R.R. (1990), "Personal Differences, Job Tension, Job Outcomes and Store Performance: A Study of Retail Store Managers", *Journal of Marketing*, Vol. 54, January, pp. 85-101.
- March, J.G. and Simon, H.A. (1958), *Organizations*, John Wiley & Sons, New York, NY.
- Miller, J. (1980), "Individual and occupational determinants of job satisfaction.", *Work and Occupations*, 7:337-366.
- Mobley, W.H., Griffeth, R.W., Hand, H.H. and Meglino, B.M. (1979), "Review and conceptual analysis of the employee turnover process", *Psychological Bulletin*, Vol. 86, pp. 493-552.
- Parasuraman, A., Zeithaml, V.A. and Berry, L. (1985), "A conceptual model of service quality and its implications for future research", *Journal of Marketing*, Vol. 49, pp. 41-50.
- Parasuraman, A., Zeithaml, V.A. and Berry, L. (1988), "SERVQUAL: a multiple-item scale for measuring consumer perceptions of service quality", *Journal of Retailing*, Vol. 64 No. 1, pp. 12-40.
- Parasuraman, A., Berry, L.L. and Zeithaml, V.A. (1991), "Refinement and reassessment of the SERVQUAL Scale", *Journal of Retailing*, Vol. 67 No. 4, pp. 420-50.
- Petty, M.M., McGee, G.W. and Cavender, J.W. (1984), "A meta-analysis of the relationships between individual job satisfaction and individual performance?", *Academy of Management Review*, No. 9, pp. 712-21.
- Price, J.L. and Mueller, C.W. (1986), "A causal model of turnover for nurses", *Academy of Management Journal*, Vol. 24, pp. 543-65.
- Rusbult, C.E. and Farrell, D. (1983), "A longitudinal test of the investment model: the impact of job satisfaction, job commitment, and turnover on variations in rewards, costs, alternatives, and investments", *Journal of Applied Psychology*, Vol. 68, pp. 429-38.
- Schneider, B. and Brief, A.P. (1992), "Foreword", in Cranny, C.J., Smith, P.C. and Stone, E.F. (Eds), *Job Satisfaction*, Lexington Books, New York, NY.
- Steel, R.P. and Ovalle, N.K. II (1984), "A review and meta-analysis of research on the relationship between behavioral intentions and employee turnover", *Journal of Applied Psychology*, Vol. 69, pp. 673-86.
- Varady, D.P. and Carrozza, M.A. (2000), "Toward a better way to measure customer satisfaction levels in public housing: a report from Cincinnati", *Housing Studies*, Vol. 15 No. 6, pp. 797-825.
- Wharton, A.S. and Baron, J.N. (1987), "So happy together? The impact of sex segregation on men at work.", *American Sociological Review*, 52: 574-587.

Table 1: Job satisfaction gap scores

| Dimension | Tangibles | Reliability | Responsiveness | Assurance | Empathy |
|--------------------|------------------|--------------------|-----------------------|------------------|----------------|
| Expectation | 4.3 | 4.6 | 4.4 | 4.2 | 3.8 |
| Perception | 3.3 | 2.4 | 2.6 | 3.1 | 2.9 |
| Gap score | - 1 | - 2.2 | - 1.8 | - 1.1 | - 0.9 |

Table 2: Dimension weights

| Dimension | Managing | Engineering | Laboratory | Production | QA | Maintenance | Packing and Warehouse |
|-----------------------|-----------------|--------------------|-------------------|-------------------|-----------|--------------------|------------------------------|
| Tangibles | 20 | 18 | 19 | 33 | 21 | 20 | 19 |
| Reliability | 33 | 30 | 28 | 30 | 22 | 27 | 22 |
| Responsiveness | 30 | 24 | 20 | 22 | 22 | 23 | 20 |
| Assurance | 13 | 14 | 18 | 9 | 19 | 18 | 20 |
| Empathy | 4 | 14 | 15 | 6 | 16 | 12 | 19 |

TECHNOLOGICAL DEVELOPMENT MANAGEMENT UNDER GLOBALIZATION CONDITIONS

Vasyl H. Gerasymchuk, Doctor of Economy, Professor
National Technical University of Ukraine “Kyiv Polytechnic Institute”

Taras V. Sakalosh, post-graduate
National Technical University of Ukraine “Kyiv Polytechnic Institute”
37, Prospect Peremohy, 03056 Kyiv, Ukraine

ABSTRACT:

The research reveals a studying of scientific and technical development of enterprise in the context of globalization processes. The authors placed high emphasis on the specification of peculiarities and theoretical aspects of scientific and technical development of enterprise, the studying of impact of scientific and technical factors of economic development. The R&D financing in Ukraine and the strong and weak sides of application of model of technological development at international technology transfer are analyzed in the paper.

Key words: *globalization, multinationalization, national economy sustainable development model, technological development management, technological break model, information and communication technology*

1. Introduction

The knowledge appears by one of key factors of social and economic growth, and determined the scientific and technical development of enterprises. Globalization processes have ambiguous influence on scientific and technical progress – on occasion stimulating (for example, China), and in some cases – delay it (Ukraine and other countries of the CIS).

The contradiction of attitude for the scientific and technical development lately purchased a pronounced character. By the one side, it takes place confessedly of scientific and technical progress as inalienable and decision factor of economic growth but from other is an ignoring of it in the models of economic growth of the state, industry, and enterprise.

The investment flow level in science and scientific and technical works in Ukraine do not allow not only creating new knowledge but also saving inherited scientific and technical potential from soviet times. Meantime, the R&D expenditures of high-tech multinational companies amount to 10 % of revenue. Thus, the domestic enterprise competition on the world markets of high technologies is difficult.

The problems of scientific and technical development are reflected in researches of the well-known scientists’ – J. Bhagwati, D. Held, S. F. Pokropyvnyi, B. A. Malytskyi, U. M. Bazhal, V. P. Solovyov, A. I. Yakovlev, B.

Twiss, A.R. Hiemer, A. Spithoven, C. Cooper, M.A. Bendikov, R.A. Fatkhutdinov, V. V. Glukhov, A. N. Mashayekhi, S. M. Masoumzadeh and other.

1.1. The research aim is consideration of theoretical aspects and features of scientific and technical development of enterprises in conditions of globalization; the role studying of scientific and technical factors of economic growth; analysis of R&D investment in Ukraine; analysis of strong and weak sides of application of model of technological development at international technology transfer.

1.2. Research methodology

The theoretical basis of research is makes by system approach at the analysis of scientific and technical development in the conditions of globalization. The methodological base of research is represented by the methods of comparison, logical generalization, system analysis, mathematical logic.

2. Research results

2.1. Globalization and enterprise management: theoretical questions

Globalization is the world association without the global state and global government. It is a Net in which concept of manager and guided lose the real sense. The real competitiveness of country in the framework of globalization is consists in its ability of maintenance of the originality to compete on equal in opened and liberal global economic space” [1].

Globalization is the process of acceleration of development of intercommunications in all spheres of human vital functions and transformation them in the planetary metasystem [2, p. 44]. In relation to separate countries the globalization shows up in including of countries in the system of global economic connections on of long duration basis, attended with gradual elimination of scopes of national economies as a result of permanent co-operation and growing interdependence of the states [3, 4, p. 310].

Briefly statement of globalization is characterized as the new stage of division of world [5]. Today the concept of globalization transformed at original cliché [6], by which describe the varied phenomena what is going on in society. However, it is possible to trace the display of globalization processes in the historical sources in the days of the Roman empire, European conquests of new continents and others.

The globalization processes began to show up the last two decades especially brightly due to the coincidence of the following factors: 1) predominance of activity of multinational corporations above the national economies of world countries; 2) transformation of world from bipolar to the unipolar; 3) elimination of information scopes by the information and communication technologies as the main instrument of globalization processes that make relative acceleration of the development of each other and gain the exponential character [7]. In particular, the founders of Intel corporation Andy Grove and Gordon Moore bind the development of world economy to the growth of industry of information and communication technologies as it motive forces [8].

The main peculiarities of enterprise management in the context of globalization come forward: 1) business multinationalization (overrun the state boundaries, boundary of country group); 2) decentralization of management; 3) transition of organizational structures to the flat forms. The reasons of the noted processes are four groups of globalization stimuli: markets stimuli, decreasing expenses, stimuli given by the governments of other countries, stimuli of competition.

On the principle that is the main tendency of world globalization comes forward the multinationalization. So, the problem of successful competition of large, middle and small national enterprises with multinational companies is appearances not only in high tech industries but also in such industries as a food industry and agriculture [9, 10].

2.2. Multinational corporations

The multinationalization comes forward a main counterbalance for the national economies of developing countries. The analysis of the territorial distributing of belonging of multinational corporations testifies that 34 % of top 500 companies in the world are American (table 1, table 2).

2.3. The model of sustainable development of national economy

The balanced development of national business (large, middle and small) and multinational corporations is one of tasks of sustainable development of countries.

A model of the balanced development in the conditions of globalization is based on supposition about sustainable development of global economy as system of national economies [13, p. 122] and supposes diminishing of contradictions arising up between multinational corporations and representatives of national business that corresponds to approach of Hiemer [14].

The mathematical model of the balanced development in the conditions of globalization with participation of all levels of national business is presented by the sum of components of national economies and multinational corporations in the proper proportions:

$$\eta \sum_{i=1}^{233} (\alpha_i LB_i + \beta_i MB_i + \chi_i SB_i) + \mu \sum_{j=1}^{78000} MNC_j \rightarrow \text{Globalization} \quad (1)$$

where LB is large national business; MB is middle business; SB is small business; MNC are multinational corporations; α , β , χ are weighting coefficients which determine the share of the proper business in the structure of national economy; η , μ - weighting coefficients determining the balanced development of constituents of national economies and transnational companies in the world; i – amount of countries (233); j is amount multinational corporations of in the world [15].

2.4. The scientific and technical factors of economic growth

The well-known economists' – L. V. Kantorovich, Golosovskiy [16] and other get a conclusion that the factor of scientific and technical innovations carries out influence on growth of GDP of the developed countries about 67 - 87 %. If to trace the researches about the influence of factors on economy growth of the well-known scientists which basis on the USA economy data mainly, the getting results also confirm the considerable share of scientific and technical factors of economic growth (table 3). The analysis of influence of scientific and technological changes on the economy growth that studied by Solow can be generalized for other states (table 4).

The R. Solow study of the economy growth was make on the basis of two approaches – empiric and model [18]. The first uses the aggregated production function of GDP (Y) relatively of three factors of production – capital (K), labour (L) and technological changes (T):

$$Y = F(K, L, T) \quad (2)$$

The accounting of evolution of influence factors (staining of information factor) on the economic growth (2) can be adapted taking into account the factor of knowledge – useful information that is necessary pre-condition of appearance of technological changes:

$$Y' = F(K, L, T, I) \quad (3)$$

where Y' is production function of gross national product taking into account four main factors; I – factor of knowledge.

Domestic researcher V.P. Solovyov estimate influence by the following way: from increasing of man-hours is 32 %, from labour productivity increasing – 68% (including: by the innovations – 28%, by the education – 14%, by the capital – 10%, by the changing of manufacturing scope – 9%, by the resource allocation – 7%) [21].

2.5. Investment distribution by technological modes

The information and communication technologies belong to 6th technological mode among the technological modes (table 5) that is tied-up above all things, with their considerable science intensity. The level of science intensity defines as relation of expenditures on R&D at development of technology for revenue that got from the sale

of technology or services [22, 23]. At the same time concordantly to information of Institute of economic forecasting of NAS of Ukraine of financing of scientific and technical developments in Ukraine on 70 % there is the 4th technological mode (table 5 [24]). In particular, expenditures on R&D by telecommunications companies in the world from 0,1 to 4 % of revenue. The comparative analysis of some telecommunications companies of world is resulted at table 6 (by the data of Google Finance [25]) testifies to the considerable differences in financing of R&D to the amount of R&D personnel.

Analysis of table 6 enables to come to conclusion about ineffectiveness (or absence) of R&D management that took place on enterprise Ukrtelecom comparatively with FT and BT Group. In particular, Ukrtelecom have in organizational structure a scientific and technical center that do not held a development of new technologies in a sufficient measure but specialized on probation of finished existent technologies. The noted enterprise co-operate with domestic and foreign research institutes, universities and laboratories which make out developments at industry of information and communication technologies.

The level of science intensity of information and communication technologies grows in all regions of world. In particular, the change of structure of the USA employers in telecommunication sector testifies to growth of role of R&D in economic activity of information and communication enterprises (table 7 [29]).

Development status of industry of high technologies in the world testifies to lag of Ukraine in area of microelectronics, computing engineering, telecommunications. For renewal of competitiveness of technologies appears by a necessity of sustainable development of fundamental science and considerable volumes of investments which in 2005 in education take 0,21 % of GDP, in R&D – 0,04 % of GDP. While the volumes of financing of the fundamental and applied science are insufficient (fig. 1 [30]) for implementation its economic function that foresees expenditures at level no less than 2 % of GDP.

That is why for the domestic enterprises of software and hardware production, telecommunication equipment by the advantageous form of production stays an using of SKD and MKD charts that are not characterized by the assistance of development of element base, introduction of high-tech technologies, development of scientific and technical personnel.

2.6. International technology transfer by the technological break model

Distributing of technologies between countries is not characterized by evenness. In particular, on the share of new knowledge which are incarnated in technology, equipment, organization of production, in the developed countries is from 70 to 85 % increase of GDP. On the share of seven high developed countries there is the issue 80-90 % to the high tech products and practically all its export. The countries of G7 possess 46 from by 50 macrotechnologies, 22 technologies are controlled by the USA, 10 - by Germany, 7 - by Japan, 3-5 by Great Britain and France; one is on Sweden, Norway, Italy, and Switzerland control [31, p. 8-9].

The management model of technological development in the conditions of globalization aimed on decreasing expenses of the technological and skilled providing a resource [32, p. 100; 33, p. 9]. One of the models of international technology transfer is the use of model of technological break. We will bring applications over of model of technological break on the example of telecommunication industry. The term of technological break between telecommunications technologies in Ukraine and technologies of the Western European countries on the average makes 8-10 years (fig. 2).

The beginning of the phases of decline of life cycle of information and communication technology is an optimum period for the sale of this technology to the countries with the lower level of technological development (like in Ukraine). From one side the use of model of technological break allows to multiply the life cycles of technologies and attain afore-mentioned aims for countries-developers and accelerate technological development in industry for countries-mastering the imported technologies. But from other side, investing of the collected

facilities from the sale of technology, equipment, services in exploitation and repair of the used equipment in development and mastering of new technology in developed country only multiplies technological lag of country with low technological development. In fact, while the out-of-date technological equipment in Ukraine will cover their costs, a country-supplier will use principally new telecommunication technology.

Thus, reinvestment in development and mastering of new technology only inwardly the technologically developed country only multiplies technological lag of countries with low technological development.

3. Conclusions

1. The inevitability of globalization, absence of counterbalances of it negative consequences, and also impossibility to avoid these consequences in general are result in the necessity of smoothing out of negative consequences of this phenomenon with the purpose of maintenance of control above a situation in economy, industry, on enterprise and etc.

2. The multinationalization is the main economic component of globalization processes. Therefore the task of providing of high level of sustainable development of the state will be attained for many domestic companies operating at transnational level. The disproportion of distribution of technologies between countries is results in conclusion about equal rights of all nations for technological progress achievement, knowledge and about some negative impact of intellectual property protection for global technological progress.

3. The support on the balanced development of all constituents of national economies (large, middle and small business) and multinational companies activity of which did not counteract to the strategic aims of the state, is desirable, above all things, for the developing states and states with transitional economies. Thus the following of strategy of protectionism in high tech industries of economy is necessary.

4. The absence of the effective operating national program of innovative development and considerable increasing of financing of primary links is traced in a chain let:

«developed state – developed economy – powerful industry – front-rank technologies – developed science and education».

5. The scientific and technical development of domestic enterprises must be based not only on the so-called modernization – an acquisition of front-rank in Ukraine, but everywhere in-use or out-of-date in the technologically developed countries technologies, but by the development of domestic analogues from the improvement in beginning and concluding by unique know-how also.

References

Bhagwati, Jagdish. In Defense of Globalization. New York: Oxford University Press, 2004.

Міжнародні стратегії економічного розвитку: Навч. посіб. [International strategies of economic growth] / За ред. Ю.Г. Козака, Ю.І. Сханурова, В.В.Ковалевського. – К.: ЦНЛ, 2005. – 353 с.

Prestovitz C. The world is tilted // Newsweek special issue (issues 2006). P. 17.

Iván T. Berend. An Economic History of Twentieth-century Europe Economic Regimes from Laissez-faire to Globalization. Cambridge: Cambridge University Press, 2006. - 356 p. ISBN 0521856663.

Рєпа А. Мода на глобалізацію. [Fashion on globalization] – Зеркало недели, № 4 (633), 3 - 9 февраля 2007 г.

Мясникова Л. Смена парадигмы. Новый глобальный проект [Changing of paradigm. New global project] // Мировая экономика и международные отношения. – М.: Изд-во «Наука», 2006, № 6. – с. 6.

Moore G. Litography and the future of Moore's law // SPIE speech. Intel. – 1995.

Будзан Б. Глобалізація: новий виклик менеджменту України [Globalization: new challenge to the management of Ukraine]. – Зеркало недели, № 29 (404), 3 - 9 августа 2002 г.

DeAnne J., Mashayekhi A. The economics of natural gas. Oxford: Institute for energy studies, 1990.

A Globalizing World?: Culture, Economics, Politics / Ed. by Held, D. London, New York: Routledge, 2004. – 188 p. ISBN 04-1532-9744

Boyce, J. K., Hiemer, A. R., Templet, P. H., and Willis, C. E. Power Distribution, the Environment, and Public Health: A State-Level Analysis. Ecological Economics, April 1999, 127-40.

UNCTAD. World Investment Report 2007: Transnational Corporations, Extractive Industries and Development, United Nations, New York and Geneva. – P. 12. ISBN 978-92-1-112718-8.

Technology and Wealth of nations / Standford, California: Standford University Press, 1992. – P. 32.

Solow, Robert M. Growth theory: an exposition. – Oxford: Clarendon Press, 1971. – 109 p.

Економічна оцінка державних пріоритетів технологічного розвитку [Economic evaluation of state priorities of technological development] / За ред. д-ра екон. наук Ю.М. Бажала. – К.: Ін-т екон. прогноз., 2002. – 320 с.

Easterly W., Fischer S. The Soviet Economic Decline: Historical and Republican Data: NBER Working Paper, 4735. 1994.

Соловьев В.П. Инновационная деятельность как системный процесс в конкурентной экономике (Синергетические эффекты инноваций) [Innovative activity as system task in a competition economy (Synergetic effects of innovations)]. – К.: Феникс, 2004. – 560 с.

Ansari M. Management and Planning Organization of Iran: Official Publications // Proceedings of World Library and Information Congress: 71th IFLA General Conference and Council, August 14th - 18th 2005, Oslo, Norway. Oslo: IFLA, 2005.

Farideh O., Wilson S. Collaboration in Iranian Scientific Publications // Libri, 2002, vol. 52, pp. 88-98. ISSN 0024-2667

Гець В. Наука і виробництво: партнери чи конкуренти? Деякі аспекти сучасної інноваційної політики України [Science and production: partners or competitors? Some aspects of modern innovative policy of Ukraine] // Президентський вісник, №3, 7 квітня 2004

Україна телекомунікаційна. Річний звіт ВАТ «Укртелеком» [Ukraine telecommunication. Annual report of JSC "Ukrtelecom"] 2006 [Electronic Resource] / Укртелеком, 2007. – Read 24 April 2007.

Алло. Годовой отчет ОАО «Ростелеком» [Hallo! Annual report of JSC "Rostelecom"] 2006 [Electronic Resource] / Ростелеком, 2007. – Read 25 April 2007.

Белов И. Обзор телекоммуникационных компаний [Review of telecommunications companies] [Electronic Resource] / Finam-Research, 2006. – Read 15 March 2006.

Technology and Innovation in the International Economy / Ed. by C. Cooper. Hants: Edward Elgar Publishing Limited, 1994. – 244 p. ISBN 1858980275

Beyond Borders: Internationalisation of R&D and Policy Implications for Small Open Economies / Ed. by Spithoven A., Teirlinck P. Elsevier, 2005. – 440 p. ISBN 0444519092

Table 1: Distribution of top 500 multinational corporations by countries in 2006 (by the Fortune data [11])

| | | | | | | | | | | | | | | | | | |
|---------------------|---------|--------|--------|--------|---------|---------|-------------|--------|-------------|-------------|--------------|----------|------------|---------|---------|---------|---------|
| Country | USA | Japan | UK | France | Germany | China | Netherlands | Canada | Switzerland | South Korea | Italy | Spain | Australia | Sweden | India | Russia | Mexico |
| Amount of companies | 170 | 70 | 39 | 38 | 35 | 20 | 14 | 14 | 12 | 12 | 10 | 9 | 8 | 6 | 6 | 5 | 5 |
| Country | Belgium | Brazil | Taiwan | Norway | Finland | Denmark | Venezuela | Turkey | Thailand | Singapore | Saudi Arabia | Malaysia | Luxembourg | Ireland | Austria | Romania | Ukraine |
| Amount of companies | 5 | 4 | 3 | 2 | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | ? | ? |

Table 2: 25 Top MNC grouping by revenue, profits and employers in 2006 (by the Fortune data [11])

| Rank 2006 | Company | Revenues (USD millions) | Profits (USD millions) | Employees (thsd., people) |
|-----------|------------------------------|-------------------------|------------------------|---------------------------|
| 1 | Exxon Mobil | 339,938.0 | 36,130.0 | 83.7 |
| 2 | Wal-Mart Stores | 315,654.0 | 11,231.0 | 1900.0* |
| 3 | Royal Dutch Shell | 306,731.0 | 25,311.0 | 109.0 |
| 4 | BP | 267,600.0 | 22,341.0 | 96.2 |
| 5 | General Motors | 192,604.0 | -10,567.0 | 335.0 |
| 6 | Chevron | 189,481.0 | 14,099.0 | 59.0 |
| 7 | DaimlerChrysler | 186,106.3 | 3,536.3 | 382.7 |
| 8 | Toyota Motor | 185,805.0 | 12,119.6 | 285.98 |
| 9 | Ford Motor | 177,210.0 | 2,024.0 | 300.0 |
| 10 | ConocoPhillips | 166,683.0 | 13,529.0 | 35.6 |
| 11 | General Electric | 157,153.0 | 16,353.0 | 316.0 |
| 12 | Total | 152,360.7 | 15,250.0 | 112.9 |
| 13 | ING Group | 138,235.3 | 8,958.9 | 115.3 |
| 14 | Citigroup | 131,045.0 | 24,589.0 | 303.0 |
| 15 | AXA | 129,839.2 | 5,186.5 | 78.8 |
| 16 | Allianz | 121,406.0 | 5,442.4 | 177.6 |
| 17 | Volkswagen | 118,376.6 | 1,391.7 | 344.9 |
| 18 | Fortis | 112,351.4 | 4,896.3 | 54.2 |
| 19 | Credit Agricole | 110,764.6 | 7,434.3 | 136.8 |
| 20 | American Intl. Group | 108,905.0 | 10,477.0 | 97.0 |
| 21 | Assicurazioni Generali | 101,403.8 | 2,384.0 | 61.5 |
| 22 | Siemens | 100,098.7 | 2,854.9 | 461.0 |
| 23 | Sinopec | 98,784.9 | 2,668.4 | 730.8 |
| 24 | Nippon Telegraph & Telephone | 94,869.3 | 4,404.6 | 199.1 |
| 25 | Carrefour | 94,454.5 | 1,784.3 | 440.5 |

* More than 1.9 million employees worldwide [12]

Table- 3: The influence of main economic factors on the economy growth [17]

| Author | Period of research, years | Influence of capital, % | Influence of labour, % | Influence of scientific and technical progress, % |
|----------------------|---------------------------|-------------------------|------------------------|---|
| Abramovitz M. (1956) | 1869-1953 | 22 | 48 | 33 |
| Kuznets S. (1971) | 1929-1957 | 8 | 14 | 78 |
| Kendrick J. (1973) | 1948-1966 | 21 | 24 | 56 |
| Denison E. (1962) | 1929-1957 | 15 | 16 | 58 |
| Denison E. (1985) | 1929-1982 | 19 | 26 | 46 |
| Solow R. (1957) | 1909-1949 | 21 | 24 | 51 |

Table- 4: The factors of influence on GDP growth: capital, labour intensiveness, general factor of the productivity that represented the effect of technological changes for regions and selection of countries, % [19]

| Region or country | Capital | Labour | General factor of the productivity |
|---|---------|--------|------------------------------------|
| Region of the world, 1960-1987 | | | |
| Africa | 73 | 28 | 0 |
| East Asia | 57 | 16 | 28 |
| South Asia | 67 | 20 | 14 |
| EMEA region | 58 | 14 | 28 |
| Latin America | 67 | 30 | 0 |
| Total | 65 | 23 | 14 |
| Industrial developed countries, 1960-1985 | | | |
| France | 27 | -5 | 78 |
| BRD | 23 | -10 | 87 |
| Japan | 36 | 5 | 59 |
| UK | 27 | -5 | 78 |
| USA | 23 | 27 | 50 |
| USSR (1928-1987) [20] | 50 | 15 | 35 |

Table- 5: Division of financing after the technological modes in Ukraine, 2005

| Indexes | Technological modes | | | |
|--|---------------------|-------|------|------|
| | 3d | 4th | 5 th | 6 th |
| Goods production volume | 57,9% | 38% | 4% | 0,1% |
| Financing of researches works | 6% | 69,7% | 23% | 0,3% |
| Expenditures on innovations | 30% | 60% | 8,6% | 0,4% |
| Investment | 75% | 20% | 4,5% | 0,5% |
| Investment in technical re-equipment and modernization | 83% | 10% | 6,1% | 0,9% |

Table- 6: Financial performance indicators, expenditures on R&D and quantity of R&D personnel in 2006

| Company | Revenue, mln. USD | Expenditures on R&D, mln. USD | R&D personnel | Expenditures on R&D per R&D personnel amount, thsd. USD |
|-----------------------|-------------------|-------------------------------|---------------|---|
| France Telecom | 60316,02 | 2413,0 | 3780 [26] | 638,360 |
| British Telecom Group | 38637,72 | 390,0 | 1695 [26] | 230,090 |
| Ukrtelecom [27] | 1541,00 | 2,1 | 2124 | 0,989 |
| Rostelecom [28] | 2317,90 | 3,47 | 1531 | 2,266 |

Table- 7: Comparison of change of structure of employment in the telecommunication sector of the USA and JSC „Ukrtelecom”

| Employer category | % of personnel in 1997 | % of personnel in 2006 | change of structure of employment during 1997-2007, % of growth (the 2007's data are estimated) | % of personnel in 2006 at JSC „Ukrtelecom” [27] |
|-------------------------------------|------------------------|------------------------|---|---|
| Telecommunication sector of the USA | | | | |
| Top managers | 34 | 29,3 | +8% | 6 |
| Technicians | 25 | 23,8 | +23% | 41 |
| Managers | 16 | 17,9 | +37% | 19 |
| Marketing | 11 | 12,2 | +37% | |
| Engineers and technical staff | 9 | 10,6 | +46% | 16 |
| Programmers and technical support | 5 | 4,9 | +13% | 18* |

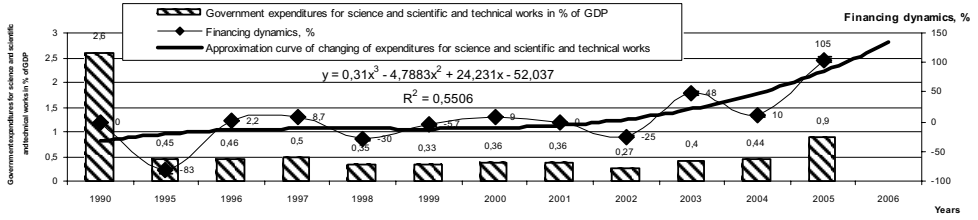


Figure 1. Government expenditures for science and scientific and technical works in % of GDP in Ukraine

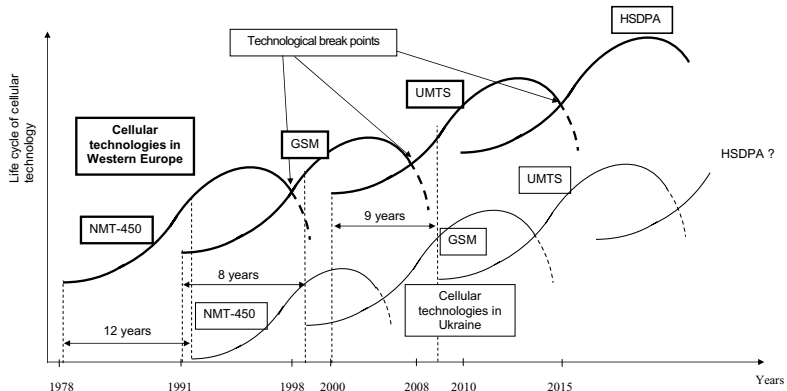


Figure 2. Life cycles of cellular technologies in Western Europe and Ukraine

A TEST OF THE CAPM ON THE ICELANDIC STOCK MARKET

Stefán B. Gunnlaugsson

University of Akureyri, Iceland

ABSTRACT

In this article, we present the result of a study of the validity of the CAPM on the Icelandic stock market. This study starts in January 1999 and ends in May 2004. The results are surprising. They indicate that the CAPM has worked well in the small Icelandic stock market and that it, or the beta coefficient, does explain returns better than on larger foreign stock markets. There was a strong relationship between the beta coefficient and stock returns in this research. Further, the stock returns with high betas were higher than one would expect according to the CAPM. Therefore, the SML was steeper than one would expect according to the CAPM. Like the CAPM predicted there was no relationship between firm-specific risk and returns.

Introduction

In this paper, empirical tests are performed to test the explanatory performance of the capital asset pricing model (CAPM) on the Icelandic stock market. This study is divided into two parts. First, the beta coefficients and nonsystematic risk of Icelandic stocks are estimated. Then, the slope of the securities market line (SML) and whether there has been a significant relationship between nonsystematic risk and returns are measured. The findings are that there is a significant relationship between Icelandic stocks' betas and returns and that the CAPM does explain the returns of Icelandic stocks. However, as the CAPM predicted, there is no relationship between the nonsystematic risk of stocks and their returns.

An efficient capital market is one in which stock prices fully reflect available information. The notion that stocks already reflect all available information is referred to as the efficient market hypothesis (EMH). A precondition for the strong version of the

hypothesis is that information and trading costs—the costs of getting prices to reflect information—are always zero. A weaker and economically more sensible version of the efficiency hypothesis states that security prices reflect information to the point where the marginal benefits of acting on information, i.e., the profits to be made, do not exceed the marginal costs (Jensen, 1968). Therefore, according to the EMH, stock prices change in response to new and unpredictable information and they follow a random walk—i.e., they are random and unpredictable.

It is common to distinguish between three versions of the EMH: the weak, the semi strong, and the strong forms. The weak form of the hypothesis asserts that stock prices already reflect all information that can be derived by examining trading data. The semi strong form of the hypothesis states that all publicly available information regarding the prospects of a firm must already be reflected in the stock price. Finally, the strong version of the EMH

states that stock prices reflect all information relevant to the firm, even information available only to company insiders.

The relationship between risk and returns is an important subject when studying capital market efficiency. It is obvious that investment in riskier assets such as stocks should generate a higher return than investment in less risky assets. It was not until the CAPM was developed that academics were able to measure risk and its return. CAPM is based on the assumption that asset returns are linearly related to their covariance with the market's return. The CAPM assumes that assets with higher systematic risk have a higher return than do assets with lower systematic risk, and that assets with the same systematic risk should give the same return. Therefore, if investors own stock with the same systematic risk as the market, i.e., the beta coefficient is 1, then the expected return is the same as the market return. If the beta coefficient is 0, then the expected return is the same as the risk-free rate of return. The CAPM also implies that there is no relationship between firm-specific risk and returns because specific risk can be eliminated through diversification.

Markowitz (1959) laid the groundwork for the CAPM. In his seminal research, he cast the investor's portfolio selection problem in terms of expected return and variance of return. He argued that investors would optimally hold a mean-variance-efficient portfolio—i.e., a portfolio with the highest

expected return for a given level of variance. Sharpe (1964) and Lintner (1965a) built on Markowitz's work to develop economy-wide implications. They showed that if investors have homogeneous expectations and optimally hold mean-variance-efficient portfolios, then, in the absence of market friction, the portfolio of all invested wealth, or the market portfolio, is itself a mean-variance-efficient portfolio.

The Sharpe and Lintner derivations of the CAPM assume the existence of lending and borrowing at a risk-free rate of interest. Using this version of the CAPM, for the expected returns of asset i we have:

$$E[R_i] = R_f + \beta_{im}(E[R_m] - R_f) \quad (1)$$

$$\beta_{im} = \frac{\text{Cov}[R_i, R_m]}{\text{Var}[R_m]}, \quad (2)$$

where $E[R_i]$ is the expected return of the security, R_f is the risk-free return, and $E[R_m]$ is the return of a market index.

The CAPM is based on a number of simplifying assumptions:

- 1) There are many investors, each with an endowment (wealth) that is small compared to the total endowment of all investors. Investors are price-takers, in that they act as though security prices are unaffected by their trades.
- 2) All investors plan for one identical holding period.
- 3) Investments are limited to a universe of publicly traded financial assets,

such as stocks and bonds, and to risk-free borrowing or lending arrangements.

4) Investors pay no taxes on returns and no transaction costs on trades in securities.

5) All investors are rational mean-variance optimizers, meaning that they all use the Markowitz portfolio selection model.

6) All investors analyze securities in the same way and share the same economic view of the world. The result is identical estimates of the probability distribution of future cash flows from investing in the available securities; i.e., for any set of security prices, they all derive the same input list to feed into the Markowitz model.

Earlier literature

Considerable research has been undertaken to test the CAPM. The main findings have been that the CAPM is not entirely valid as a model that explains stock returns, and that factors other than beta provide a better explanation. Lintner's (1965b) study of the American stock market from 1954 to 1963 found that the SML, i.e., the line that shows the relationship between systematic risk (beta) and returns, was too flat. In other words, higher returns were not proportional to higher systematic risk. Later research that tested the CAPM on the American stock market has shown that stocks with higher systematic risk do not give higher returns for periods, even for a decade. Research by Black et al. (1972) and Fama and MacBeth (1973) showed that returns of high beta stocks were lower than the CAPM would have predicted. They concluded that the SML was too flat. In their seminal research,

Fama and French (1992) found no relationship between returns and beta on the US stock market from 1963 to 1990, but a weak positive relationship between 1941 and 1990.

A number of studies have found that there is a significant relationship between nonsystematic risk and returns. Nonsystematic risk is the risk that the CAPM does not explain. According to the CAPM, there should be no relationship between nonsystematic risk and returns. In a study on the US stock market, Friend et al. (1978), Lakonishok and Shapiro (1984), and Fuller and Wong (1988) found that there was a significant positive relationship between nonsystematic risk and stocks' returns. The finding of Corhay et al. (1988) in relation to the British stock market was similar, i.e., there was a positive relationship between returns and nonsystematic risk for British stocks.

The results of these findings have been that academics have doubted the validity of the CAPM. Nevertheless, academics have not discarded the CAPM and pervasive arguments support the CAPM. Moreover, it is difficult to test the model. Richard Roll (1977) put forward arguments, known as Roll's critique, supporting the model. He pointed out that:

1) There is a single testable hypothesis associated with the CAPM: the market portfolio is mean-variance efficient.

2) All the other implications of the model, the best known being the linear relation between the expected return and

beta, follow from the market portfolio's efficiency and therefore are not independently testable.

3) In any sample of observations of individual returns there will be an infinite number of ex post mean-variance efficient portfolios using the sample period returns and covariances. Sample betas calculated between each such portfolio and individual assets will be exactly linearly related to sample average returns.

4) The CAPM is not testable unless we know the exact composition of the true market portfolio and use it in the tests. This implies that the theory is not testable unless all individual assets are included in the sample.

5) Using a proxy such as stock indexes for the market portfolio is subject to two difficulties. First, the proxy itself might be mean-variance efficient even when the true market portfolio is not. Conversely, the proxy may turn out to be inefficient, but obviously, this alone implies nothing about the true market portfolio's efficiency. Furthermore, most reasonable market proxies will be very highly correlated with each other and with the true market portfolio, regardless of whether they are mean-variance efficient. Such a high degree of correlation will make it seem that the exact composition of the market portfolio is unimportant, whereas the use of different proxies can lead to quite different conclusions.

The Icelandic stock market

The total market value of quoted companies on the Icelandic stock market at the end of

2003 was approximately 9,200 million USD, or 82% of GDP. By contrast, in 1993, the total market value was only 270 million USD, which was then 4% of GDP. Figure 1 shows the total value of transactions of stocks on the Icelandic Stock Exchange (ICEX) and the total market value of quoted companies from 1993 to 2003. As the figure shows, the size of the market and its turnover has increased exponentially. In 1993, the total volume of stock trading on the ICEX was only 13 million USD, but by 2003, it had grown to 7,750 million USD.

The number of registered companies reached a peak in 1999–2000, when 75 companies were trading on the exchange. Since then, the number has declined steadily, mainly because of mergers and acquisitions. Figure 2 shows the number of registered companies on ICEX and the year-end value of the ICEX-15 index. The ICEX-15 index is an index consisting of the 15 largest stocks quoted on the ICEX weighted by market capitalization. The figure shows clearly that the Icelandic stock market has been an excellent place in which to invest. The geometric mean annual return of the ICEX-15 index was 17.1% from the beginning of 1993 to the end of 2003. The return of the market was negative only in 2000 and 2001.

Data and methodology

This research covers the period from the beginning of January 1999 until the end of May 2004. Monthly returns of 27 stocks registered on the ICEX were used in this study. These 27 stocks are all of the stocks that were registered during the whole

period, so it was impossible to get a larger sample.

Figure 1: Total market value of stocks and the total value of transactions, 1993–2003
Source: The Icelandic Stock Exchange

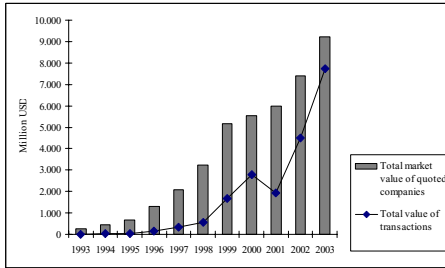
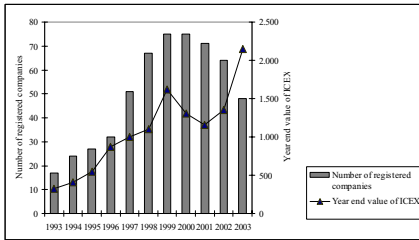


Figure 2: Number of registered companies on ICEX and the year-end value of the ICEX-15
Source: The Icelandic Stock Exchange



The study was performed in two steps. First, the alpha and beta coefficients as well as the nonsystematic risk of the 27 stocks in the sample were estimated applying OLS regression. Then, those results were used to analyze if “correct” relationships existed between beta coefficients, nonsystematic risk, and returns.

During the first part of this study, the following equation was applied for all 27 stocks using OLS regression:

$$R_i - R_f = \alpha_i + \beta_i(R_m - R_f) + e_i, \quad (3)$$

where R_i is the monthly return of stock i , R_f is the risk-free return, and R_m is the

return of the market. As a proxy for the market, the ICEX-15, which is an index of the 15 largest firms weighted by market capitalization, was used. The coefficient e_i is an error term measuring the nonsystematic risk of the stocks.

After the first regression had been performed and the beta coefficients and nonsystematic risk of every stock had been estimated, the second regression was applied using OLS and the following equation:

$$\overline{R_i - R_f} = \gamma_0 + \gamma_1\beta_i + \gamma_2\sigma^2(e_i) + u, \quad (4)$$

where $\overline{R_i - R_f}$ is the average return of each stock in excess of the risk-free return, β_i is the beta coefficient of individual stock, $\sigma^2(e_i)$ is the variance of nonsystematic risk of every stock, and the coefficient u is an error term. This regression tests the CAPM applying the following null hypotheses:

$$\gamma_0 = 0; \gamma_1 = \overline{R_m - R_f} = 0,0075; \gamma_2 = 0.$$

According to the CAPM, none of these null hypotheses should be rejected. The coefficient γ_1 should equal zero because the SML starts at the y-axis at the average risk-free return. The coefficient γ_1 should be equal to the average return of the market in excess of the average risk-free rate of return, which averaged 0.75% per month during the period this study covers, because a stock with the beta coefficient of 1.0 should have the same excess return as the market. The coefficient γ_2 should equal zero because no significant relationship should exist between nonsystematic risk and returns.

Results

The main results are shown in Table 1, where the results of the last regression applying equation 4 are presented. There we see that the coefficient γ_0 equals -0.0067, but, as the t-statistic indicates, it is not statistically different from zero. This means that the SML of the Icelandic stock market did start at the y-axis below the average risk-free rate, but that those results are not statistically significant. The coefficient γ_2 is close to zero and not statistically significant. Therefore, there was no relationship between nonsystematic risk and returns and those results are according to the CAPM.

The coefficient γ_1 shows whether “the right” relationship according to the CAPM existed between the beta coefficient of the stocks in the sample and their returns. The regression gives the coefficient the value of 0.016, but the null hypothesis was that this coefficient should be 0.0075, which was the average monthly return of the market index in excess of the risk-free rate. Therefore, the SML on the Icelandic stock market was steeper than one would expect according to the CAPM. This means that the average return of stocks with low beta was lower than expected and the return of high beta stocks was higher than expected according to the CAPM. However, the null hypothesis is not rejected. The calculated value of the t-statistics is 1.77, which is not statistically significant at the 5% level. Therefore, the null hypothesis is not rejected and we are

not able to conclude that the SML was steeper than one would expect.

Table 1. Main results of the regression applying equation 4

| | Coefficient | t-value | P-value | F-value | P-value | R ² |
|------------|-------------|---------|---------|---------|---------|----------------|
| γ_0 | -0.0067 | -1.42 | 0.17 | 5.99 | 0.007 | 0.33 |
| γ_1 | 0.016 | 3.42** | 0.002 | | | |
| γ_2 | -0.024 | -0.06 | 0.95 | | | |

*Source: Authors' calculations. **Significant at the 1% level*

Conclusions

In this article, we present the result of a study of the validity of the CAPM on the Icelandic stock market. This study starts in January 1999 and ends in May 2004. The results are surprising. They indicate that the CAPM has worked well in the small Icelandic stock market and that it, or the beta coefficient, does explain returns better than on larger foreign stock markets. There was a strong relationship between the beta coefficient and stock returns in this research. Further, the stock returns with high betas were higher than one would expect according to the CAPM. Therefore, the SML was steeper than one would expect according to the CAPM.

These results are contradictory to similar studies of other stock markets. On other stock markets than the Icelandic one, the SML has normally been flatter than one would expect. In addition, in the case of the Icelandic stock market, the result that there was no significant relationship between nonsystematic risk and returns was in

accordance with the CAPM. However, on other stock markets, a positive relationship has often been found between nonsystematic risk and returns. The fact that there are only 27 stocks in the sample of this research and that it covers a relatively short period does seriously decrease the value of this research.

We might wonder how investors on the Icelandic stock market might use these results. Until now, they have paid little attention to the beta coefficient of Icelandic stocks. These results indicate that they should study it. If they are bullish about the market, these results show that the returns of stocks with high betas are significantly better than the returns of stocks with low betas. This strategy has worked well in the context of the bull run of the market in recent years.

References

- [1] Black, F., Jensen, M.C., and Scholes, M.S. (1972). "The Capital Asset Pricing Model: Some Empirical Tests." In M.C. Jensen (ed.) *Studies in the Theory of Capital Markets*. Praeger, New York.
- [2] Corhay, A., Hawawini, G. and Michal, P. (1988). "The Pricing of Equity on the London Stock Exchange: Seasonality and Size Premium." In E. Dimson (ed.) *Stock Market Anomalies*. Cambridge University Press, Cambridge.
- [3] Fama, E. and French, K. (1992). "The Cross-section of Expected Stock Returns." *Journal of Finance*, 47, 427–462.
- [4] Fama, E. and MacBeth, J. (1973). "Risk, Return and Equilibrium: Empirical Tests." *Journal of Political Economy*, 71, 607–636.
- [5] Friend, I., Granito, M. and Westerfield, R. (1978). "New Evidence on the Capital Asset Pricing Model." *Journal of Finance*, 33, 903–920.
- [6] Fuller, R. and Wong, G. (1988). "Traditional Versus Theoretical Risk Measures." *Financial Analysts Journal*, 44, 52–57.
- [7] Jensen, M. (1968). "The Performance of Mutual Funds in the Period 1945–1964." *Journal of Finance*, 23, 389–416.
- [8] Iceland Stock Exchange data 2004.
- [9] Lakonishok, J. and Shapiro, A. (1984). "Stock Returns, Beta, Variance, and Size: An Empirical Analysis." *Financial Analysts Journal*, 40, 36–41.
- [10] Lintner, J. (1965a). "The Valuation of Risky Assets and the Selection of Risky Investments in Stock Portfolios and Capital Budgets." *Review of Economics and Statistics*, 47, 13–37.
- [11] Lintner, J. (1965b). "Security Prices, Risk and Maximal Gains from Diversification." *Journal of Finance*, 20, 587–615.
- [12] Markowitz, H. (1959). *Portfolio Selection: Efficient Diversification of Investments*. John Wiley, New York.
- [13] Roll, R. (1977). "A Critique of the Asset Pricing Theory's Tests: Part I: On Past and Potential Testability of the Theory." *Journal of Financial Economics*, 4, 129–176.
- [14] Sharpe, W. (1964). "Capital Asset Prices: A Theory of Market Equilibrium under Conditions of Risk." *Journal of Finance*, 19, 425–442.

THE EFFECT OF CORRUPTION ON FOREIGN DIRECT INVESTMENT THE CASE OF TURKEY

Yusuf AKAN

Ataturk University, Department of Economics

İbrahim ARSLAN

Gaziantep University, Department of Economics

ABSTRACT

Corruption is an exchange by a public servant of influence over the provision of a scarce resource for monetary or other reward. Corruption is conventionally perceived as a major obstacle to foreign direct investment in developing countries and, for that reason, governments in those countries have been under pressure from the World Bank and other international organizations to combat the problem.

Corruption is one of the most serious economic problems in developing countries. It is argued that not only does corruption reduce foreign direct investment inflows to a country, but also different forms of corruption have separately identifiable effects on the variable in question.

In this study we tried to examine the effects of corruption on foreign direct investment in Turkey. Granger causality test has been carried out to determine the direction of the relation between the variables based on 1980–2006 yearly data. The results support the negative effects of corruption on foreign direct investment.

Keywords: *Corruption, Foreign Direct Investment, Turkish Economy*

1. Introduction

Corruption is seen in nearly every society since ancient times. However, economic and social costs it caused attracted more attention especially in the last decade. It is widely agreed upon that, corruption affects economic growth and development negatively. Corruption has a deleterious effect on the economics of a country through two main channels – productivity and reductions in investment. Output is diminished through lower productive effort of existing resources. Reductions in

investment occur in both physical and human capital as well as degradation of institutions resulting in negative economic consequences (Brown and Shackman 2007: 325). In the literature, there is almost a consensus about that corruption of the public officers discourages entrepreneurs, causes inefficiencies and waste of resources, discourages foreign investment, distorts income distribution and harms democracy and ethics (Bayar, 2007:22).

The definition is too narrow because there are many more phenomena that deserve the label corruption than those that involve the abuse of public office for private gain. Since the 1980s, for example, major corruption scandals in Western Europe have more often involved illicit party funding than individual gain (Reed, 2007:3).

The definition is also too broad to use in an analysis of the causes of corruption. People are tempted to be corrupt when there is some advantage to be gained by doing so. Some people may be more inclined to give into temptation than others but even very bad people are unlikely to do bad things unless they have something to gain by doing so. There is no general incentive to do something bad and thus one cannot design incentives to do something good. Different types of bad behavior thus have different determinants (Nyblade and Reed 2006:311).

As is increasingly recognized in academic literature and by international organisations, corruption acts as a major deterrent to growth and development (Jain, 2001:71). Foreign direct investment is an essential aspect of 'globalization'. In the globalisation process, countries have depend upon each other so much gradually that, both international good flows and capital flows get bigger. Both developing and developed countries try to integrate with the world markets by picking up the limits.

FDIs are some form of conveyance of eligible resources by legal persons and establishments to another country. In this

sense FDIs different from portfolio investments is the transfer of nonmaterial assets like brand, technology, business knowhow and includes the placement of these investments attribution by their investors (Blomstrom and Kokko,1998:5). Development of countries depend on FDIs. The fact that is implied by economic development is development and growth. Countries trying to develop and grow like Turkey must increase their FDIs in order to change their economic structure (Ay, 2005:2). There is an abundant literature on the effects of corruption on openness, particularly on how higher corruption leads to lower levels of foreign direct investment. (Larraín and Tavares, 2004: 221).

2. Methodology

A number of trail blazing research articles have been published on the topic of corruption and related foreign direct investment factory (Brown and Shackman, 2007:320). It is the subject of discussion whether the variables within the VAR system should be stationary. The main discussion against the difference extraction is that it causes information losses related to the co-movement in the data. The common opinion on this subject is that the variables in the system are obtained from a real data derivation procedure (Enders, 1995: 310–311).

Recent empirical studies have attempted to test whether the use of first differences or levels of data set in model forecast is more suitable or not. Statistical techniques are for determining whether the data are generally

stationary or not, that is to say, whether average and variances of the data change or not in time. Determination of this qualification of the data is considerably important. the analysis of the forecasts made through non-stationary series is to be evaluated differently from those of the forecasts made by using stationary series.

In this study effects of direct FDIs on corruption is investigated. Granger causality test has been carried out to determine the direction of the relation between the variables. In the study the data of direct FDIs and corruption are used for the period of 1980–2006. Each of the variables is purified from seasonal variations. Model is composed of two variables, namely foreign direct investments (FDI), unrecorded income / GNP (URI) as Proxy variable for corruption. Data set is composed of logarithmic data which have been subjected to annual and seasonal correction for the period of “1980–2006”. The most suitable delay length for the system has been chosen as four months. Degree of lag length has been determined according to Awake Information criterion Besides that, the time series features of the series to be in the system have been examined “separately” and “together” via Augmented Dickey Fuller (ADF) and Johansen – Juselius techniques.

3. Results of Analysis

In this section, tests carried out for the solution of the model and their results are explained. Eviews 3.1 econometric packet program has been made use of for carrying out the tests.

3-1- Unit Root Test

Stationarity analysis of the series in this research has been carried out by the use of ADF unit root test. Results of ADF unit root test are given in Table 1. As seen from the Table 1, results are presented related to the stationarity of the variables which have been used in research through ADF test. According to these results, absolute values of ADF statistics belonging to the original values of variables is not stationary as they are lower than the absolute values of McKinnon critical values at different significance levels. The first differences of this have been taken. According to these results, absolute values of ADF statistics belonging to the original values of variables is stationary as they are higher than the absolute values of McKinnon critical values at different significance levels.

Table 1: Augmented Dickey Fuller Unit Root Analysis Results (ADF)

| Variable | | Constant | Constant / Trendy |
|-----------------------------|-------|-----------------------|-----------------------|
| LFDI | | 1.457482 | -0.28864 |
| LURI | | -0.9973 | -2.0606 |
| McKinnon Critical Values | a=%1 | -3.7204 | -4.3738 |
| | b=%5 | -2.9850 | -3.6027 |
| | c=%10 | -2.6318 | -3.2367 |
| Δ LFDI | | -7.109 ^(a) | 4.950 ^(a) |
| Δ LURI | | 3.786 ^(a) | -4.616 ^(a) |
| McKinnon Critical Values | a=%1 | -3.7343 | -4.3942 |
| | b=%5 | -3.9907 | -3.6168 |
| | c=%10 | -2.6348 | -3.2418 |

^(a) stationarity at 1% according to the McKinnon critical values

3-2- Co-integration Test

Multivariate co-integration technique developed by Johansen (1988, 1991) and Johansen and Juselius (1990, 1992), which enables the forecasts to be made by maximum feasibility method, has been used. This method is much more convenient compared to other methods as it enables the testing of different hypotheses and as it is practical even when there are some variables I(0) (Hansen and Juselius, 1995).

Table 2. Johansen co-integration test results

| Eigenvalue | Ratio | Likelihood | %5 | %1 | Hypothesized |
|------------|----------|----------------|----------------|--------------|--------------|
| | | Percent | Percent | Percent | |
| | | Critical Value | Critical Value | No. of CE(s) | |
| 0.472051 | 15.48979 | 15.41 | 20.04 | None | |
| 0.006630 | 4.159641 | 3.76 | 6.65 | At most 1 | |

Note: L.R. test indicates 1 cointegrating equation(s) at 5% significance level

It is first necessary in co integration test to determine how many delayed values of the variables in the used VAR model will take part. In the research, lag length of VAR model has been determined as 1 via Akaike information criterion (AIC).

Results of Johansen co-integration test are given in Table 2. Comparison of maximum eigenvalue and trace statistics calculated with the critical values taken from Osterwald-Lenum (1992) study shows the existence of co-integrated vector at the level of 5% and 1%. The existence of the co-integration between variables means a causality relation at least in one direction, as stated by Granger (1988) as well. In addition to co-integration analysis, a causality

analysis has also been carried out to determine the dynamic relations between two variables.

3-3- Causality Test

Granger causality test has been carried out to determine the direction of the relation between the variables. Granger's causality test is carried out with the help of equations below:

$$Y_t = \alpha_0 + \sum_{i=1}^{k_1} \alpha_i Y_{t-i} + \sum_{i=1}^{k_2} \beta_i X_{t-i} + \varepsilon_t \quad (1)$$

$$X_t = \chi_0 + \sum_{i=1}^{k_3} \chi_i X_{t-i} + \sum_{i=1}^{k_4} \delta_i Y_{t-i} + vt_t \quad (2)$$

Table 3. Granger Causality Test Result

| Granger Causality Tests | | | |
|--------------------------------|-----|-------------|-------------|
| Sample: 1980-2006 | | | |
| Lags: 2 | | | |
| Null Hypothesis: | Obs | F-Statistic | Probability |
| URI does Granger Cause FDI | 25 | 3.69962 | 0.04295 |
| FDI does not Granger Cause URI | | 0.07228 | 0.93051 |

*F α (m, n-k) = 0, 05 (2, 26) = 3, 39

In the equation (2), if β indics coefficients are found to be different from zero at a certain level, the fact that X is the cause of Y is arrived at a conclusion. Similarly, in the equation (3), the fact that coefficients is different from zero at a certain level is the indicator of that Y is the cause of X (Granger, 1974: 431).

The F value calculated and the F value in the Table 3 is compared and a conclusion is made. Because the calculated F value is

higher than the critical F value, the hypothesis that there is causality from URI to FDI is accepted. On the other hand, because the calculated F value is lower than the critical F value, the hypothesis that there is causality from FDI to URI is not accepted. According to Granger causality analysis, corruption (URI) in Turkey does affect foreign direct investments (FDI). On the other hand foreign direct investments (FDI) in Turkey does not affect corruption (URI).

4. Conclusions

In this study we tried to examine the effects of corruption on foreign direct investment in Turkey. It is widely agreed upon that, corruption affects economic growth and development negatively. In the literature, there is almost a consensus about that corruption of the public officers discourages entrepreneurs, causes inefficiencies and waste of resources, discourages foreign investment, distorts income distribution and harms democracy and ethics.

Granger causality test has been carried out to determine the direction of the relation between the variables. In the study the data of direct FDIs and corruption are used for the period of 1980–2006. Because the calculated F value is higher than the critical F value, the hypothesis that there is causality from URI to FDI is accepted. On the other hand, because the calculated F value is lower than the critical F value, the hypothesis that there is causality from FDI to URI is not accepted. According to Granger causality analysis, corruption (URI) in

Turkey does affect foreign direct investments (FDI). On the other hand foreign direct investments (FDI) in Turkey does not affect corruption (URI). Putting the diagnosis truly and knowing the deep causes of a problem correctly are the most important steps in solving the problem (Bayar, 2007:22).

Corruption was decomposed into sub-components: bureaucratic reforms, government stability, law and order and civil liberty. While the first sub-components are irrelevant, a country's law and order tradition is a crucial sub-component for attracting capital inflows. This provides direction for reform, suggesting that attempts to become attractive to capital inflows must focus on a strong court system and provisions for an orderly succession of power (Lambsdorff, 2003:240). The practice of tying foreign aid to bureaucratic reforms will likely be an effective strategy to combat corruption around the world. Legal system reform also appears to be an important factor in fighting corruption (Brown and Shackman, 2007:341–342).

Government stability is an assessment of the government's aptitude to carry out its declared programs and its ability to stay in office. These goals are assumed to be achieved with a high level of government unity, strong legislative power and popular support for the government. Corruption can go along with a variety of governance failures, such as an inefficient bureaucracy, excess government intervention and regulation, lacking political stability or the absence of law and order. Law and order

indicates that a country has sound and accepted political institutions, a strong court system and provisions for an orderly succession of power. This can be seriously violated in case of corruption(Lambsdorff, 2003:231–234).

Treisman (2000) argues that democratic systems should lead to lower corruption since the likelihood of exposure or punishment for corrupt acts is increased in an open society and supports this position by concluding that countries with long democratic histories tend to be less corrupt. He believes the risk of exposure of corruption to be higher in more democratic, open societies(Brown and Shackman 2007: 325).

Civil liberties, comprise the freedom of expression and belief, personal autonomy as well as human and economic rights. A government that limits economic rights and civil liberties easily distorts markets, inducing the search for illegal ways to circumvent regulation. This creates opportunities for corruption. (Lambsdorff, 2003: 234).

There exists substantial evidence that corruption reduces the ratio of investment to GDP in a cross-section of countries, see Mauro (1995 and 1997), Knack and Keefer (1995), Campos, Lien and Pradhan (1999), Brunetti, Kisunko and Weder (1997: 23–5) and Brunetti and Weder (1998: 526–8). Corruption is likely to reduce investment, but the resulting decrease in the capital stock will also bring about a lower GDP. High levels of corruption lower, productivity. This lower productivity implies a higher capital stock to be required in order to produce the same output. A higher capital stock, finally, requires increased investments (Lambsdorff, 2003:229–230). On the other hand, Paldam (1999) found the strongest factor reducing corruption is the move from poor to rich (Brown and Shackman 2007: 325).

References

- AY, A., and Yardımcı, P. (2006), "The Analysis of Physical and Human Capital and Economic Growth With VAR Model (1950-2000)", 5. Economics and Management Congress, Kocaeli Üniversitesi.
- Ables, Adelado C. (2001) "Making Philippine Customs Services E-Ready". Presented at the First Workshop of the APEC-OECD Cooperative Initiative on Regulatory Reform, Beijing. Available at <http://www.oecd.org/dataoecd/46/19/2506438.pdf>.
- Bayar, Güzin, (2007), Causes of Corruption in Turkey- An Econometric Analysis, Turkish Economic Association, Discussion Paper, 2007/3, <http://www.tek.org.tr>
- Bllomstrom, M. and Kokko, A. (1998), "Multinational Corporations and Spillovers", Vol:12, No:2, pp.247-277.
- Brown, F. Steven and SHACKMAN, Joshua (2007), "Corruption and Related Socioeconomic Factors: A Time Study Series", KYKLOS, Vol:60, No:3, pp.320.
- Brunetti, A., Weder, B. (1998), Investment and Institutional Uncertainty: A Comparative Study of Different Uncertainty Measures, *Weltwirtschaftliches Archiv*, 134(3), pp.513-533.
- Brunetti, A., Kisunko, G., Weder, B. (1997), Credibility of Rules and Economic Growth – Evidence from a World Wide Private Sector Survey, Background Paper for the World Development Report 1997, The World Bank, Washington D.C.
- Campos, J. E., Lien, D., Pradhan, S. (1999) The Impact of Corruption on Investment: Predictability Matters, *World Development*, 27(6), pp.1059-1067.
- Dickey, D.A. & FULLER, W.A (1981), Likelihood Ratio Statistics for Autoregressive Time Series with a Unit Root, *Econometrica*, 49 (4) July, pp.1057- 1072.
- Enders, W. *Applied Econometrics Time Series*, Iowa State University, John Wiley & Sons, Inc, 1995
- GRANGER, C.W.J. & NEWBOLD, P. (1974), Spurious Regressions in Economics.
- Gujarati, Damodar N. (2003), *Basic Econometrics*, McGraw-Hill, Fourth Edition, New York.
- Hansen, H. and JUSELIUS, K. (1995), CATS in RATS: Cointegration Analysis of Time Series, Evanston, Illinois: Estima. *Journal of Econometrics*, 2 (2) July, pp.111-120.
- Harris, Richard-Robert Sollis (2003), "Applied Time Series Modelling and Forecasting", John Wiley & Sons., *Journal of Economics Surveys*, Vol. 12, No. 2.
- Jain, K. Arvind (2001) "Corruption: A Review", *Journal of Economic Surveys*, Vol:15, No:1, p.71.
- Juselhus, K. (1995), "Do Purchasing Power Parity and Uncovered Interest Rate Parity Hold in the Long-Run? An Example of Likelihood Inference in a Multivariate Time Series Model", *Journal of Econometrics*, 69, pp.211-240.
- Knack, S., Keefer, P. (1995) Institutions and Economic Performance: Cross-Country Tests Using Alternative Institutional Measures, *Economics and Politics*, 7(3), pp.207-227.
- Lambsdorff, J. Graf (2003), How Corruption Affects Persistent Capital Flows, *Economics Governance*, 4, pp.229-243.
- Larraín B, Felipe and J. Tavares (2004), Does Foreign Direct Investment Decrease Corruption?, *Cuadernos De Economia*, Vol. 41 (Agosto), pp. 217-230.
- Mauro, P. (1995) Corruption and Growth, *Quarterly Journal of Economics*, 110(3), pp.681-712
- Mauro, P. (1997) The Effects of Corruption on Growth, Investment, and Government Expenditure: A Cross-Country Analysis. In: Elliott, K.-A. (ed.) *Corruption and the Global Economy*, pp. 83-107, Institute for International Economics, Washington D.C.
- Nyblade, Benjamin and Steven R. Reed (2007) "Who Cheats? Who Loots? Political Competition and Corruption in Japan, 1947-1993", manuscript under review.
- Pagan, A.R. (1987), "Three Econometric Methodologies: A Critical Appraisal", *Journal of Economic Surveys*, Vol.1.
- Reed, Steven R. (1988) "The People Spoke: The Influence of Elections on Japanese Politics, 1949-1955" *The Journal of Japanese Studies*, Vol: 14, pp.309-339.

THE THEORETICAL FRAMEWORK OF THE ECONOMIC FLUCTUATION IN TURKEY

İbrahim ARSLAN

Vedat BAL

Gaziantep Üniversitesi, Turkey

ABSTRACT

It is observed that the economic fluctuations have been shaped according to the variations of economic activities through the historical development of global economy. In the middle of the 18th century, with the invention of steam engine in England and with the invention of casting iron by smelting coke, there were important developments in industrial field. In 19th century in which the capital experienced its golden age, industrial capitalism rapidly increased firstly in England and then in USA, Germany and other European countries. In the light of these developments, in this study it is aimed to have a broader look to the conjuncture and also to state all the fluctuations in local, national and international levels that the economy faced in short and long run. Since the conjuncture is specific to industry and trade, the features of agriculture sector is different. However, economic fluctuations are usually witnessed in industrialized countries. Each of the economic fluctuation has the peculiarities specific to the economic conditions they are in.

When the issue is assessed from the point of view of Turkey, the main reasons of the instability in Turkish economy is foreign dependency and inflation. The policies aiming to struggle against inflation have established the basis of the prepared stability programmes. However depending on the quality of the prepared programmes, the issue of ensuring price stability has become an important problem. In this study, the processes of formation of the economic fluctuations and the measures to be taken for these have been inquired.

Keywords: *Economic fluctuations, Economic Policies, Turkey Economy*

1. Introduction

Cyclical aims at looking through wide perspective and in addition expressing all the fluctuations in the form of local, national and international which economy faced with in the short and long term. As cyclical is mainly peculiar to industry and trade sectors, agriculture sector have different characteristics. However, economic fluctuations are seen mostly in industrialized countries. While each of the economic fluctuation has characteristics peculiar to economic situations, economic fluctuations can be thought as

overproduction, generalization, periodicness, economic system and crisis and industrialization and crisis (Aklin, 1987:257).

Especially with the industrial revolution, western countries have experienced economic fluctuations every 8-10 years and it is seen that welfare, wealthiness and extravagance eras are followed by unemployment, poverty and beggary eras (Dinler, 1995:46). Nevertheless, economic fluctuations go parallel with the industrialization activities. If there are

economic fluctuations in an economy, many sectors gain importance. These are industry, service, and agriculture sectors. While production and investment in industry and service sectors are generally related to demands, natural circumstances become prominent in agricultural sector and market loses effect (Çapraz, 2001;51).

As a result of the biggest crisis occurred in capitalism in 19th century, the most important change was pointed out as the steps taken in the interaction to economy by states. Nevertheless, many industrialized countries took some prevention in the direction of protectionism. Thus, they tried to maintain the general circumstances which sustain the revival of capital stock and reproduction. Increased capital accumulation changed the western societies positively in terms of economy and social. Although there were economic fluctuations in these economies, they increased constantly in the long-term period (Ryan, 1983;97).

The differences in the activities of economic fluctuations, improvement level, industrialization degree, economic structure and international relations in the western societies caused differences in the time and intensity of fluctuations in every country. When looked at the history of economic fluctuations, it is considered different in different centuries. Nevertheless, making structural changes in economic policies like improvements made during 19th century, maintaining economic enlargement, having low rate of inflation and prevention of unemployment became a current issue (Dale,

1991;533). Nevertheless in 20th century before the collapse of capital market, it was understood that they predicted that there would be an excessive speculation in purchasing of share certificates in USA and in order to eliminate it, it decreased its active portfolio thus there would be an economic fluctuation. At the end of this, it was understood that the effect of this economic fluctuation was relatively high as bankruptcy of many banks was the indication of collapse of American economy and this collapse spread to the world in waves (David, 1983;958).

Economists knew the reasons of cyclical and crisis and the amelioration solutions after economic fluctuations occurred in 1929. Thus they could elude from economic fluctuations in a short time as they took the control when they emerged (Jasques, 1977;168).

2. Definition of the economic fluctuation

Many research related to economic life revealed that economic level of activity doesn't improve constantly by protecting a definite level; on the contrary it consists of fluctuations. Accordingly, there were rises and falls in terms of physical and values like national income, industrial, agricultural production and investment in basic macro size. According to this rises and falls which repeated in time in the economical level of activity is named as economic fluctuation. These economic fluctuations spread to whole economy from the sector where it emerged in waves. In the crisis process which effect not only industrial sector but also trade sector,

pessimistic expectations that lead social, psychological education and behavior cause to spread of fluctuation fast. For this reason, the necessity of struggle against fluctuations occurred in time is emerged. Variable economic policy tools are recommended in order to struggle against these fluctuations and to use existed capital, labor, and natural resources efficiently in an economy.

The most common definition about the definitions of economic fluctuations and their emergence mechanisms was made by Wesley Mitchell. This began to be seen in capitalist countries by following the private enterprise and improvement of market economy. According to Wesley recession, crisis, revival and expansion that emerge simultaneously and consecutive in common economic activity level in capitalist economies are named as economic fluctuation (Woitek, 1998;33).

Fluctuation concept is a problem or process and related with many elements which composed of economical mean. It can defined generally as the disruption of the supply demand equilibrium of goods and services in economic development process and breaking of mutual relations among all the economical elements (Hanson, 1978;213).

3. HISTORY OF THE ECONOMIC FLUCTUATION

It is seen that economic fluctuations formed according to economical activities in the world economic history. There were great improvements in industry after the invention of steam machine in England in

the middle of 18th century and the invention of iron melting method by using coal. Thus, small enterprises which based on manual labor in production were replaced by big factories working with steam power (Michell, 1980;108).

In 19th century which was a golden age for capital, industry capitalism began to increase rapidly in England, USA, Germany and other European countries. While steam ship transportation with the increased use of coal and steam machine in industry which is seen as a revolutionary for the transportation system caused the increase in manufacturing of railways, crisis emerged in America with the speculation of railway stock certificate spread to the international level in a short period. This was thought to be the first crisis of capitalism at international level. In this process there was decline in the levels of production and employment in the countries where crisis emerged.

However, there are economical trends which express different approach for the economic fluctuations. Classics didn't express economic fluctuations much. They based economic acts upon the some natural acts and believed that the economic fluctuations which could be occurred in economical development process is to be stabilized spontaneously. On the contrary of classics according to Marx, a capitalist economy can't be stable continuously as economic medium is the entire of the factors which expose to change compulsorily.

Keynes talks about inadequacy of investment while discussing about the economic fluctuations. According to Keynes, the reason of economic fluctuations is that normal savings are larger than investment. This situation causes instability in the consumption goods market. Fluctuations occurred as a result of breakdown in the relations and balances of economic sizes are caused by decreased new investments and low rate of employment. According to Keynes employment should be increased and investments should be enlivened by putting inert production factors in circuit in order to enliven economy. According to him, fluctuation can be prevented by existence of tools that are necessary for the prevention economic fluctuation (Köse, 2004;4).

Economic fluctuations are the severe fluctuations emerged beyond the change border that is acceptable for values or quantities in any good, service, production factor or exchange sector. Economic fluctuations are generally the deviant developments which are emerged in processes from the production of economy to re-production. It is seen that economic events are not always on the same level and every economic development and welfare era emerges with economic devolution and collapse era. Such changes occurred in economic activities are the definite indications of economic fluctuations. Fluctuations occurred in economic life can be sorted into three groups in terms of expenditure; seasonal, accidental and periodical.

4. Reasoning of the economic fluctuation

The idea of reason of emergence of economic fluctuation is global shock were explained extensively until the end of 1970s. However, after 1970, world witnessed a supply shock experienced with petroleum prices which brought about a cyclical crisis. This revealed the fact that fluctuation is not only the result of supply shock but also it can emerge at the end of demand shock.

The most important indications that point out the emergence of economic fluctuations can be summarized as inflation, devolution of balance of trade, decrease in the trade performance and rate of economic growth, increase in money supply and public deficit, and increase in money supply and at the rate of gross international reserves of money supply. The current structure and reasons of economic fluctuations can be explained in the process of historical development. Internal and External factors which cause economic fluctuation should be detected.

- Changes in the expectation of inflation and rate of interest.
- Changes in money supply
- Changes in the exchange rate
- Changes in export and import
- Increase in wages
- Political and economic fluctuations
- Increase in population and migration.

Conclusions

Today Turkey is the country where most rapid price increase exists. For last two decades, average annual inflation rate is 7%. At times the country has reached double-digit inflation rate due to inequality of German economic measures and not non-preference of inflationary economic policies. Important success can not be achieved even if the times when acute measures are taken. Inflation is one of the basic reasons of instability in Turkey's economy. Policies related to prevention of inflation are the basic of stability programs that prepared. Sustaining price stability depending on the characteristics of prepared program has become an important problem. One of the issues most discussed in Turkey is the efficiency of money policies implemented by Central bank in sustaining price stability. Today fluctuation at the level of price mostly appears in the form of inflation. When we look at the recent history, it is understood that while stability dominated in the world between the two world wars was in the form of unemployment, it is in the form of inflation in the post-war period.

References

- ALKIN, Erdoğan(1987). *Income and Growth Theory*, İstanbul University Publication , Gür-Ay Typography, p.257
- ALVIN Hanson(1978), **Business Cycles and National Income**. New york, Norton Company. inc. p.213
- DİNLER, Zeynel(1995)., *Induction Economoci*, Bursa, Ekin bookstore Publication, p. 428
- RYAN C. Amacher / HoJİey H. Ulbnch(1983). **Principles of Macroeconomics**, Ohio, South-Western Publishmg Co. P.97
- DALE M. Sievert.(1991). **Economics**, second edition, Newyork.Gengary Publishmg, P. 533
- DAVID R. Kamerschen / Richard B. Mc. Kenzeie/ Clark Nardindle(1983). **Economics**, Boston. Houghton Miffm Company, p.958
- DAVID Begg,Stanicv Fischer / Rudiger Dornbusch(2001), **Economics** Lunclon. MvGravv-Hill Book
- JEAN Jacques Grancje(1977), **Fluctuations Economiques at conjuncture**, Masson, Paris. p. 168
- WOİTEK, Ulrich,(1998). **Business Cvcles**, Germany. Physica-Veriae Company, p.33
- UNAY, Cafer (1997). **Economic conjuncture**, Bursa, Ekin bookstore Publication, p.7
- WESLEY C. Michell(1930). **Business Cycies**, Neuyork, National Bureau of Economic Research. Inc., p, 108
- BRUNO Jossa / Marco Muselia(1998). **Inflation, Employment and Money**, England, Edward Elgar Publishim Lt. Pp.1-4

QUALITY ENHANCEMENT IN MEDICAL EDUCATION

Mostafa Nejati Ajibisheh

Faculty of Management, University of Tehran (UT), Iran

Mehran Nejati Ajibisheh

Department of Economics, Management, and Accounting, Yazd University, Iran

Forouzan Bayat Nejad

School of Medicine, Tehran University of Medical Sciences (TUMS), Iran

Abstract:

Since ancient time, education has been evaluated in terms of its practical value among the Chinese; however, despite its long history, performance evaluation is the most complex and controversial of human resource management techniques (Roberts, 2003), and a little understood function of organizational life.

Performance appraisal in both the private and the public sectors have become an integral part of work life. Of course, there is a growing interest to use performance management techniques in educational institutes in order to increase the competitiveness and quality of university education in a globalized environment. Accordingly, medical education requires special performance management and excellence models to improve the quality of course materials and provided services.

The aim of this article is to develop a model of academic excellence based on a combination of SERVQUAL technique, Balanced Scorecard model, and EFQM Excellence Model. The SERVQUAL technique can be used to identify the gap between medical students' expectations and perceived experience as indicators of service quality, to measure quality of services offered by medical universities.

In this article, with the use of Balanced Scorecard and EFQM, a comprehensive model will be introduced to enhance the quality of medical education. The model will recommend a process within different academic quality dimensions. In addition, the paper will introduce approaches to use available resources effectively to improve educational development.

Keywords: *Performance measures, Medical education, excellence model, Quality enhancement*

Introduction

Service industries are playing an increasingly important role in the economy of many nations. In today's world of global competition, providing quality service is a key for success, and many experts concur that the most powerful competitive trend currently shaping marketing and business strategy is service quality (Abdullah, 2006, p. 31). Institutes of higher education are also focusing on ways to render high quality education to their educators and have a better performance.

Higher education institutes are facing new challenges in order to improve the quality of education. There is a pressure for restructuring and reforming higher education in order to provide quality education and bring up graduates who become fruitful members of their societies. Therefore, these institutes are trying to recognize the dimensions of a quality education and define strategies to reach their pre-defined standards and goals.

The purpose of this article is to examine the concept of quality education within higher education institutes, specially the medical institutes, and explore the use of performance models and goal-setting in universities as a means for higher education excellence. The article discusses the most practical models for universities' performance enhancement, and proposes a model to improve quality in higher education. It also suggests the related performance indicators as well as quality

improvement approaches for medical higher education institutes.

Literature Review:

Quality is a relative and contestable concept (Barnett, 1994, p. 68). Though there are different definitions for this term which all might be true depending on the context that the term has been used. Thapisa and Gamini (1999) consider quality as an ongoing process where the user is a key determinant.

In the higher education context, there are also different perspectives about quality. For example, to the committed scholar the quality of higher education is its ability to produce a steady flow of people with high intelligence and commitment to learning that will continue the process of transmission and advancement of knowledge. To the government a high quality system is one that produces trained scientists, engineers, architects, doctors and so on in numbers judged to be required by society. To an industrialist a high quality educational institution may be one that turns out graduates with wide-ranging, flexible minds, readily able to acquire skills, and adapt to new methods and needs (Tam, 2001, p. 47). But generally, quality can be considered as a feature that is consistent with some pre-defined standards and requirements.

In the context of higher education, quality is more related to rendering up-to-date knowledge, and meeting the expectations of the university stakeholders.

Westerheijden (2001) believes that in all levels of higher education, there is a need for a differentiated offer of more academically directed and more professionally directed programs. Also, much of the work on the quality aspects of higher education has focused on the quality of courses and teaching, as well as effective course delivery mechanisms (Athiyaman, 1997; Bourner, 1998; Cheng and Tam, 1997; McElwee and Redman, 1993; Oldfield and Baron, 2000; Palihawadana, 1996; Soutar and McNiel, 1996; Varey, 1993; Yorke, 1992).

Brocato and Potocki (1996) defined teaching quality as a student's education meeting the student's expectations including well-prepared classes, relevant materials, well-presented materials, challenging assignments, highly interactive and cooperative sessions, and opportunities to improve knowledge and skill. Mustafa and Chiang (2006) suggest in their study that teacher abilities, teacher attitudes, course load, and course materials are four main dimensions describing the quality of education.

There are a variety of stakeholders in higher education, including students, employers, teaching and non-teaching staff, government and its funding agencies, accreditors, validators, auditors, and assessors (Tam, 2001, p. 47), which are important in determining the quality perspectives of the organization.

Although there are different stakeholders for the educational institutes, many

studies believe students as the most important stakeholders of higher education institutes. A survey conducted by Owlia and Aspinwall (1997) shows that customer-orientation in higher education is a generally accepted principle and that from the different customers of higher education, students were ranked the highest.

Tam (2001) expresses that students are a necessary part of the concept of higher education; the role of institutions is just to provide the optimal favorable conditions to promote quality learning in students. Therefore, at the forefront in any considerations of quality in higher education should be the improvement of the student experience

As a result of the diversity in views about quality and higher education, a variety of systems, approaches, reform strategies and measures have been developed for monitoring quality of different kinds and at different levels, displaying varied emphases and priorities. These monitoring systems are shown in Table 1 (Tam, 2001, pp. 49-50; Mok, 2003, p. 117).

Measuring Service Quality:

There are different techniques to measure service quality, and clarify stakeholders' perceptions regarding quality. SERVQUAL, as a popular instrument for measuring service quality, aims to measure perceptions of service across the five service quality dimensions identified by Parasuraman et al. (1988).

SERVQUAL has already been tested and used to measure service quality education (Ekinci and Riley, 1999; Kwan and Ng, 1999; Oldfield and Baron, 2000).

Abdullah (2005; 2006) proposed HEdPERF (Higher Education PERFORMANCE-only), a new and more comprehensive performance-based measuring scale that attempts to capture the authentic determinants of service quality within higher education sector. Through questionnaires designed based on the quality dimensions of the introduced techniques, the perceptions of higher education stakeholders about the issue of quality can be clarified.

Existing excellence model:

There exist different performance management and excellence models, like Balanced Scorecard, EFQM, and etc., for organizations, corporate, and institutes of various working field.

Balanced Scorecard (Kaplan and Norton, 1996) offers a framework for translating strategic objectives into performance measurements that measure the effects of implemented strategies and provide feedback on the performance of strategic initiatives (Oliveira, 2001, p. 42).

The EFQM Excellence Model was introduced at the beginning of 1992 as the framework for assessing organizations for the European Quality Award which can be used as a tool for self-assessment and a guide to identify areas for improvement

Despite their considerable performance improvement functions within organizations, these excellence models may be further developed and enhanced, or get customized for a special use. For example, the Balanced Scorecard model ignores the concept of stakeholders in its model and just focuses on the organizations' customers. EFQM Model, though more comprehensive than BSC, can be customized in for the higher education institutes.

Developing an academic excellence model:

Based on the existing models on performance enhancement and excellence achievement, and the authors' research in the field, a new academic excellence model has been developed (Fig. 1). As it can be seen in Fig. 1, the model comprises six excellence dimensions which cover the extensive quality perceptions of higher education institutes.

Institutes of Higher Education should define their vision at the first step; that is to clarify which point they want to reach. Then, they should define Performance indicators (PIs) to compare their progress with them. These performance indicators will have a monitoring function; therefore they should be defined so that they are measurable. Table 2 suggests the most important performance indicators which can be used to define the quality standard of higher education institutes.

Using techniques such as SERVQUAL or HEdPERF, help to get a more clear understanding of quality perceptions of institute stakeholders. Benchmarking, which should run concurrently, ensures that institute's vision and its performance indicators are defined at a competitive level with other institutes of higher education. The feedback process and regular performance appraisal will guarantee that educational institutes are moving toward higher levels of excellence and satisfying their stakeholders' needs.

Methodology:

Six quality dimensions have been culled from the vast literature reviewed and an academic excellence model has been developed. Performance Indicators (PIs) for each of these six dimensions have been developed through discussion with students, extensive personal experiences, and critical thinking of the authors, supported by review of literature.

Results and Discussion:

In determining the six quality dimensions for academic institutes, it should be noticed that, although "students" are also among the stakeholders of higher education institutes, but due to the special position which students have in determining the quality education, they have been considered as a separate quality dimension in the proposed Academic Excellence Model. Although the model is applicable for all higher education institutes, there are suggestions for improving quality under each of the

model's quality dimensions which have been suggested more for the medical higher education. These approaches have been introduced in Table 3.

Another point to consider is the difficulty level of Performance Indicators. They should neither be so difficult that achieving them remains impossible for the institutes, nor should they be too easy to reach, because level of goal difficulty increases the effort to achieve the goal (Talib, 2003, p. 576). The feedback process and regular performance appraisal will ensure that the Performance Indicators become updated as the institute excels. The suggested Performance Indicators are not the only Indicators which can be used to evaluate institutes' performance. Other indicators can be defined under each of the model's quality dimensions, or the existing indicators may be revised. However, authors believe that the proposed indicators cover the most important quality perceptions within higher education institutes.

Conclusion:

In this article, a model of Academic Excellence and its related performance indicators have been developed. The model can be used for educational institutes, especially those related to higher education. Besides, some suggestions for improving medical education quality under each of the model's quality dimensions have been given.

References:

- Abdullah, F. (2005). "HedPERF versus SERVPERF: The quest for ideal measuring instrument of service quality in higher education sector", *Quality Assurance in Education*, Vol. 13 No. 4, pp. 305-28.
- Abdullah, F. (2006), "Measuring service quality in higher education: HEDPERF versus SERVPERF", *Marketing Intelligence & Planning*, Vol. 24 No. 1.
- Athiyaman, A. (1997), "Linking student satisfaction and service quality perceptions: the case of university education", *European Journal of Marketing*, Vol. 31 No. 7, pp. 528-40.
- Barnett, R. (1994), "The idea of quality: voicing the educational", in DOHERTY, G.D. (Ed.) *Developing Quality Systems in Higher Education* (London, Routledge).
- Bourner, T. (1998), "More knowledge, new knowledge: the impact of education and training", *Education+Training*, Vol. 40 No. 1, pp. 11-14.
- Brocato, R. and Potocki, K. (1996), "We care about students...one student at a time", *Journal for Quality & Participation*, Vol. 19, Jan/Feb Issue.
- Cheng, Y. and Tam, W. (1997), "Multi-models of quality in education", *Quality Assurance in Education*, Vol. 5 No. 1, pp. 22-32.
- Ekinci, Y. and Riley, M. (1999), "Measuring hotel quality", *International Journal of Hospitality Management*, Vol. 11 No. 6, pp. 287-93.
- European Foundation for Quality Management [website]. [http:// www.efqm.org](http://www.efqm.org) (accessed Sep 2007).
- Kaplan R.S., Norton D.P. (1996), *The Balanced Scorecard*, Boston: Harvard Business School Press.
- Kwan, P. and Ng, P. (1999), "Quality indicators in higher education – comparing Hong Kong and China's students", *Managerial Auditing Journal*, Vol. 14 No. 1, pp. 20-77.
- McElwee, G. and Redman, T. (1993), "Upward appraisal in practice: an illustrative example using the Qualed model", *Education+Training*, Vol. 35 No. 2, pp. 27-31.
- Mok, K. (2003), "Globalisation and Higher Education: Restructuring in Hong Kong, Taiwan and Mainland China", *HERDSA*, ISSN 0729-4360 print, EBSCO Publishing.
- Mustafa, S.T., and Chiang, D. (2006), "Dimensions of Quality in Higher Education: How Academic Performance Affects University Students' Teacher Evaluations", *The Journal of American Academy of Business*, Cambridge, Vol. 8 No. 1, pp. 294-303.
- Oldfield, B. and Baron, S. (2000), "Student perceptions of service quality in a UK university business and management faculty", *Quality Assurance in Education*, Vol. 8 No. 2, pp. 85-95.
- Oliveira, J. (2001), "The Balanced Scorecard: An Integrated Approach to Performance Evaluation", *Healthcare Financial Management*, May 2001.
- Owlia, M.S. and Aspinwall, E.M. (1997), "TQM in higher education – a review", *International Journal of Quality & Reliability Management*, Vol. 14 No. 5, pp. 527-43.
- Palihawadana, D. (1996), "Modeling student evaluation in marketing education", *Proceedings of the 1996 Annual Marketing Education Group Conference*.
- Parasuraman, A., Berry, L.L. and Zeithaml, V.A. (1988), "SERVQUAL: a multiple-item scale for measuring consumer perceptions of service quality", *Journal of Retailing*, Vol. 64 No. 1, Spring, pp. 12-40.
- Parasuraman, A., Berry, L.L. and Zeithaml, V.A. (1991), "Refinement and reassessment of the SERVQUAL Scale", *Journal of Retailing*, Vol. 67 No. 4, pp. 420-50.
- Roberts, G.E. (2003) "Employee performance appraisal system participation: a technique that works." *Public Personnel Management*, 32(1), pp.89-99.
- Soutar, G. and McNeil, M. (1996), "Measuring service quality in a tertiary institution", *Journal of Educational Administration*, Vol. 34 No. 1, pp. 72-82.
- Talib, A.A. (2003), "The Offspring of New Public Management In English Universities", *Public Management Review*, Vol. 5 No. 4.
- Tam, M. (2001), "Measuring Quality and Performance in Higher Education", *Quality in Higher Education*, Vol. 7 No. 1.
- Thapisa, A.P.N. and Gamini, V. (1999), "Perceptions of quality service at the University of Botswana library: what nova says", *Library Management*, Vol. 20 No. 7, pp. 373-83.
- Varey, R. (1993), "The course for higher education", *Managing Service Quality*, September, pp. 45-9.
- Westerheijden, D. F. (2001), "Ex oriente lux?: national and multiple accreditation in Europe after the fall of the Wall and after Bologna", 1470-1081 online/01/010065-11, Taylor & Francis Ltd, ISSN 1353-8322.
- Yorke, M. (1992), "Quality in higher education: a conceptualization and some observations on the implementation of a sectoral quality system", *Journal of Higher Education*, Vol. 16 No. 2, pp. 34-46.

Table 1: Different Monitoring Systems

| System | Function | Main problem/concern in Higher Education |
|--------------------|---|---|
| Quality Control | To check products/services against pre-defined standards | The belief that quality should be a main concern of the whole system is ignored |
| Quality Assurance | An organizational quality-driven and ever-improving | It requires the commitment of everyone in the institution which is difficult to expect |
| Quality Audit | To check that relevant systems/structures within an institution support its key mission and to ensure that provision is at a satisfactory level of quality. | Educationists generally find audit distasteful -shallow, undemanding- since either the evidence of conformance to processes and procedures is there or it is not. There is no argument about it. |
| Quality Assessment | The judgment of performance against criteria, either internally or externally | - Quality criteria for education are so difficult to agree. - It is usually intended to be mission sensitive which might lead to fail in assessing the real quality of a higher education institute due to differences in the mission and aspiration levels. |
| Indicator Systems | To compare performance across a range of indicators | The performance indicators are objective-related and should be measurable. |

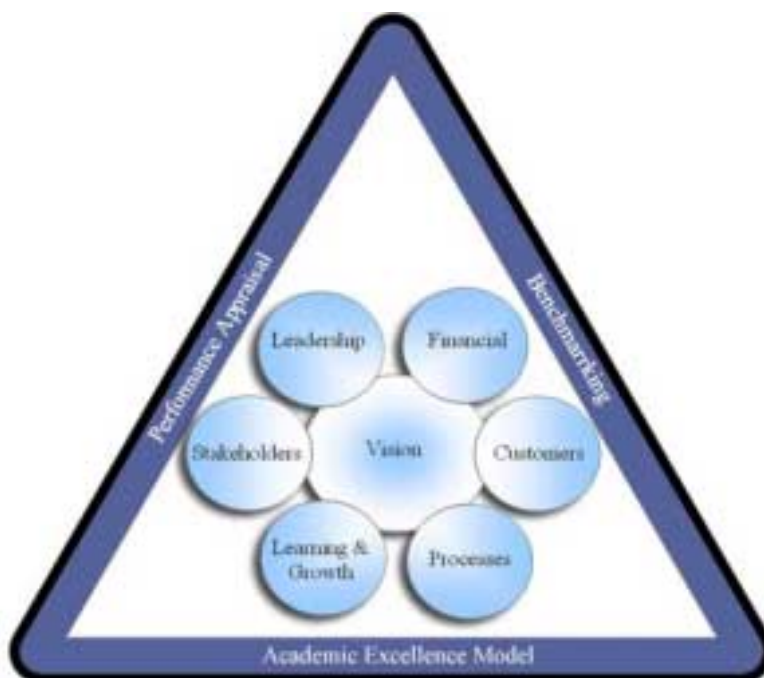
Table 2: Universities Quality Education Indicators

| Perspective | | Performance/Quality Indicators |
|-------------------|------------|---|
| Financial | | <ul style="list-style-type: none"> o Income growth from university projects o Income growth from new students' enrollment o Income growth from international students' enrollment |
| Leadership | | <ul style="list-style-type: none"> o Growth rate in university collaboration with other renowned institutes and universities o Number of resign in the managing board |
| Customers | | <ul style="list-style-type: none"> o The ratio of students to professors' numbers o Maximum number of students per class o Students' satisfaction level about knowledge acquired o Students' satisfaction level about professors' capabilities o Students' satisfaction level about university performance o Capabilities/knowledge/research level |
| Stakeholders | Professors | <ul style="list-style-type: none"> o The responsibility-feeling level toward social responsibilities o Belief in the responsibility to educate students as useful members of the society o Capabilities/knowledge/research level |
| | Staffs | <ul style="list-style-type: none"> o Technical/administrative knowledge level |
| | Society | <ul style="list-style-type: none"> o Providing university with budget for research activities o Facilitating the process of quality education o Mutual respect, and ethical behavior level of university students, professors, & staffs |
| Learning & Growth | | <ul style="list-style-type: none"> o Availability of reference books in the library o Number of students' journals published within the university o Number of equipped laboratories o Number of research groups o Number of articles in renowned academic journals o Number of conference presentations o Number of excellence/extra-curriculum programs for university students, professors, & staffs o Ratio of Research budget to the total university budget o Computer/Internet availability to students |
| Processes | | <ul style="list-style-type: none"> o Performance appraisal period o ICT development rate o Period of revision in educational programs |

Table 3: Universities Quality Education Approaches

| Perspective | | Quality Education Approaches |
|-------------------|------------|---|
| Financial | | <ul style="list-style-type: none"> ○ Improve costs' structure |
| Leadership | | <ul style="list-style-type: none"> ○ Expand relationships and knowledge exchange with medical institutes/universities ○ Sign partnership contracts with other renowned universities |
| Customers | | <ul style="list-style-type: none"> ○ Provide students with more flexible educational programs ○ Provide students with more flexible classes/exams scheduling ○ Provide students with more practical courses and comprehensive internship programs in hospitals |
| Stakeholders | Professors | <ul style="list-style-type: none"> ○ Provide professors with better research facilities ○ Assign research budget to the professors |
| | Staffs | <ul style="list-style-type: none"> ○ Clarify roles and responsibilities |
| | Society | <ul style="list-style-type: none"> ○ Expand relationships with community/society ○ Provide courses on "Ethics" for the students |
| Learning & Growth | | <ul style="list-style-type: none"> ○ Form research groups to involve interested students in research activities ○ Support students' journals and publications ○ Support students and professors financially to attend conferences ○ Provide Career Development opportunities for university professors and staffs ○ Provide extra-curriculum development opportunities for students ○ Organize equipped research laboratories |
| Processes | | <ul style="list-style-type: none"> ○ Evaluate performance regularly ○ Provide more electronic services for students ○ Enhance ICT access for students, professors, & staffs ○ Provide a feedback system to ensure other opinions are expressed |

Figure 1: Academic Excellence Model



HUMAN RESOURCE ASSESSMENT, RECOGNITION, AND REWARD WITH A BALANCED SCORECARD APPROACH

Mehran Nejati

Department of Economics, Management and Accounting, Yazd University, Iran

Sasan Ghasemi

Ala Excellence Consulting Group, Iran

Azadeh Shafaei

Faculty of Humanities, Rasht Islamic Azad University, Iran

Abstract

This article develops a method that serves the team leaders and executive managers as a guide for assuring the accomplishment of the team's objectives. It spotlights the trend of human resource performance. The method introduced in this article focuses on Balanced Scorecard (BSC) as a revolutionizing tool in the management of performance and suggests a new and scientific way for assessment, recognition, and reward system. The innovative model introduced in this article can be used to evaluate personnel's performance, rank them, set job-related targets, and motivate them to improve their performance.

Key words: *Human Assessment, Balanced Scorecard, Recognition and Reward*

1. Introduction

Human resource role in organizational competitive advantages and ways of measuring his performance are studied in different literatures. In a recent study, Stavrou-Costea (Eleni Stavrou-Costea, 2004) examines the human resource management challenges in Southern EU and their effect on organizational performance. Results of the paper show that organizational performance is linked with the way human resources are managed, which in turn is directly related to the challenges identified.

Khandekar and Sharma (Aradhana Khandekar and Anuradha Sharma, 2005) examine the role of human resource

capability (HRC) in organizational performance and sustainable competitive advantage (SCA) in Indian global organizations, and reveal that human resource capabilities are positively correlated to organizational performance.

Aghazadeh (Seyed-Mahmoud Aghazadeh, 2003) demonstrates that human resource managers can contribute both to performance enhancement and cost reduction, and lead to more productivity of the organization. He adds that managers need to examine and review existing procedures to ensure that improved solutions can be designed and built. Managers need to emphasize the importance

of continuous progress and managing change through goal setting.

Ubeda and Santos (Cristina Lourenço Ubeda and Fernando Cesar Almada Santos, 2007) analyse the staff development and performance appraisal in a Brazilian research centre. They believe that to implement a consistent performance appraisal system which is capable of appraising the competences of each employee, it is necessary to check which knowledge, skills and attitudes should be developed in order to improve the internal processes of the organisation, without remaining focused only on jobs and tasks.

Also as mentioned by Hinkin and Tracey (Hinkin and Tracey, 1999), for organizations to improve and succeed in their industries, they have to apply innovative management, especially for their human resources, to result in both organizational and individual improvements. Today's highly competitive environment demands organizational excellence, an organizational challenge that needs to be addressed with the work of human resources.

This paper proposes an innovative model based on Balanced Scorecard approach for measuring human resource performance and ranking them. Section 2 describes the proposed model, problem statement, the reason for using balanced scorecard approach, and its advantages. A case study is used to illustrate the calculating steps and the advantages of the model in section 3. Finally, conclusion is in section 4.

2. PROPOSED MODEL

Before describing the model, the following notations are defined:

i : Personnel Number

j : Indicator Number

k : Perspective Number

n : Unit Number

H_{jk} : Weight of Indicator j related to perspective k according to its importance in organizations goals

P_{kn} : Weight of Perspective k for unit n according to type and importance of each perspective

G_{ijk} : Score of indicator j in perspective k for personnel i

TG_{in} : Total performance score for personnel i in unit n

2.1. Problem statement

This paper proposes an approach to solve two problems as the following:

- Why we use balanced scorecard approach in measuring personnel performance?
- How we build the model for evaluating performance using BSC?

2.2. Why we use balanced scorecard approach in measuring personnel performance?

The balanced scorecard is a management system (not only a measurement system) that enables organizations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results (Kaplan, & Norton, 1993; Kaplan, & Norton, 1996).

The balanced scorecard suggests that we view the organization from four perspectives, and develop metrics, collect data, and analyze it relative to each of these perspectives:

- Financial Perspective
- Customer Perspective
- Learning and Growth Perspective
- Internal Business Processes Perspective

Originally intended for orienting companies on their future financial measures to ensure good short-term financial results as well as to achieve their strategic results, balanced scorecard has been wide-spread to all management activities in companies as well as in activities where strategic planning is intended (Mooraj, Oyon, & Hostettler, 1999 ; Speckbacher, Bischof, & Pfeiffer, 2003). Over the years, several frameworks have been developed to address the performance management of organizational assets, both tangible and intangible (Abran and Buglione, 2003).

The balanced scorecard approach helps ensure that the measures chosen will drive performance toward stated program goals (Kaplan, & Norton, 1996). In addition to helping an organization describe a shared vision of its performance, the approach enables the organization to measure and evaluate as it progresses for continuous improvement.

We can't improve what we can't measure. Therefore, the goal of making measurements on personnel performance using BSC approach is to permit managers to see their

personnel performance more clearly - from different perspectives - and hence to make wiser long-term decisions.

2.3. Proposed method

This model evaluates human resource in the form of four perspectives (Financial, Customer, Learning & Growth, and Internal Processes). Here the customer, include the managers responsible for monitoring the personnel and those who evaluate him. For developing the model, first, organizational goals and strategies are studied. Later, key performance indicators (KPIs) of organization are determined. And in the final level, KPIs for personnel of each unit are defined in the four perspectives, and managers set related targets for indicators. Upon goal setting, measured indicators are compared with the targets and personnel performance score is calculated according to the following formula:

$$TG_{in} = \sum_k P_{kn} \sum_j G_{ijk} \cdot H_{ik}$$

Each of the perspectives and indicators are allocated a weight factor in accordance with their importance in organizational mission, goals, and strategies. All these factors are chosen by managers.

3. CASE STUDY

We use company A for illustrating the proposed model. Calculations related to the personnel of production unit are described below in 4 steps. The model can also be developed to the personnel of other units. Figure 2 shows key units of company A.

As mentioned above, the proposed model is used for measuring performance of production unit personnel and the results are reported. Defined indicators are shown in figure 3.

Step 1: According to strategies and goals of company A, model factors for production unit (shown as number 3), which has 5 personnel, are determined by managers as follow:

$H_{11}= 1$, $H_{12}= 0.5$, $H_{22}= 0.5$, $H_{13}= 0.2$, $H_{23}=0.8$,
 $H_{14}= 0.1$, $H_{24}= 0.8$, $H_{34}= 0.1$, $P_{13}= 0.6$,
 $P_{23}= 0.1$, $P_{33}= 0.1$, $P_{43}= 0.2$

Step 2: Required data is gathered for measuring the indicators. For indicators such as “Commitment toward Responsibility”, “Job Discipline”, “Keeping Safety and Health”, and “Acting 5s Rules”, the grades announced by related managers are considered for scoring calculations. Tables 1 to 4 show score range and personnel performance score in each of the four perspectives.

Step 3: According to personnel score for each indicator and considering indicators' weight factor, personnel score in the four existing perspectives is calculated in table-5.

Step 4: Using the allocated weight factor for each perspective, total performance score of each personnel is calculated.

Personnel No. 1 > $TG_{13}= 9.25$

Personnel No. 2 > $TG_{23}= 9.83$

Personnel No. 3 > $TG_{33}= 9.15$

Personnel No. 4 > $TG_{43}= 7.08$

Personnel No. 5 > $TG_{53}= 7.40$

In this case study, personnel 2 has the best performance and personnel one has the second best performance. Traditional systems, which only focus on financial

indicators, consider personnel 3 as having the best performance. Besides, they put no significant difference between the performance of personnel 2 and 5; while in the proposed method, this difference is clearly indicated. Measuring performance in a BSC-based method, which is in accordance with justice, adds to personnel's motivation and encourages them to improve their performance. The existing balance in the model, on the other hand, helps organization to evaluate personnel on both financial and non-financial indicators.

4. Conclusion

The proposed model in this paper evaluates human resource performance using balanced scorecard and measures that in four perspectives (Financial, Customer, Learning & Growth, and Internal Processes). The results driven from the model provides good information for managers and helps them recognize personnel with good/weak performance. Classifying, analyzing, and monitoring personnel performance trend, on the other hand, make it easier for managers to decide on reward allocation and personnel substitution.

References

- Abran A, Buglione L (2003), A multidimensional performance model for consolidating balanced scorecards. *Adv Eng Softw* 34(6):339–349.
- Aradhana Khandekar and Anuradha Sharma (2005), "Managing human resource capabilities for sustainable competitive advantage: An empirical analysis from Indian global organisations", *Education + Training*, Vol. 47 No. 8/9, 2005, pp. 628-639.
- Cristina Lourenço Ubeda and Fernando Cesar Almada Santos (2007), "Staff development and performance appraisal in a Brazilian research centre", *European Journal of Innovation Management*, Vol. 10 No. 1, 2007, pp. 109-125.
- Eleni Stavrou-Costea (2004), "The challenges of human resource management towards organizational effectiveness: A comparative study in Southern EU", *Journal of European Industrial Training*, Vol. 29, No. 2, 2005, pp. 112-134.
- Hinkin, T. and Tracey, B. (1999), "The relevance of charisma for transformational leadership in stable organizations", *Journal of Organizational Change Management*, Vol. 12, No. 2, pp. 105-19.
- Kaplan, R.S., Norton (1993), D.P.: Putting the Balanced Scorecard to Work. *Harvard Business Review*, 134-142.
- Kaplan, R.S., Norton (1996), D.P.: Using the Balanced Scorecard as a Strategic Management System, *Harvard Business Review*, 75-85.
- Mooraj, S., Oyon, D., & Hostettler, D. (1999). The balanced scorecard: A necessary good or an unnecessary evil?. *European Management Journal*, 17, 5, 481–491.
- Seyed-Mahmoud Aghazadeh (2003), "The future of human resource management", *Work Study*, Volume 52, No. 4, 2003, pp. 201-207.
- Speckbacher, G., Bischof, J., & Pfeiffer, T. (2003). A descriptive analysis on the implementation of Balanced Scorecards in German-speaking countries, *Management Accounting Research*, 14, 361–387.

Figure-1: Levels of Developing Model

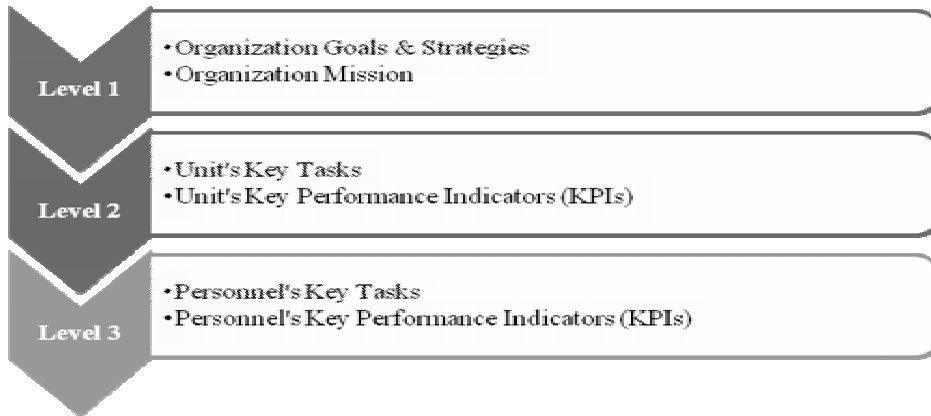


Figure-2: Available Units in Company A

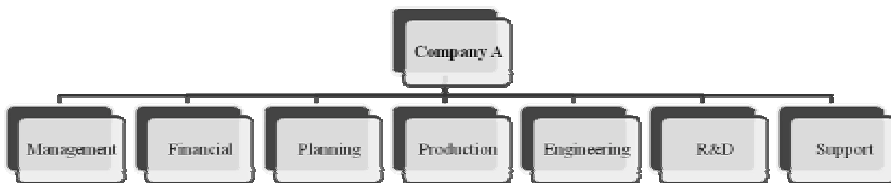


Figure-3: Defined Indicators for Production Unit Personnel of Company A

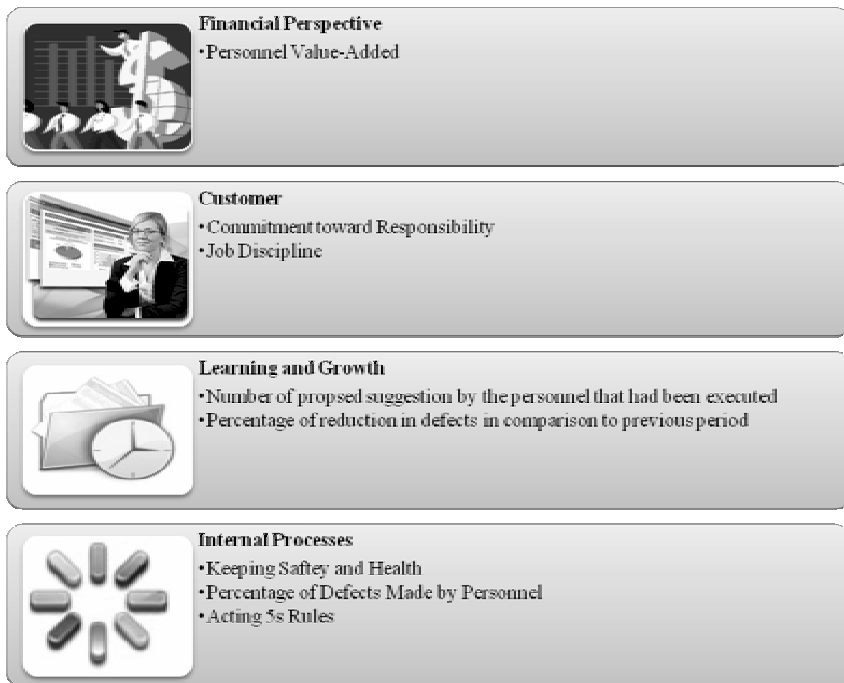


Table- 1: Personnel Performance Calculation in Financial Perspective

| Financial Perspective | | | | |
|---------------------------------------|-----------------------|---------------|----------------|---|
| Indicator Name: Personnel Value-Added | | | | |
| Personnel No. | Personnel Performance | | | Score |
| 1 | 1200 \$ | | | 10 |
| 2 | 1300 \$ | | | 11 |
| 3 | 1500 \$ | | | 13 |
| 4 | 650 \$ | | | 7 |
| 5 | 1200 \$ | | | 10 |
| Score Range | | | | |
| Less than 200 \$ | 200 to 500 \$ | 500 to 800 \$ | 800 to 1200 \$ | More than 1200 \$ |
| 0 to 2 points | 4 to 6 points | 6 to 8 points | 8 to 10 points | 10 points plus 1 more point for each extra 100 \$ |

Table- 2: Personnel Performance Calculation in Customer Perspective

| Customer Perspective | |
|--|-------|
| Indicator Name: Commitment toward Responsibility | |
| Personnel No. | Score |
| 1 | 8 |
| 2 | 10 |
| 3 | 6 |
| 4 | 6 |
| 5 | 6 |
| Indicator Name: Job Discipline | |
| Personnel No. | Score |
| 1 | 7 |
| 2 | 9 |
| 3 | 9 |
| 4 | 8 |
| 5 | 6 |

Table- 3: Personnel Performance Calculation in Learning and Growth Perspective

| Learning and Growth Perspective | | | | |
|--|-----------------------|-----------------|---|---|
| Indicator Name: Number of executed suggestions proposed by personnel | | | | |
| Personnel No. | Personnel Performance | | | Score |
| 1 | 2 Suggestions | | | 6 |
| 2 | 4 Suggestions | | | 10 |
| 3 | No Suggestion | | | 0 |
| 4 | 1 Suggestion | | | 4 |
| 5 | No Suggestion | | | 0 |
| Score Range | | | | |
| No Suggestion | 1 Suggestion | 2 Suggestions | 3 Suggestions | 4 Suggestions and more |
| 0 | 4 | 6 | 8 | 10 points plus 1 more point for each extra suggestion |
| Indicator Name: Percentage of defects reduction in comparison to the previous period | | | | |
| Personnel No. | Personnel Performance | | | Score |
| 1 | 4.6 Percents | | | 6 |
| 2 | 6 Percents | | | 10 |
| 3 | 2 Percents | | | 2 |
| 4 | 1 Percent | | | 1 |
| 5 | 2 Percents | | | 2 |
| Score Range | | | | |
| Less than 2 Percents | 2 to 4 Percents | 4 to 6 Percents | More than 6 Percents | |
| 0 to 2 Points | 2 to 4 Points | 4 to 10 Points | 10 Points plus 1 more point for each extra percentage | |

Table- 4: Personnel Performance Calculation in Internal Processes Perspective

| Internal Processes Perspective | | | | | |
|---|-----------------------|----------------|----------------|----------------|---|
| Indicator Name: Keeping Safety and Health | | | | | |
| Personnel No. | Score | | | | |
| 1 | 7 | | | | |
| 2 | 9 | | | | |
| 3 | 5 | | | | |
| 4 | 7 | | | | |
| 5 | 8 | | | | |
| Indicator Name: Percentage of Defects Made by Personnel | | | | | |
| Personnel No. | Personnel Performance | | | Score | |
| 1 | 2 | | | 10 | |
| 2 | 3.3 | | | 6 | |
| 3 | 7 | | | 1 | |
| 4 | 1 | | | 11 | |
| 5 | 6 | | | 2 | |
| Score Range | | | | | |
| Less than 2 Percent | | 2 to 4 Percent | 4 to 6 Percent | 6 to 8 Percent | More than 8 Percent |
| 10 points plus 1 more point for each less percent | | 4 to 8 Points | 2 to 4 Points | 0 to 2 Points | 0 minus 1 more point for each extra percent |
| Indicator Name: Acting 5s Rules | | | | | |
| Personnel No. | Score | | | | |
| 1 | 8 | | | | |
| 2 | 7 | | | | |
| 3 | 9 | | | | |
| 4 | 6 | | | | |
| 5 | 8 | | | | |

Table- 5: Personnel Performance Score in Four Perspectives

| Score | | | | |
|---------------|-----------|----------|-------------------|--------------------|
| Personnel No. | Financial | Customer | Learning & Growth | Internal Processes |
| 1 | 10 | 7.5 | 6 | 9.5 |
| 2 | 11 | 9.5 | 10 | 6.4 |
| 3 | 13 | 7.5 | 1.6 | 2.2 |
| 4 | 7 | 7 | 1.6 | 10.1 |
| 5 | 10 | 6 | 1.6 | 3.2 |

THE USE OF ONLINE ANALYTICAL PROCESSING (OLAP) FOR BUSINESS INTELLIGENCE

İbrahim Halil Seyrek

University of Gaziantep, Department of Business Administration

ABSTRACT

The extensive use of information technology enables organizations to collect huge amounts of data about almost every aspect of their businesses. This large amount of data has a potential to provide valuable information to organizations so that they can maintain and improve their competitive position. Today, the problem for organizations is not data collection but extraction of meaning from the data they have collected. Online Analytical Processing (OLAP) is a set of tools to extract useful information from raw data. This paper explains OLAP concepts and techniques and gives examples using a hypothetical business scenario. Suggestions for organizations are also provided.

Key words: OLAP, Business intelligence, Information systems

1. Introduction

Current business environment is very demanding from businesses. It requires organizations to develop new products and services, that is innovate continuously, adapt to changes flexibly and rapidly, be more customer-oriented, and operate in a cost-efficient manner to be competitive. In order to achieve the above mentioned objectives and cope with the challenges of fierce competition, companies need timely, accurate and high quality information. Today organizations are gathering huge amount of data from their suppliers and customers, from their operational activities and processes, and from their environment. These data are collected from internal resources like workers, machines and processes, and from external sources like stock exchanges, Internet, online databases, etc. The data collected using several types of

information systems are stored in large databases or data warehouses. Although this vast amount of data has a great potential to be used in deriving useful knowledge, organizations may not have the necessary tools and skills to gain and use that knowledge. Business Intelligence (BI) systems are proposed to answer above mentioned problems by converting raw data into useful knowledge and thereby helping decision making, improving the strategic thinking and action, and satisfying the needs of organizations. BI systems can achieve these goals by exploring, integrating, aggregating and doing multidimensional analysis of the data coming from different sources and in variety of formats. These systems are used to provide useful and reliable information on several aspects of the business (Olszak and Ziemia, 2007)

Business Intelligence term was first coined in 1989 by Howard Dresner as a set of methods that support sophisticated analytical decision making in order to improve business performance. These systems are supposed to help decision makers in understanding the state of their organization (Buchanan and O'Connell, 2006). Hancock and Toren (2006) define BI as "a set of concepts, methods, and technologies designed to pursue the elusive goal of turning all the widely separated data in an organization into useful information and eventually into knowledge". BI lets people convert raw data into useful information by providing several types of computer-based tools. These BI tools allow their users to extract, transform and load data for analysis and present the results of these analyses in the form of reports, alerts and scorecards (Davenport, 2006). BI tools are classified in several categories, like dashboards, data marts and data warehouses, data mining, scorecards and Online Analytical Processing (OLAP). In this paper we focus on OLAP.

1. Online Analytical Processing

Almost all kinds of businesses have some kind of information system to handle their daily operations and transactions. These applications which can be a departmental application like accounting and human resources or a complicated application covering all functions of a business like an ERP system are generally called Online Transaction Processing (OLTP) systems. OLTP systems are basically designed to handle daily insertions, deletions and

updates of the company data and designed to optimize such update operations and simple queries like information about a customer or an order. Almost all modern OLTP systems are designed and implemented using relational databases and consist of many tables and relations normalized to allow efficient update of the data. Because of their mentioned purpose of use, the underlying structures of OLTP systems are not suitable for answering complex queries, for example a query aggregating data from several aspects of a business. These systems are generally restricted to simple and static reports which are predefined by the developers of the system. Also the execution of a complex query on a live information system may adversely affect its performance. For example, a query operating on millions of records may take too long jeopardizing the normal operation of such systems which typically handle daily business transactions and are crucial to the successful run of the business. Therefore, a different type of system design is needed for efficient execution of complex queries and supporting information requirements of users making analysis-based decisions. Online Analytical Processing (OLAP) is a general term used to refer to such systems that are basically designed to optimize complex queries and reporting operations, but not for data updates. OLAP applications are intended to provide users with more analytic capabilities which are limited in OLTP systems.

OLAP is used in several key areas in business including sales and marketing, financial management, planning and

budgeting, performance measurement and quality analysis (Hart and Porter, 2004). OLAP applications are typical examples of BI technology. OLAP applications are developed especially for information rich industries like marketing, finance and consumer goods production to gain competitive advantage in a global marketplace by converting available data into useful information (Beynon and Maad, 2002). In all these different types of industries and business functions, OLAP supports its users by letting them look at their data from different perspectives, performing complex calculations quickly, aggregating data from several sources and doing all these in a user friendly manner, generally providing visual tools. In order to utilize better and appreciate its advantages, one needs to understand the basic terminology and concepts related to OLAP.

1.1.1. OLAP concepts

Data for OLAP is stored in special databases which have a different structure than OLTP databases. An OLAP database has a special schema suitable for OLAP operations. This schema, which is usually called as star schema, is not fully normalized as in OLTP databases and has a dimensional structure. In this dimensional modeling of the data, there are two basic types of tables which are fact tables and dimension tables. Fact tables are used to store numeric values called measures. Measures are fields like sales amount of a product, unit price for an item or cost of a purchased material which are numeric fields that can be used in calculations. Measures are the values that

the user wants to see in summary or in detail during the analysis of the data. Dimension tables, on the other hand, are tables used to view the measures from different angles, like time, product category or sales region. Dimension tables are related to fact tables through some common attribute in a foreign key relationship forming a shape like a star as shown in Figure-1. Dimensions allow users to navigate the data in fact tables from different aspects, letting them either sum up the values or drill down into the detail. Because of the multi-dimensional structure of OLAP schema, in OLAP databases there is a special storage structure which is called a cube representing multidimensionality. Cubes are basically a combination of fact and dimension tables. Although cubes in geometry are three dimensional, OLAP cubes can have several dimensions. But the term cube is used symbolically to differentiate this multidimensional structure from two dimensional row-column structures of database tables and spreadsheets.

The physical storage of OLAP databases is also different from OLTP databases. There are three different approaches. The first is relational OLAP (ROLAP) which uses a relational database engine to store data. Multidimensional OLAP (MOLAP) method, on the other hand, doesn't use relational engine but uses a distinct structure for dimensional modelling of the data. Finally, Hybrid OLAP (HOLAP) uses a combination of both techniques to store OLAP data (Riordan, 2005). Regardless the types of physical implementation, OLAP systems are expected to give fast responses to complex

queries involving millions of records and a lot of calculation. In order to give a fast response to such queries, OLAP systems make calculations and store the values before the queries are executed. Therefore, during query execution, the results are unexpectedly fast considering the number of records included in the calculations.

OLAP users need a query language to retrieve values and make the calculations using several measures from fact tables. The standard language for querying relational databases has been Structured Query Language (SQL). SQL is so common that it is used by virtually any type of database system. Unfortunately, SQL is not suited for answering problems that are supposed to be solved by OLAP. Therefore OLAP tools have their own query languages. One such language is MDX, (Multidimensional Expressions). MDX is developed by Microsoft and now adopted by several other vendors in their OLAP products. MDX is standardized and has become a widely accepted OLAP query language. Although MDX is similar to SQL in some respects, it has special clauses and features making it easy to make multidimensional view and querying of the underlying data. MDX is of course very important for OLAP developers, but for users of OLAP applications the user interface of the applications usually have visual tools so that the users do not need to write the specific MDX queries. The application writes the query under the hood freeing the user from the complexities of writing an MDX query. On the other hand, more experienced users may benefit from

learning this query language to perform customized and complex analyses.

2. An Example OLAP Application

In this part of the paper, in order to clarify some of the OLAP concepts and how it can be used in a typical business, a sample OLAP application will be discussed for a fictitious company, which we call as company X. We will assume that Company X is a manufacturing company, producing several types of candies and chocolates. In a business, like company X, there are several functions like purchasing, inventory management, production planning and scheduling, production, sales and marketing, distribution of products, accounting and financial management. For all these functions and processes covering more than one function, there are several questions managers need to answer. For example, a manager may want to know how much of some type of raw material is purchased in the past for several time periods to see seasonal fluctuations and make better forecasts of future purchases. Another manager may need to look at the sales of different product groups across different store types, different sales regions and different time periods. Also, how much revenue gathered from the sales of different products can be of interest. Accounting department may want to find out the relative effects of several factors on correctly determining the costs of goods sold. Another concern can be determining the relative profitability of several products and based on that deciding whether to increase or decrease the production of some products.

Questions like these are very important for any business and can be difficult to answer without a system like OLAP. For company X, we will give possible designs of two cubes; one for purchasing and another for sales to answer some questions of interest similar to above ones.

2.1. Purchasing cube

As a manufacturing company, company X buys several raw materials from different suppliers to be used in the production of candies and chocolates. The purchasing cube is expected to support queries regarding the purchasing of these raw materials. The cube basically consists of a purchasing fact table and dimension tables about materials, suppliers and time. Purchasing fact table consists of fields like the amount of material purchased and the unit price of the material. The table also contains key fields to connect rows in the fact tables to rows in the dimension tables. In the fact table of purchasing cube, key fields are material ID, supplier ID and the date of purchase. These fields also exist in the corresponding dimension tables. Dimension tables let the user look at the measured and calculated data through different angles. In the purchasing cube, the material dimension contains information about the raw material purchased by the company. It contains a key material ID field to uniquely define the purchased material and also join that dimension to the fact table. Also there are other fields describing the raw material like its name, unit of measure, the category of raw materials it belongs to, etc. The raw material can be categorized based on the

several factors. This category information is put into some other table (e.g. material category table) and the raw materials in the material dimension table are linked to that category table through a foreign key field in the dimension table. This enables the user of the cube to browse the fact data based on different raw materials and different raw material categories. The supplier dimension provides information about the supplier from which the company acquires the materials it needs for the production. Other than analyzing purchasing data based on individual suppliers, the cube may provide information about different supplier types. Suppliers may be classified based on several factors like suppliers from different cities and countries if there are any or any other custom criteria that the company uses to classify suppliers. Finally time dimension lets the user of the purchasing cube to explore the data on different time periods providing a historical analysis of the purchasing information. The time dimension can be used to summarize data on daily, weekly, monthly, quarterly or yearly basis. A sample look at the purchasing data can be seen on Figure-2. This figure shows the values of the cube dimensions in a hierarchical tree structure and the values of measures in a table. This is a very simplistic view of the purchasing cube due to space limitations. In a real application, the user can customize the view of the data by changing the places of several dimensions, putting them in rows or columns. Also the user may increase or decrease the level of detail the table shows by expanding or contracting the values in the table.

2.2. Sales cube

The sales cube for company X consists of a sales fact table containing sales related measures and some dimensions to view the summary and detail data on these dimensions. The fact table contains sales quantity, sales amount, discount percentage for the item sold, cost of goods sold and profit amount as measures. It also has some key attributes to relate to dimension tables. The cube has product, store and time as dimensions. The product dimension table contains information about the products that the company sells to its customers. It has fields like product ID and product name and it has a relation to a product family table to allow analysis based on product groups. These product groups can be formed based on the several custom criteria defined by the users allowing the creation of several custom product families. Company X sells its products to stores of different types, so customers of the company are stores and so customers are represented in store dimension. The store dimension table has basic attributes about the store, like store ID, store name and store type, and connected to a region table to determine the sales region of the store and to allow further analysis based on sales regions. Finally, time dimension table holds information about the date the sales is done and related time information like the fiscal period information. Based on the data in time dimension, sales figures on a monthly basis or quarterly basis can be calculated easily. The dimension tables are related to fact table through common fields between fact and dimension tables. The data in dimension tables can be used to define hierarchies which allow looking at fact data at several levels. For

example, product hierarchy can be used to look at the sales data at the product or product family level. In a similar fashion, a store hierarchy lets the user to navigate and drill down sales data at different region level and specific store level. Figure-3 shows a sample look at the sales cube.

2.3. Other cubes

In addition to purchasing and sales cubes mentioned above, other type of cubes can be created for analysis purposes. For example, an inventory cube can be created to make inventory analysis, to understand the material flow into the company and to get a clear picture of stock levels. Another potential cube which can be useful for managers is an accounting cube. Accounting cube can be used to look at the accounting data by different fiscal years. The cube can contain several measures related to accounting, such as assets, liabilities, and income data. These measures can be viewed through several dimensions like an account dimension or a time dimension. A summary report can be easily generated to grasp the general situation of the company or the user can drill down into specific details. Accounting cube can also let managers do several types of custom analyses thereby enabling management accounting.

3. Conclusion

In any business and especially those operating in information rich and turbulent markets, managers need timely, accurate and high quality information for effective decision making. Business Intelligence is an umbrella term that refers to a set of technologies to help

such effective decision making. Business Intelligence tools help managers in understanding the current situation of their business, in determining the trends in the market segment they are operating, in identifying the possible causes of the results they got, and in making several other types of analyses. In that respect OLAP as a BI technology can greatly help in analyzing and understanding the data about several aspects of a business. Therefore managers should seriously consider utilizing OLAP in their decision making processes. Whether as part of a larger application or a standalone product, managers should have these applications in their toolbox.

Although OLAP can offer a lot of advantages, managers should take into account several factors in getting and using OLAP applications. First of all, like any other information system OLAP applications should be designed considering the needs of the users they have been developed for. They should be tailored to the needs and peculiarities of the user organization. There are several vendors trying to sell their products and usually exaggerating their capabilities and showing these products as if they are the cure for all the problems of a business. Organizations need to be aware of the unrealistic claims of the vendors. Unfortunately, experience tells us that many IS implementations, especially those that are big in size and complexity, have a bad reputation of being money drains for companies, not yielding the benefits its proponents are claiming. So, businesses need to be realistic about their expectations and

should negotiate with the vendors accordingly. If the OLAP solution will be developed in-house, for example by IT personnel of the company, this project should be managed carefully. Like any other IS project, BI projects should have clear business objectives and managed properly in order to realize expected benefits. Users should be involved in the project

Finally, we should not forget that BI tools are not themselves solutions for our complicated business problems. We need people to use them effectively who will make better decisions with the help of these tools. An interest towards OLAP applications should be created in the users and they should be conceived about the benefits of using these applications. Many studies done on the user's acceptance of information systems show that one of the most important factors in user's acceptance of information systems products is the level of user's perception that the system will be useful for them and enhance their job performance. Therefore, the benefits of OLAP applications and advantages they will provide for their users should be clearly explained. Also, users need to be trained for effectively using these tools. Although most OLAP tools have user friendly interfaces and visual tools like drag and drop capabilities for making complex calculations and browsing data at several levels of detail, users still need some level of training in order to proficiently use such applications. Any tool can be useful only if it is adopted and used by the users.

References

Beynon, M. and S. Maad (2002), "Empirical Modelling of Real Life Financial Systems: The Need for Integration of Enabling Tools and Technologies", *Transactions of the SDPS*, Vol. 6, No.1, pp.43-58.

Buchanan, Leigh and Andrew O'Connell (2006), "A Brief History of Decision Making", *Harvard Business Review*, Jan. 2006, pp.32-41.

Davenport, Tomas H. (2006), "Competing on Analytics", *Harvard Business Review*, Jan. 2006, pp.99-107.

Hancock, John C. and Roger Toren (2006), *Practical Business Intelligence with SQL Server 2005*, NJ: Addison Wesley Professional.

Hart, Mike and Gabi Porter (2004), "The Impact of Cognitive and Other Factors on the Perceived Usefulness of OLAP", *The Journal of Computer Information Systems*, Vol. 45, No.1, pp.47-56.

Olszak, Celina M. and Ewa Ziemia (2007), "Approach to Building and Implementing Business Intelligence Systems", *Interdisciplinary Journal of Information, Knowledge, and Management*, Vol. 2, pp. 135-148.

Riordan, Rebecca M. (2005), *Designing Effective Database Systems*, NJ: Addison Wesley Professional.

Figure-1: Star Schema of A Typical OLAP Cube.

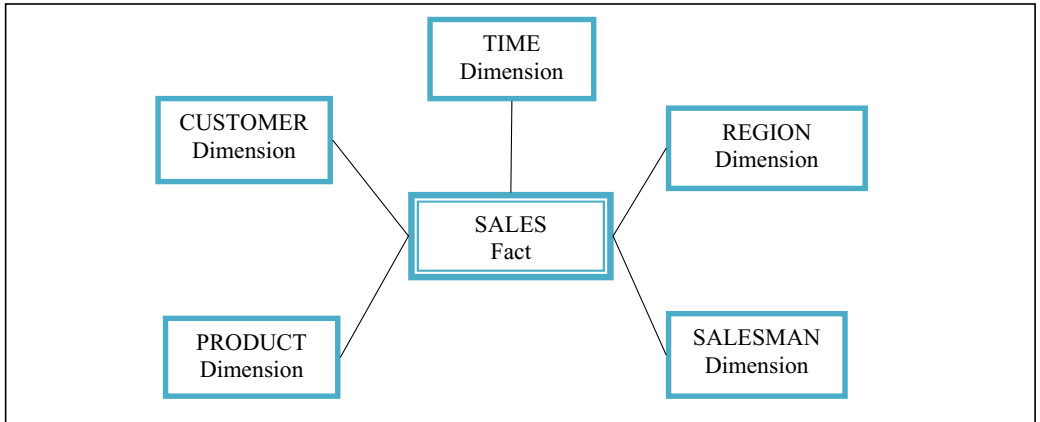


Figure-2 : A Sample View of Purchasing Cube

TIME DIMENSION

- [-] All Time
 - [-] Year 2005
 - [-] 2005 - First Half
 - [-] 2005 - 1st Quarter
 - [-] 2005 - 2nd Quarter
 - [-] 2005 - Second Half
 - [-] 2005 - 3rd Quarter
 - [-] 2005 - 4th Quarter
 - [-] Year 2006

MATERIAL DIMENSION

- [-] All Material
 - [-] Category 1
 - A
 - B
 - C
 - D
 - [-] Category 2
 - E
 - F

SUPPLIER DIMENSION

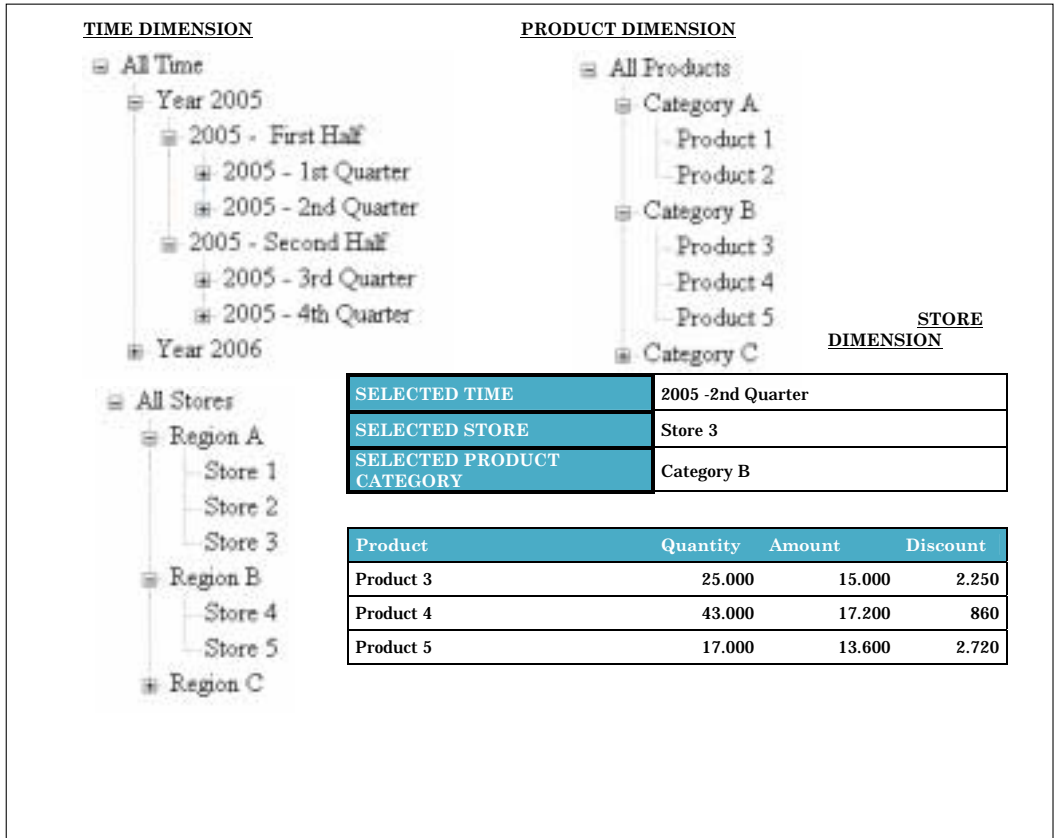
| | |
|----------------------------|------------|
| SELECTED TIME | 2005 |
| SELECTED SUPPLIER | Supplier 2 |
| SELECTED MATERIAL CATEGORY | Category 1 |

| Material | Quantity | Amount |
|----------|----------|--------|
| A | 10.000 | 20.000 |
| B | 5.000 | 19.000 |
| C | 9.000 | 38.700 |

Suppliers

- [-] All Suppliers
 - [-] City A
 - Supplier 1
 - Supplier 2
 - Supplier 3
 - [-] City B
 - Supplier 4
 - Supplier 5

Figure-3 : A Sample View of Sales Cube



ETHICS IN ACCOUNTING: THE WORLDCOM INC. SCANDAL

Lucian Cernuşca

“Aurel Vlaicu” University, Arad,

ABSTRACT

What is ethics? What do ethics have to do with accounting? How does a scandal affect the business environment and the society? This article will explain just those questions by analyzing a “famous” fraud scandal: WorldCom Inc. The article discusses the chronology of events that lead to the WorldCom Inc. collapse and explains how the figures were manipulated for the owners’ interest and what the accounting scam was. The article ends with the consequences of the scandal and what the effects were on the society and business environment in general.

Key words: *ethics, accounting, bankruptcy, WorldCom Inc., expenses.*

What is ethics? Why ethics in accounting?

Ethical values are the foundations on which a civilized society is based on. Without them, the civilization collapses. In business, the purpose of ethics is to direct business men and women to abide by a code of conduct that facilitates public confidence in their product and services. In the accounting field, professional accounting organizations recognize the accounting profession’s responsibility to provide ethical guidelines to its members.

Ethics must and should be taught. People are not born with the desire to be ethical or be concerned with the welfare of others. And contrary to all beliefs, one person can make a difference. One of my favorite quotes says:

I am only one.

But still I am one.

I cannot do everything,

But still I can do something;

And because I cannot do everything

I will not refuse to do the something that I can do.

(Edward Everett Hale)

Accounting ethics is both a normative and descriptive discipline. Interest in business ethics and accounting ethics accelerated dramatically during the 1980s and 1990s, both within major corporations and within academia. When we talk about accounting ethics, we always link the term with creative accounting, earnings management, misleading financial statements, securities fraud, insider transactions, bribery, executive compensation and many more. If you occupy a position of leadership, then your actions will profoundly influence those who follow your example. And the well known cases of fraud, WorldCom and Enron included, prove just that.

The WorldCom Inc. Scandal –
Bankruptcy Information

On July 21, 2002, WorldCom Inc. filed for Chapter 11 bankruptcy protection, according

to John Sidgmore, the company's chief executive. The bankruptcy is the largest in US history, being twice as large as Enron's record-setting filing in December 2001. WorldCom Inc. admitted on June 25, 2002, that it had falsely booked \$3.85 billion in expenses to make the company appear more profitable. Arthur Anderson, the company's auditor, accused Scott Sullivan, WorldCom Inc.'s financial officer, of withholding crucial information about the company's bookkeeping. Sullivan was fired the same day.

But what is WorldCom Inc. and what's its history? During 1983, Murray Waldron and William Rector, both from USA, drafted a business plan to start a business offering long distance services at a discount. The company was created and was named "Long Distance Discount Services" (LDDS). Bernie Ebbers became the CEO for LDDS in 1985. He grew the company through a series of acquisitions – Advantage Companies Inc., Advanced Telecommunications Corp., Resurgens Communications Group Inc., Metromedia Communications Corp., IDSB Communication Group Inc. and Williams Telecommunications Group Inc. – and changed its name to WorldCom in 1995. The acquisitions continued and the new named WorldCom took over MFS Communications Inc. in 1996, UUNet Technologies Inc. in the same year, MCI Communications Corp. in 1998 for \$40 billion, Brooks Fiber Properties Inc. and CompuServe Comp., also in 1998. The largest merger was in 2001 when WorldCom took over Intermedia

Communication Inc., a provider of Internet and data services to businesses.



Figure 1 WorldCom hits all-time high for market value

Source: Jake Ulick, 2002, *WorldCom's financial bomb*, at CNN Money , <http://money.cnn.com/2002/06/25/news/worldcom/>, visited Friday, June 15, 2007

At the peak of the telecom boom, WorldCom Inc. was valued at \$180 billion. But from this stage onwards, WorldCom started facing job cuts, credit ranking down grades and enquires. The stock price fell from \$64 (all-time high for market value) to \$2.65. As a result, Ebbers resigned on April 30, 2002, right after the fall of stock price. Within 10 day from Ebbers' resignation, WorldCom's long-term debt ranking was reduced to junk status. Ebbers started selling stocks to repay his personal loans and in order to stop him from selling the stock WorldCom gave him the loan to repay his bets. It wasn't clear why that happened but the fact is with the ransom earned, Ebbers has built a nice mansion in Florida.

After the damage has been done by SEC¹ and the credit ranking companies, on June 26, 2002 WorldCom made a statement

¹ Securities and Exchange Commission

saying that improper accounting has shed light on \$3.8 billion in expenses which will wipe away the profits declared in 2001 and for the first semester of 2002. As a result, within a day the stock price has fallen to \$0.09.

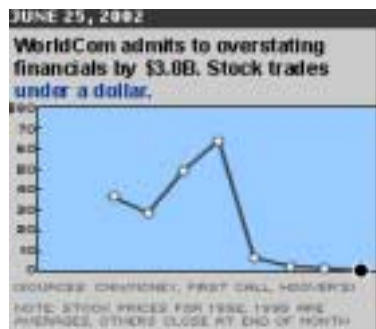


Figure 2 WorldCom hits all-time low stock price
 Source: Jake Ulick, 2002, *WorldCom's financial bomb*, at CNN Money ,
<http://money.cnn.com/2002/06/25/news/worldcom/>,
 visited Friday, June 15, 2007

WorldCom then started its own internal investigation. As a result, WorldCom fired Scott D. Sullivan –the chief financial officer – and accepted the resignation submitted by David Myers. The CEO, John Sidgmore apologized to the investors for the accounting mistakes, while Scott D. Sullivan told that he informed Ebberts about the book-keeping maneuvers that made the company look better than it really was.

On July 21, 2002, WorldCom have filed for bankruptcy which was the largest bankruptcy in US history. Based on the investigation committee appointed by WorldCom and on an investigation conducted by the Auditors, few more facts have come to light. The Auditors have discovered some questionable accounting

practices since 1999 in WorldCom. The internal auditors have uncovered an additional \$3.831 billion in improper accounting, making the amount of WorldCom known accounting errors to more than \$7.683 billion over the past 3-4 years, which makes WorldCom the ultimate corporate accounting fraud in the world. Andersen, WorldCom's auditor, declared that the internal audit report could not be relied on in the view of the accounting manipulations.

It is relatively easily for an auditor to detect error but earnings management can involve sophisticated fraud that is covert. The requirement for management to assert that the accounts have been prepared properly offers no protection where those managers have already entered into conscious deceit and fraud. Auditors need to distinguish fraud from error by identifying the presence of intention. Part of the difficulty lies in the accepted recognition that there is no such thing as a single "right" earnings figure and that it is possible for legitimate business practices to develop into unacceptable financial reporting.

Who paid for the frauds?

In the first instance, the employees who rapidly discovered that immediately after the bankruptcy announcement, 17,000 WorldCom workers got the push. Next in line were the investors as the shares dropped from over \$60 to less than a dollar. But the scandal also blasted a huge hole through confidence in the telecom and technology sector and also hit the share

prices in several other sectors. And of course, anyone with a pension would pay the price as well.

The White House saw the plunging stock prices as one of the most important threats for the economy. Right after the bankruptcy announcement, the stock plummeted in early trading reaction, followed by crawling back up and closing mixed. The Dow Jones industrial closed at 9,120.11, while the Standard & Poor's 500 Index closed at 973.53, after falling 6.71 and 2.61, respectively.

WorldCom Inc. –Chronology of Events

On February 8, 2002, WorldCom Inc. reduces the revenue and earnings projections for 2002 and announced second quarter expenses of \$15-20 billion to write down some acquired operations. At the same time, the company's CEO, Bernard Ebbers, owes WorldCom \$366 million to cover the loans he took to buy his own shares. A week later, WorldCom suspends three star employees and stops commissions of 15 salespeople over a booking scandal in three of the branch offices.

On March 12, 2002, SEC launches enquiry into the WorldCom Inc.'s accounting practices. Three weeks later, the company planned to layoff 7500 employees. At the end of April, WorldCom reduced at least \$1 billion for its 2002 revenue projections and on April 30, 2002, Bernard Ebbers resigned. On May 9, 2002 a rating company reduced WorldCom's debt to "junk" status and the company's shares plunged to a new low.

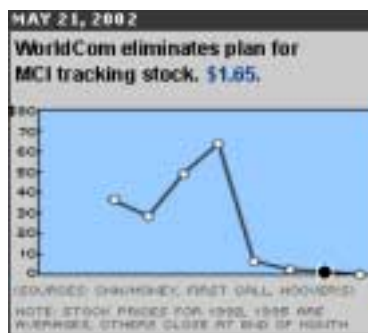


Figure 3 WorldCom Inc. hits a new low in May 2002

Source: Jake Ulick, 2002, *WorldCom's financial bomb*, at CNN Money ,

<http://money.cnn.com/2002/06/25/news/worldcom/>,

visited Friday, June 15, 2007

At the end of the month, the company eliminated its MCI Group tracking stock, in hope of saving some money that would have gone to the dividends. At the beginning of June 2002, WorldCom announced its intention to cut further 15000 employees while restructuring and planning to sell its wireless unit. On June 24, 2002, analyst Jack Grubman wrote a negative report on the finances at WorldCom Inc. and the shares fell below \$1 (see Figure 2).

At the end of June 2002, WorldCom Inc. announced that during the entire 2001 and first quarter of 2002, company's revenue expenditure had been treated as capital expenditure and, as a result, there has been an overstatement of profits by \$3.852 billion in the financial results. Another declaration was made on August 9, 2002 which doubles the fraud figure declared earlier to more than \$7.6 billion, which makes WorldCom the company with the highest figure fraud in history!

WorldCom's first announcement worked like a bombshell. Obviously investors were irritated, which resulted immediately in hitting down the Dow Industrials more than 140 points and NASDAQ Composite Index by more than 3%. The investors sold the WorldCom shares at any price realizable. While in June 1999, the WorldCom shares were traded at \$62/share, they collapsed to \$0.09 in August 2002. Not surprisingly, on August 9, 2002 another \$3.8 billion fraud was unearthed at WorldCom by the same auditors. The company also announced that since an internal investigation was going on, they might find more accounting problems. WorldCom declared they would restate their financial reports from 1999 onwards, as a result of the new findings.

With the experience of Enron, another "resounding" accounting scandal in Corporate America, SEC has immediately approached the court seeking orders prohibiting WorldCom and its affiliates from destroying, hiding or altering relevant documents and prohibiting the company to make any extraordinary payments.

How was the fraud carried out?

Let us take a look at some selected financial data, from 1997 to 2001. In the Appendix, we also listed the "Consolidated statements of operations" and the "Consolidated Balance Sheets" of WorldCom Inc., for 1998 and 1999.

During 1990s, when WorldCom Inc. was marching forward with endless takeovers and merges sprees, the market conditions for

their services slowly started to deteriorate. The data shown above was before restatement figures. The point is to show how the accounting manipulations changed the data. The operating margin –which indicates the company's profitability – was not satisfactory even in 1998. Since the mergers didn't improve the margin either, the company realized during 1999 and 2000 that using accounting manipulations could lead to stable earnings. However, the planning was inadequate for maintaining the earnings by 2001. As a result, in 2001 the profit margin fell down to less than half when compared to the previous year's earnings.

During 2001, WorldCom Inc. split into two tracking stocks: MCI WorldCom Inc, the long-distance consumer carrier and WorldCom Inc, which sells voice and data services to corporations. During January and February 2002 there were rumors about WorldCom's stability. In the wake of the Enron scandal, followed by Global Crossing, which also declared bankruptcy, there were ongoing questions about WorldCom. Investors started believing the rumors that WorldCom might have off-balance-sheet finances and its investment-grade debt might be downgraded to "junk" status. Looking back, all the rumors were indeed correct.

WorldCom's new CEO explained that "the entire industry was experiencing severe problems which were unprecedented!" and "while many competitors were experiencing difficulties and surviving, many have gone

out of business". Indeed the economy went into recession during 2001, which led to a fall in revenues and earnings for all companies, more so for the telecom industry. The rise of mobile phone culture during the end of 1990s also led to the fall of WorldCom's revenues. The company was at this point suffering from the ego of being a large organization combined with a quality of non-learning attitude for the changes of consumer's styles and the neglect to go into mobile phones. Here is a table containing a summary of the consolidation financial statements from 1999 to 2001. Notice that the cumulative loss appears to be \$539 million for all three years.

WorldCom has commenced its manipulations right from 1999, as the company's CEO declared, with the single purpose to obtain desired earnings to boost up stock market price. Before declaration of their intention to restate the earnings, Andersen, the Auditor, warned investors and others not to rely on the audit reports given by them earlier because the company was announcing accounting manipulations of transferring line costs to capital accounts. As per June 25, 2002 report, the quantum of such transfers were \$797 million in 1Q 2002 and \$3.055 billion during 2001.

As per the company's "game", it called certain revenue expenditure known as "line costs" as capital expenditure. Line costs are the amounts paid to a third party service provider whose telecommunication network will be used by WorldCom for getting a right to use the network for their activity. These

payments are revenue expenses and NOT assets to capitalize. Every year, the company's major expense was the "line costs" which accounted for 40-45% from the revenue earned. But the company developed a strategy to capitalize the expenses. Post manipulation, the quantum of the "line costs" paid during 2001 were \$14.739 billion. During the same year, the reported profit was \$1.407 billion while the line costs capitalized ALONE were \$3.055 billion. Therefore, the company had a loss of \$1648 millions but by using the account fraud they kept the top showing a profit of \$1407 million.

On the other hand, capital expenditure generally includes investments in assets like machinery and other long-term asset purchases. In other words, it's an investment in an asset from which the company benefits for more than one year. The cost of the assets will be gradually deducted from earnings by depreciation².

In other words, WorldCom capitalized line costs instead of expressing immediately and hence avoided a loss of about \$7.6 billion in the financial statements. For several years, in such a way, billions of dollars worth of operating expenses started to appear in WorldCom's accounting books as assets. The company violated the Generally Accepted Accounting Principles (GAAP) by treating the operating costs as capital assets and created worthless assets.

² N.A. Depreciation = The reduction in the balance sheet value of a company asset to reflect its loss of value through age and wear and tear. From www.scottish-newcastle.com/sn/investor/services/glossary/, visited on Wednesday, July 18, 2007

Instead of a conclusion...

It is astonishing to note how Arthur Andersen could miss such an elementary fraud. It was maybe the simplest fraud that could have been detected easily by anyone who cared to look carefully at the accounts. WorldCom hired Andersen to perform a standard audit, BUT not a fraud audit. Although WorldCom fraud was a straightforward lie that would not have been possible without the involvement of the entire group, the fraud could have been missed. To save their skin, Andersen blamed Sullivan for withholding information during the audit. However, when they discovered that certain expenses have been reported as investment, Andersen immediately announced that their reports on WorldCom's financial statements for 2001 should not be relied upon.

Ultimately, WorldCom Inc. had to go for bankruptcy, which was the biggest bankruptcy in the world. Immediately after bankruptcy, 17,000 employees were laid off – almost 20% of the company's workforce. Sullivan was fired and ultimately arrested for the accounting manipulations. Controller David Myers was also arrested on the same issue.

References:

Luisa Beltran, (2002), *WorldCom files largest bankruptcy ever*, at CNN Money http://money.cnn.com/2002/07/19/news/worldcom_bankruptcy/, visited Friday, June 15, 2007

Jake Ulick, (2002), *WorldCom's financial bomb*, at CNN Money <http://money.cnn.com/2002/06/25/news/worldcom/>, visited Friday, June 15, 2007

V.R.K. Chary, (2004), *Ethics in Accounting. Global Cases and Experiences*, WorldCom Inc., The ICAI University Press, India, pg. 41-57.

Dr. Katherine T. Smith, Dr. L. Murphy Smith, Business and Accounting Ethics, at <http://acct.tamu.edu/smith/ethics/ethics.htm>, visited Tuesday, July 17, 2007

Sam Zuckerman, (2002), *Bush promises investigation of WorldCom*, San Francisco Chronicle, <http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2002/06/27/MN180882.DTL>, visited Tuesday, June 19, 2007

***, *WorldCom, Inc.*, at <http://www.scripophily.net/worldcominc.html>, visited Monday, May 28, 2007

***, *WorldCom: Why it matters*, at <http://news.bbc.co.uk/2/hi/business/2066959.stm> visited Tuesday, June 19, 2007

***, Financial: MCI WorldCom Q1 1999 Results, Earnings Per Share of \$0.37, Compared with \$0.10, Operating Margins Improve on Revenue Mix and Merger Synergies - Company Financial Information, (1999), at http://findarticles.com/p/articles/mi_m0UNZ/is_1999_May_3/ai_54528477, visited on Wednesday, July 18, 2007

***, Glossary, at www.scottish-newcastle.com/sn/investor/services/glossary/, visited on Wednesday, July 18, 2007

Additional bibliography:

Joni J. Young and Marcia Annisette (2007) Cultivating imagination: Ethics, education and literature, *Critical Perspectives on Accounting*

A. Craig Keller, Katherine T. Smith and L. Murphy Smith (2007) Do gender, educational level, religiosity, and work experience affect the ethical decision-making of U.S. accountants?, *Critical Perspectives on Accounting*, Volume 18, Issue 3, March 2007, Pages 299-314

Ken McPhail (2003) Relocating accounting and business ethics: reflections on a business ethics retreat in Scotland's National Park, *The British Accounting Review*, Volume 35, Issue 4, December 2003, Pages 349-366

Linda Thorne (2001) Refocusing ethics education in accounting: an examination of accounting students' tendency to use their cognitive moral capability, *Journal of Accounting Education*, Volume 19, Issue 2, Summer 2001, Pages 103-117

Steven M. Mintz (2006) Accounting ethics education: Integrating reflective learning and virtue ethics, *Journal of Accounting Education*, Volume 24, Issues 2-3

Mary Beth Armstrong, J. Edward Ketz and Dwight Owsen (2003) Ethics education in accounting: moving toward ethical motivation and ethical behavior, *Journal of Accounting Education*, Volume 21, Issue 1, Pages 1-16

Sivakumar Velayutham (2003) THE ACCOUNTING PROFESSION'S CODE OF ETHICS: IS IT A CODE OF ETHICS OR A CODE OF QUALITY ASSURANCE?

Critical Perspectives on Accounting, Volume 14, Issue 4, May, Pages 483-503

Teri Shearer (2002) Ethics and accountability: from the for-itself to the for-the-other
Accounting, Organizations and Society, Volume 27, Issue 6, August, Pages 541-573

Stephen E. Loeb (1999) Accounting ethics research, *Journal of Accounting and Public Policy*, Volume 18, Issues 4-5, Winter, Pages 333-334

Appendix

WorldCom Inc. and Subsidiaries³
 CONSOLIDATED STATEMENTS OF OPERATIONS
 For the three months ended March 31, 1998 and 1999
 UNAUDITED, in \$ millions, except per share data
 Excluding Embratel
 BEFORE CHANGES

| | Reported 1Q 1998 | Pro Forma 1Q 1998 | Reported 1Q 1999 |
|--|---------------------|----------------------|---------------------|
| Revenues: | | | |
| Voice | 1,162 | 4,754 | 5,095 |
| Data | 496 | 1,304 | 1,702 |
| Internet | 392 | 474 | 758 |
| International | 230 | 230 | 357 |
| Communication Services | 2,280 | 6,762 | 1,912 |
| Information technology and other | 40 | 490 | 403 |
| Total | 2,320 | 7,252 | 8,315 |
| Operating expenses: | | | |
| Line costs | 1,117 | 3,607 | 3,767 |
| Selling, general and administrative | 478 | 2,011 | 2,137 |
| Depreciation and amortization | 299 | 1,029 | 960 |
| Total | 1,894 | 6,647 | 6,864 |
| Operating income: | 426 | 605 | 1,451 |
| Other income (expense): | | | |
| Interest expense | (102) | (276) | (260) |
| Miscellaneous | 12 | 32 | 105 |
| Income before income taxes | 336 | 361 | 1,296 |
| Provision for income taxes | 143 | 170 | 551 |
| Net income | 193 | 191 | 745 |
| Distributions on subsidiary trust mandatorily redeemable preferred securities | - | 15 | 16 |
| Preferred dividend requirement | 7 | 7 | - |
| Net income applicable to common shareholders | 186 | 169 | 729 |
| Earnings per commons share -Net income applicable to common shareholders: | | | |
| Basic | 0.18 | 0.10 | 0.39 |
| Diluted | 0.18 | 0.10 | 0.38 |
| Shares utilized in calculations: | | | |
| Basic | 1,012 | 1,744 | 1,848 |
| Diluted | 1,074 | 1,829 | 1,922 |

³ Source: Financial: MCI WorldCom Q1 1999 Results, Earnings Per Share of \$0.37, Compared with \$0.10, Operating Margins Improve on Revenue Mix and Merger Synergies - Company Financial Information, (1999), at http://findarticles.com/p/articles/mi_m0UNZ/is_1999_May_3/ai_54528477, visited on Wednesday, July 18, 2007

WorldCom Inc. and Subsidiaries⁴
CONSOLIDATED BALANCE SHEETS
 UNAUDITED, in \$ millions
 Reported, Excluding Embratel

| | March 31, 1999 | December 31, 1998 |
|--|----------------|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | 287 | 999 |
| Accounts receivable, net | 5,166 | 4,810 |
| Other current assets | 3,484 | 3,031 |
| Total current assets | 8,937 | 8,840 |
| Property and equipment, net | 19,852 | 19,259 |
| Goodwill and other intangibles, net | 45,815 | 45,468 |
| Other assets | 7,160 | 6,626 |
| | 81,764 | 80,193 |
| LIABILITIES AND SHAREHOLDERS' INVESTMENT | | |
| Current liabilities: | | |
| Short-term debt and current maturities of long-term debt | 6,507 | 4,628 |
| Other current liabilities | 10,095 | 9,886 |
| Total current liabilities | 16,602 | 14,514 |
| Long-term liabilities, less current portion: | | |
| Long-term debt | 12,186 | 14,345 |
| Note payable -Embratel | 927 | 1,315 |
| Other liabilities | 4,108 | 4,226 |
| Total long-term liabilities | 17,221 | 19,886 |
| Mandatorily redeemable preferred securities | 798 | 798 |
| Total shareholders' investment | 47,143 | 44,995 |
| | 81,764 | 80,193 |

-\$ in millions-

| | 1997 | 1998 | 1999 | 2000 | 2001 |
|----------------------|-------|--------|-------|-------|--------|
| Revenue | 7384 | 17678 | 35908 | 39090 | 35179 |
| Operating Income | 1018 | (975) | 7888 | 8153 | 3514 |
| Total Assets | 23596 | 86401 | 91072 | 98903 | 103914 |
| Operating Margin (%) | 13.78 | (5.51) | 21.96 | 20.85 | 9.98 |

WorldCom inc. financial data

Adapted from: V.R.K. Chary,2004, *Ethics in Accounting. Global Cases and Experiences, WorldCom Inc.*, The ICAFI University Press, India, pg. 47

-\$ in millions-

| | 1999 | 2000 | 2001 |
|-----------------------------------|--------|--------|---------|
| Revenue | 35,908 | 39,090 | 35,179 |
| Net income | 2,294 | 2,608 | 1,407 |
| Net income-RESTATED | 2,085 | (649) | (1,975) |
| Total assets | 91,072 | 98,903 | 103,914 |
| Long-term Debt | 17,209 | 17,696 | 30,038 |
| Shareholders' funds | 51,238 | 55,409 | 57,930 |
| Intangible assets to total assets | 48% | 47% | 52% |

WorldCom's Consolidated Financial Statements

Adapted from: V.R.K. Chary,2004, *Ethics in Accounting. Global Cases and Experiences, WorldCom Inc.*, The ICAFI University Press, India, pg. 50

⁴ Source: Financial: MCI WorldCom Q1 1999 Results, Earnings Per Share of \$0.37, Compared with \$0.10, Operating Margins Improve on Revenue Mix and Merger Synergies - Company Financial Information, (1999), at http://findarticles.com/p/articles/mi_m0UNZ/is_1999_May_3/ai_54528477, visited on Wednesday, July 18, 2007

REGLES DE RECHERCHE D'INFORMATION SUR INTERNET SIMULATION AGENTS INTELLIGENTS

Dorin Militaru

Amiens School of Management, FRANCE

RESUME

Les agents de recherche disponibles sur l'Internet sont des outils permettant aux consommateurs de comparer les prix d'un produit proposé par différents vendeurs. Les agents existants basent leur recherche sur une liste prédéfinie de vendeurs à consulter, autrement dit, ils utilisent une règle de recherche avec une taille d'échantillon fixe (agent de recherche FSS). Toutefois, dans le futur, avec la mise en place de nouveaux systèmes de tarification des communications sur le réseau, cette règle de recherche est susceptible d'évoluer vers d'autres règles plus flexibles permettant aux agents de faire un arbitrage entre les coûts de communication et le prix trouvé. Dans ce cadre, la règle de recherche séquentielle optimale (agent de recherche RP) est une alternative possible. Néanmoins, son adoption va dépendre fortement de ses performances espérées. Dans cet article, nous analysons les performances relatives d'agents RP et FSS sur un marché où l'accès à l'information est coûteux. A l'équilibre théorique du marché, nous montrons que les agents de recherche RP permettent toujours aux consommateurs de payer des coûts totaux moins élevés. Dans un second temps, nous testons la robustesse de ce résultat théorique en simulant un marché sur lequel les agents de recherche RP et les vendeurs n'ont qu'une information partielle sur sa structure.

Mots-clés: Commerce électronique, agent, règle de recherche, théorie des jeux, simulations.

ABSTRACT

Internet searching agents are tools allowing consumers to compare on-line Web-stores' prices for a product. The existing agents base their search on a predefined list of Web-stores and, as such, they can be qualified as fixed-sample size searchers (FSS searching agents). However, in the future, with the implementation of new Internet pricing schemes, this search rule is likely to evolve toward more flexible searching methods allowing for an explicit trade-off between the communication costs and the product price. In this setting, the sequential optimal search rule (RP searching agents) is a possible alternative. However, its adoption depends on its expected performance. The present paper analyses the relative performances of RP and FSS searching agents on a market with costly information. At the theoretical equilibrium of the market, we show that the RP searching agents always allow to consumers to pay lower total costs. We further test the robustness of this result by simulating a market where the RP searching agents and the Web-stores have only a partial information about the market structure.

Keywords : Electronic Commerce, Agent, Search Rule, Game Theory, Simulations.

1. Introduction

Au cours de ces dernières années, la croissance du volume d'information sur l'Internet a entraîné une demande toujours plus importante pour des outils capables

d'assister efficacement les Internauteurs dans leur recherche. Dans le domaine commercial, cette demande s'est traduite par l'apparition d'agents de recherche spécialisés permettant aux consommateurs de collecter

automatiquement certaines informations commerciales dans les catalogues électroniques des magasins en lignes. L'un des premiers agents mis en place sur le réseau a été BargainFinder (juin 1995) qui permettait de comparer le prix d'un C.D. sur neuf sites marchands. Depuis, des agents plus sophistiqués comme Jango ont été développés [www.jango.com] et ils ne limitent plus leur recherche à un seul produit (ordinateur, logiciels, cosmétiques, vins, etc.) ou à un seul attribut (prix, délai de livraison, caractéristiques du produit, etc.). En dépit de ces progrès, l'utilisation des agents de recherche électroniques est encore dans une phase naissante. Même si on peut imaginer un futur proche où les vendeurs et les consommateurs interagissent par entités virtuelles interposées [7], on ne sait pas encore avec certitude quelles seront les règles qui gouverneront un tel marché.

Les travaux actuels, sauf quelques rares exceptions [8], considèrent les coûts de recherche comme négligeables dans la modélisation des marchés électroniques. Cependant, le traitement et la gestion du volume d'information croissant sur l'Internet va certainement rendre coûteuse la recherche d'information dans le futur. En effet, les bandes passantes du réseau ne sont pas infiniment extensibles et un système de tarification basé sur son utilisation effective [9] va très probablement être mis en place afin d'éviter les problèmes de congestion. Les agents de recherche devront alors payer des *coûts de recherche* (des coûts de communication) pour chaque vendeur qu'ils consulteront. Dans ce cadre, les coûts

associés à une recherche seront certainement répercutés aux consommateurs. Même si ceux-ci sont relativement faibles par rapport au prix des produits, les agents de recherche devront les incorporer dans leurs décisions afin de maximiser la satisfaction des consommateurs. On peut noter que la règle de recherche actuellement utilisée par les agents ne prend pas en compte cette problématique et on peut donc raisonnablement s'interroger sur le fait de savoir s'ils ne vont pas devoir en changer dans l'avenir. En effet, les agents existants basent leur recherche sur des listes prédéfinies de sites marchands à consulter et ils n'incorporent donc pas explicitement les coûts associés à la réalisation de leur objectif. Ce mode de recherche correspond à l'utilisation d'une règle de recherche avec une taille d'échantillon fixe et, dans cet article, les agents utilisant cette règle seront dénommés des *agents de recherche FSS*. Toutefois, la théorie économique montre que, sur un marché où la recherche d'information est coûteuse, la règle optimale de recherche d'information est une règle séquentielle avec prix de réservation [10]. Les *agents de recherche RP* (utilisant une règle de recherche séquentielle optimale) représenteraient donc une alternative possible pour remplacer les agents de recherche FSS. En effet, en présence de coûts de recherche, l'objectif d'un consommateur n'est pas seulement de minimiser le prix d'achat d'un produit mais aussi de minimiser les coûts de communication qu'il devra payer.

L'objectif de cet article est de comparer la performance des agents FSS et des agents RP en terme de coûts totaux (prix du produit plus coût total de la recherche) payés par les consommateurs. Nous cherchons donc à savoir si les agents de recherche existants ont intérêt à adopter une règle de recherche séquentielle optimale. Pour ce faire, nous analysons un marché sur lequel des agents de recherche FSS et RP coexistent. Dans notre modèle, nous supposons que les coûts de recherche correspondent à des coûts de communication unitaires constants payés par les agents pour accéder à l'information contenue sur les sites des vendeurs. Un grand nombre de modèles économiques se sont déjà intéressés à l'équilibre théorique lorsque la recherche effectuée par les acheteurs sur un marché est coûteuse ([5], [12]) ou bien lorsque ces derniers sont en situation d'asymétrie d'information [13]. Le modèle le plus proche de celui que nous développons dans notre article est celui de Stahl [11]. Néanmoins, contrairement à cet auteur qui considère que les acheteurs FSS basent toujours leur recherche à partir de l'ensemble des prix du marché, nous supposons dans notre modèle que la taille de l'échantillon des agents FSS est limitée. De plus, nous considérons que les consommateurs ont des demandes unitaires et nous introduisons de manière explicite leur valeur de réservation. Pour le marché considéré, nous déterminons l'équilibre symétrique en stratégie mixte et nous comparons les performances respectives des agents de recherche FSS et RP. A l'équilibre théorique, nous montrons que les agents utilisant une règle de recherche séquentielle

permettent toujours aux consommateurs de payer des coûts totaux plus faibles. Sur un marché Internet existant, il est très improbable que les hypothèses restrictives de notre analyse théorique basée sur la théorie des jeux soit vérifiées. Afin de les relâcher, nous simulons un marché sur lequel les vendeurs utilisent une stratégie de tarification dynamique nécessitant peu d'information et les agents de recherche RP utilisent des informations partielles pour déterminer leur prix de réservation. Ces simulations confirment la bonne performance de la règle de recherche séquentielle et montrent donc qu'elle pourrait être adoptée par les agents dans le futur.

Notre article est organisé comme suit. Le modèle de marché que nous étudions et la détermination de son équilibre théorique sont respectivement présentés dans les sections 2 et 3. Dans la section 4, nous comparons les performances des deux types d'agents de recherche présents sur le marché à l'équilibre. Dans la section suivante, nous présentons et analysons les résultats de nos simulations concernant la performance des deux règles de recherche dans différentes configurations de marché. Pour finir, nous discutons nos résultats et nous mettons en perspective les extensions possibles de notre étude.

2. Description du marché

Sur un marché Internet, des agents représentant des vendeurs ou des consommateurs échangent un produit homogène (bien ou service). Un *agent*

vendeur désigne un agent appartenant à un magasin en ligne et un *agent de recherche* désigne un agent utilisé par un consommateur. Ces agents agissent au nom de leurs utilisateurs respectifs en maximisant leur profit (agents vendeurs) ou en recherchant la “meilleure affaire” (agents de recherche)¹. Sur le marché, le nombre d’agents de recherche M est significativement plus important que le nombre N d’agents vendeurs ($M \gg N$). Le nombre d’agents vendeurs et d’agents de recherche est considéré comme fixe au cours du temps. Comme le produit commercialisé par les agents vendeurs est identique, ceux-ci se concurrencent uniquement en terme de prix. Nous supposons que les vendeurs ont tous le même coût unitaire de production v et le même coût fixe FC . Sans perte de généralité, nous supposons dans notre analyse que ces deux coûts sont nuls². Ainsi, chaque agent vendeur peut satisfaire toutes les demandes qu’il reçoit. Dans notre modèle, nous ignorons les possibilités de négociation entre les agents de recherche et les agents vendeurs. Les transactions entre les agents se déroulent donc sous la forme d’ultimatum (i.e., les vendeurs affichent simplement des prix non négociables dans leur catalogue).

Sur le marché, les agents de recherche doivent tous payer un coût de recherche positif c pour chacun des agents vendeurs qu’ils consultent. Ce coût de recherche représente un coût de communication pour accéder aux prix des vendeurs. Dans notre étude, deux types d’agents de recherche coexistent sur le marché, des agents qui utilisent une règle de recherche avec une taille d’échantillon fixe (agent de recherche FSS) et des agents qui utilisent une règle de recherche séquentielle avec prix de réservation (agent de recherche RP)³. Chaque agent de recherche, quelque soit son type, a une demande unitaire contrainte par une valeur de réservation r . Cette valeur de réservation est supposée égale pour tous les agents de recherche et elle s’interprète comme le prix maximum auquel les consommateurs ont autorisé leur agent à acheter le produit. Les agents de recherche FSS retranscrivent la règle de recherche employée par les agents de recherche existants et ils utilisent une liste prédéfinie de n agents vendeurs. Bien que tous les agents de recherche FSS aient une taille d’échantillon identique, on peut noter que les vendeurs se trouvant dans l’échantillon peuvent être différents. Ces agents sont en proportion w_1 sur le marché et ils achètent le produit au prix le plus bas parmi les n prix observés (à la condition que ce prix soit inférieur à leur valeur de réservation). Les autres agents de recherche RP sont en proportion $w_2 (= 1 - w_1)$ et ils recherchent séquentiellement des partenaires de

¹ Même si les utilisateurs réels des agents (consommateurs et vendeurs) sont une des composantes indispensables à l’existence du marché, nous supposons dans notre modèle que les agents sont dotés de toutes les informations nécessaires pour les représenter et atteindre leurs objectifs.

² On peut noter que cette hypothèse est particulièrement justifiée pour des biens informationnels (journaux en ligne, logiciels, livres numériques, etc.) car il n’y a pas de coût associé à leur réplique [14].

³ En théorie économique, ces deux règles de recherche sont souvent qualifiées de “non-optimale” pour la règle

transaction. Si nous notons $F(p)$ la fonction de répartition des prix sur le marché, la règle de recherche RP peut être formalisée comme suit : lorsqu'un agent RP consulte un agent vendeur lui proposant un prix q , les gains associés à une recherche additionnelle sont,

$$g(q) = \int_0^q (q - p) dF(p) = \int_0^q F(p) dp \quad (2)$$

où q est le prix espéré du vendeur suivant. D'un point de vue économique, il est optimal de continuer à chercher tant que les gains espérés d'une recherche additionnelle sont supérieurs au coût unitaire de recherche [10]. Ainsi, le prix de réservation R peut être facilement déterminé comme la solution de l'équation $g(R) = c$.

3. Equilibre théorique du marché

De manière à déterminer l'équilibre théorique du modèle de marché décrit ci-dessus, il nous faut tout d'abord procéder à une analyse stratégique du comportement des agents vendeurs. Ces derniers jouent un jeu de Nash non-coopératif entre eux et un jeu de Stackelberg face aux agents de recherche qui prennent les prix comme donnés. Comme il n'existe pas d'équilibre en stratégie pure dans notre modèle ([13], [11]), nous déterminons un équilibre symétrique en stratégie mixte selon lequel les agents vendeurs vont tous choisir de manière aléatoire un prix dans une même distribution de probabilité. Nous notons $f(p)$, cette distribution de probabilité d'équilibre et $F(p)$ la fonction de répartition qui lui est

associée. Comme les agents de recherche de type RP sont caractérisés par les mêmes paramètres (même coût de recherche et valeur de réservation identique) et qu'ils font face à la même distribution de prix, ils vont conduire leur recherche de manière similaire. Ainsi, à l'équilibre, tous ces agents RP vont donc choisir le même prix de réservation R .

A partir de ces différentes remarques, nous pouvons déterminer l'équilibre de ce marché. Nous établissons tout d'abord certaines propriétés de la distribution de probabilité d'équilibre. Dans un second temps, nous analysons le comportement optimal des agents vendeurs. Durant ces deux étapes, nous supposons que le prix de réservation des agents de recherche RP est exogène ce qui confère à notre analyse un aspect conditionnel. Nous notons $F(p, R)$ la fonction de répartition de la distribution de probabilité d'équilibre conditionnellement au prix de réservation R . Pour finir, nous établissons les conditions d'existence d'un prix de réservation endogène ainsi que son expression analytique.

3.1. Remarques préliminaires

Avant de calculer l'équilibre de Nash symétrique en stratégie mixte conditionnellement à R , deux propriétés de cet équilibre doivent être établies : la distribution de probabilité d'équilibre n'a pas de point de masse (Lemme 1) et elle admet une limite supérieure (Lemme 2). Nous exposons seulement ci-dessous des arguments de démonstrations intuitifs pour ces deux lemmes. Pour des démonstrations plus formalisées, le lecteur intéressé

de recherche FSS et "d'optimale" pour la règle séquentielle avec prix de réservation [10].

pourra se référer à l'article de Stahl [11] et à celui de Varian [13].

Lemme 1. Si $f(p, R)$ est la fonction de densité d'équilibre conditionnelle à R , elle ne peut pas avoir de point de masse⁴ excepté au prix le plus bas.

Preuve. Supposons que la fonction de densité ait un point de masse à un prix p^* (p^* différent du prix le plus faible). Alors, pour tout échantillon de taille $n \geq 2$ des agents de recherche FSS, il existe une probabilité positive pour que ces agents trouvent uniquement des agents vendeurs pratiquant le prix p^* . Dans ce cas, si l'un des agents vendeurs baisse son prix d'un epsilon, il peut augmenter ses ventes en attirant tous les agents de recherche FSS et augmenter par là même ses profits. On peut donc conclure qu'il ne peut exister un équilibre avec seulement deux prix ou une fonction de répartition avec un point de masse autre que le prix le plus faible.

Lemme 2. Si $F(p, R)$ est la fonction de répartition de la distribution de probabilité d'équilibre conditionnelle à R , le prix représentant la borne maximale de son support p_{\max} correspond à $\min\{R, r\}$.

Preuve. Pour démontrer ce résultat, il faut montrer que p_{\max} ne peut être ni inférieur ni supérieur à $\min\{R, r\}$. Considérons le premier cas où $p_{\max} < \min\{R, r\}$. Du fait que la fonction de probabilité n'a pas de point de masse, lorsqu'un agent vendeur affiche un prix p_{\max} il ne peut faire des ventes

qu'auprès des agents de recherche RP. Néanmoins, en augmentant légèrement son prix, il ne perdrait aucun client et augmenterait son profit. Cette situation ne peut donc être un équilibre. Considérons maintenant le cas opposé où $p_{\max} > \min\{R, r\}$. Si $r < R$ la démonstration est immédiate car les agents vendeurs ne peuvent espérer faire aucune vente en fixant un tel prix. En effet, les agents de recherche ne paient jamais un prix supérieur à leur valeur de réservation r . Si $r > R$, les agents vendeurs perdent tous leurs clients s'ils affichent le prix p_{\max} . En effet, les agents de recherche RP n'achètent pas car le prix est supérieur à R et les agents de recherche FSS ont une probabilité de un de trouver un prix plus faible (cf. Lemme 1.). Les profits espérés des agents vendeurs sont donc nuls. En diminuant leur prix maximum à R , les agents vendeurs peuvent attirer au moins $1 / N$ agents de recherche RP et obtenir des profits positifs. Compte tenu de ces différentes remarques, on peut donc conclure que $p_{\max} = \min\{R, r\}$.

3.2. Calcul de l'équilibre de Nash symétrique en stratégie mixte

Les deux lemmes que nous avons précédemment établis nous permettent maintenant de calculer la fonction de répartition d'équilibre conditionnelle à R . Comme nous avons montré que tous les prix pratiqués sur le marché seront inférieurs à R à l'équilibre (cf. Lemme 2), tous les agents de recherche RP vont procéder à leur achat auprès du premier vendeur visité. Il s'en suit que seul les agents de recherche FSS vont effectivement procéder à une recherche. La condition pour que $f(p)$ soit une fonction de

⁴ Rappelons que p est un point de masse d'une fonction de densité s'il existe une probabilité positive concentrée en p .

probabilité d'équilibre pour chaque agent vendeur i ($i = 1, \dots, N$) est qu'elle maximise leur profit espéré. En d'autres termes, cela implique que tous les profits des vendeurs devront être identiques à l'équilibre sinon ils pourraient choisir d'autres prix ayant des profits espérés plus élevés. Pour que cela soit vrai, il faut que pour une valeur positive K quelconque, deux conditions soient remplies : (i.) $\pi_i(p_i) \leq K$ et (ii.) $\pi_i(p_i) = K$ pour tout prix p_i proposé à l'équilibre.

En proposant un prix p_i tandis que tous les autres vendeurs tirent leur prix dans la fonction de probabilité $f(p)$, les profits espérés d'un agent vendeur i dépendent de la demande à laquelle il fait face : $\pi_i(p_i) = p_i D_i(p_i, p_{-i})$ où p_{-i} est le vecteur des prix des autres vendeurs et $D_i(p_i, p_{-i}) = D_{i, w_1}(p_i, p_{-i}) + D_{i, w_2}(p_i, p_{-i})$ où $D_{i, w_1}(p_i, p_{-i})$ est la demande espérée de la part des agents de recherche FSS et $D_{i, w_2}(p_i, p_{-i})$ la demande espérée de la part des agents de recherche RP. Pour que les agents de recherche FSS achètent le produit à l'agent vendeur i , deux conditions doivent être remplies. Il faut que ce vendeur se trouve dans l'échantillon de taille n de l'agent de recherche FSS et qu'il propose le prix le plus faible. La probabilité associée à la première condition est n / N et la probabilité associée à la seconde condition est⁵ $[1 - F(p_i)]^{n-1}$. Ainsi, la demande espérée par les agents de recherche FSS est $D_{i, w_1}(p_i, p_{-i}) = w_1 M(n / N) [1 - F(p_i)]^{n-1}$. De plus, comme p_i est toujours inférieur à R pour tous

les vendeurs, la probabilité pour qu'un agent de recherche RP achète à l'agent vendeur i est $1 / N$ quelque soit le prix qu'il pratique⁶. La demande espérée de la part des agents de recherche RP est égale à $D_{i, w_2}(p_i, p_{-i}) = w_2 M(1 / N)$.

Le profit d'un agent vendeur i qui propose un prix p_i est donc égal à,

$$\pi_i(p_i) = p_i \left[w_1 M \frac{n}{N} [1 - F(p_i, R)]^{n-1} + w_2 M \frac{1}{N} \right] \quad (3.1)$$

De manière à ce que $F(p_i, R)$ soit une fonction de répartition d'équilibre, un agent vendeur i doit avoir des profits espérés identiques en choisissant un prix quelconque. Cette condition $\pi_i(p_i) = \pi$ doit être vraie pour tous les prix p_i . Comme pour $p_i = p_{\max}$ nous avons $F(p_{\max}) = 1$, on peut aisément déterminer la valeur de π :

$$\pi = \frac{p_{\max} w_2 M}{N} \quad (3.2)$$

Comme $\pi_i(p_i) = \pi$, on obtient :

$$F(p_i, R) = 1 - \left[\frac{w_2}{n w_1} \left(\frac{p_{\max}}{p_i} - 1 \right) \right]^{\frac{1}{n-1}} \quad (3.3)$$

La fonction de probabilité $f(p_i, R)$ est alors simplement la dérivée de $F(p_i, R)$ par rapport à p_i :

$$f(p_i, R) = \frac{w_2}{n(n-1)w_1} \left[\frac{w_2}{n w_1} \left(\frac{p_{\max}}{p} - 1 \right) \right]^{\frac{n-2}{n-1}} \frac{p_{\max}}{p^2} \quad (3.4)$$

Pour que $F(p_i, R)$ soit la fonction de répartition d'équilibre, elle doit prendre uniquement des valeurs positives. Ainsi, on peut calculer le support minimum de f , p_{\min} , dont la valeur est telle que $F(p_{\min}, R) = 0$:

⁵ Du fait qu'il n'y a pas de point de masse dans la fonction de répartition d'équilibre, on peut ignorer la possibilité que le prix p_i soit choisi par un autre vendeur.

⁶ A l'équilibre, comme tous les prix pratiqués par les vendeurs seront plus faibles que R , un agent de recherche RP pourra acheter le produit à n'importe lequel d'entre eux.

$$p_{\min}(R) = \frac{p_{\max} w_2}{nw_1 + w_2} \quad (3.5)$$

A ce stade, nous avons une caractérisation complète de l'équilibre de Nash symétrique en stratégie mixte conditionnellement à R .

3.3. Existence d'un R endogène

Jusqu'à présent, nous avons supposé que R était exogène. Pour que notre analyse de l'équilibre soit complètement achevée, il est nécessaire de montrer qu'il existe un R endogène en adéquation avec la distribution $F(p, R)$. Comme nous l'avons précédemment souligné, les agents de recherche RP choisissent leur prix de réservation optimal R^* en résolvant l'équation suivante :

$$g(R) = \int_{p_{\min}(R)}^R F(p, R) dp = c \quad (3.6)$$

On peut noter que les agents de recherche RP ne vont jamais choisir un prix de réservation R^* supérieur à leur valeur de réservation r . L'équation (3.6) peut se réécrire sous la forme suivante :

$$H(p, R, c) = 0 \text{ où } H(p, R, c) = \int_{p_{\min}(R)}^R F(p, R) dp - c \quad (3.7)$$

De manière à simplifier notre analyse, considérons tout d'abord le cas où $R^* \leq r$. Dans ce cas, $p_{\max} = R^*$. En utilisant les équations (3.3) et (3.5), l'équation (3.7) devient :

$$H(p, R^*, c) = \int_{\frac{w_2 R^*}{nw_1 + w_2}}^{R^*} \left[1 - \left[\frac{w_2}{nw_1} \left(\frac{R^*}{p} - 1 \right) \right]^{\frac{1}{n-1}} \right] dp - c \quad (3.8)$$

On peut alors obtenir l'expression analytique de R^* :

$$R^* = \frac{c}{1 - \alpha - \beta I_n} \quad (3.9)$$

$$\text{où } \alpha = \frac{w_2}{nw_1 + w_2},$$

$$\beta = \left(\frac{w_2}{nw_1} \right)^{\frac{1}{n-1}} \text{ et } I_n = \int_0^{(1/\alpha)-1} \frac{t^{1/(n-1)}}{(t+1)^2} dt$$

La seule condition pour que R^* soit le prix de réservation des agents de recherche RP est qu'il soit positif :

$$1 - \alpha - \beta I_n > 0 \quad (3.10)$$

Considérons maintenant le cas où R^* est supérieur à r . Dans cette éventualité, les agents de recherche RP vont fixer leur prix de réservation à r et p_{\max} sera égal à r . Ainsi, en utilisant la condition (3.10), nous pouvons en déduire que le prix de réservation R des agents de recherche RP correspond à $R = \min\{R^*, r\}$. Cette dernière équation caractérise le comportement des agents de recherche RP à l'équilibre et le comportement des agents vendeurs est donné par l'équation (3.3).

4. Comparaison des performances des deux types d'agent

Dans cette section, nous étudions les performances respectives des agents de recherche FSS et des agents de recherche RP en terme de coûts totaux payés par les consommateurs. Le coût total pour un consommateur est simplement le prix qu'il va payer plus le coût total de la recherche faite par son agent. Le coût total espéré pour un consommateur qui utilise un agent de recherche FSS est donné par l'expression suivante :

$$CT_{FSS}(n) = cn + \bar{p}_n \quad (4.1)$$

où $CT_{FSS}(n)$ représente le coût total espéré d'un agent de recherche ayant une taille d'échantillon de n , \bar{p}_n représente le prix

espéré payé par le consommateur et cn est le coût total de la recherche avec l'utilisation de cet agent. Sur le marché que nous avons considéré, le prix espéré \bar{p}_n payé par un agent de recherche FSS avec une taille d'échantillon de n est donné par :

$$\bar{p}_n = \int_{p_{\min}}^{p_{\max}} [1 - F(p)]^{n-1} nf(p) p dp \quad (4.2)$$

Le coût total espéré pour cet agent est donc :

$$CT_{FSS}(n) = cn + \int_{p_{\min}}^{p_{\max}} [1 - F(p)]^{n-1} nf(p) p dp \quad (4.3)$$

Pour déterminer le coût total espéré en utilisant un agent de recherche RP, nous avons précédemment montré qu'à l'équilibre un tel agent achète au premier magasin qu'il visite. Ainsi, un agent de recherche RP va seulement payer un coût de recherche c . Le coût total espéré est alors donné par l'expression suivante :

$$CT_{RP} = c + \int_{p_{\min}}^{p_{\max}} p f(p) dp \quad (4.4)$$

De manière à comparer la performance entre ces deux types d'agents de recherche, nous devons analyser le signe de la différence entre leur coût total respectif :

$$\Delta CT(n) = CT_{FSS}(n) - CT_{RP} = c(n-1) + \int_{p_{\min}}^{\bar{p}} (1 - F(p)) [1 - F(p)]^{n-1} - 1 dp \quad (4.5)$$

En remplaçant $F(p)$ par son expression analytique (cf. équation (3.3)), on peut montrer que $\Delta CT(n)$ est positive quelque soit la taille de l'échantillon n des agents de recherche FSS, la proportion des deux types d'agents sur le marché (w_1 et w_2) ou la valeur du coût de recherche c . Nous pouvons donc conclure qu'à l'équilibre, les agents de recherche RP vont toujours permettre aux consommateurs de payer des coûts totaux inférieurs ou égaux aux coûts payés par des

agents de recherche FSS. Ce modèle théorique montre donc que les agents de recherche ont intérêt à évoluer vers l'utilisation d'une règle de recherche séquentielle avec prix de réservation pour satisfaire le mieux possible les consommateurs. On peut noter que ce résultat est cohérent avec la littérature économique qui considère toujours cette règle comme optimale pour rechercher sur un marché où l'accès à l'information est coûteux.

5. Simulations

Dans notre analyse précédente, la supériorité des agents de recherche RP sur les agents de recherche FSS est fortement dépendante des hypothèses sous-jacentes à notre modèle basé sur la théorie des jeux. En effet, comme les agents de recherche RP sont parfaitement informés de la structure du marché et qu'il y a connaissance commune de la rationalité, ces derniers sont capables de calculer l'équilibre en stratégie mixte pour les vendeurs et de déterminer leur prix de réservation conformément à cette distribution. Ces hypothèses sont particulièrement restrictives dans le cadre d'un marché réel. En effet, il est peu vraisemblable dans la pratique que ces agents aient une connaissance parfaite de la structure du marché et que les vendeurs puissent tarifier leurs produits conformément à la distribution de probabilité d'équilibre précédemment établie (il serait nécessaire qu'eux aussi soit parfaitement informés de la structure du marché). Une analyse plus conforme à la réalité semble donc nécessaire d'autant plus

que certaines études théoriques [6] montrent que de faibles erreurs d'anticipations des agents de recherche RP peuvent altérer considérablement leur performance. L'introduction d'information partielle dans la stratégie de recherche des agents RP semble donc très importante avant de conclure définitivement à leur supériorité sur les agents de recherche FSS dans le contexte d'un marché réel. En effet, des informations partielles sur le marché peuvent amener les agents de recherche RP à augmenter leur coût total de recherche alors que la règle de recherche avec une taille d'échantillon fixe peut limiter le coût de recherche des agents FSS. Conformément à d'autres travaux qui cherchent à relâcher les hypothèses des modèles économiques [8] pour étudier les marchés Internet, nous simulons un marché sur lequel les agents vendeurs cherchent à maximiser leur profit en utilisant une stratégie de tarification dynamique qui ne nécessite que peu d'informations et où les agents de recherche RP n'ont qu'un degré partiel d'information sur la distribution des prix du marché lorsqu'ils déterminent leur prix de réservation.

5.1. La stratégie de tarification des vendeurs et l'information des agents de recherche RP

Dans nos simulations, nous considérons que les agents vendeurs utilisent une stratégie de tarification dynamique basée sur l'heuristique du gradient. L'incitation des vendeurs à adopter une telle stratégie de fixation des prix sur l'Internet a déjà été montrée dans d'autres travaux de recherche

[8]. En effet, cette stratégie de tarification dynamique ne nécessite pas d'information sur la structure du marché et elle permet aux vendeurs de réaliser des profits élevés en facilitant une collusion tacite. Au cours d'une période donnée, un agent vendeur qui utilise l'heuristique du gradient va décider de réduire ou d'augmenter son prix en fonction des variations observées de ses profits suite à sa dernière modification de prix. Par exemple, si la décision précédente de l'agent vendeur a été d'augmenter son prix et qu'il a observé une augmentation de ses profits, il va reproduire la même action (augmentation du prix) par la suite. Dans le cas inverse, si la modification du prix a conduit à une diminution de ses profits, il va décider l'action opposée, à savoir une diminution de son prix. De manière à définir plus précisément cette stratégie de tarification pour les agents vendeurs, il est nécessaire de fixer deux paramètres : le montant Δ fixant les variations possibles des prix et le prix annoncé à la première période d'activité. Dans nos simulations, le prix annoncé au départ d'une simulation par un agent vendeur est choisis aléatoirement et de manière équiprobable dans l'intervalle $[0, r]$. A chaque modification de prix, l'incrément ou le décrétement Δ est choisi de manière aléatoire et équiprobable entre les valeurs 1, 2, 3, 4 ou 5 dans le cas où l'agent vendeur décide d'augmenter son prix ou -1, -2, -3, -4 ou -5 dans le cas où l'agent vendeur décide de baisser son prix. On peut noter que cette stratégie de tarification est relativement simple à mettre en œuvre pour un vendeur et qu'elle ne nécessite aucune information

préalable ni sur le comportement des concurrents ni sur la demande.

Comme nous l'avons souligné, sur les marchés réels il est très improbable que les agents de recherche RP puissent utiliser la distribution réelle des prix pour déterminer leur prix de réservation. Dans le cadre de nos simulations, nous allons donc supposer que les agents de recherche RP peuvent calculer leur prix de réservation en ayant un certain degré partiel d'information γ sur les prix pratiqués par les vendeurs au cours d'une période. Ce degré d'information est supposé identique pour tous les agents RP évoluant sur le marché et il peut s'interpréter comme le nombre de prix qu'un agent utilise pour calculer son prix de réservation. Par exemple, si $\gamma = 0,1$, les agents de recherche utilisent 10% des prix des vendeurs pour déterminer leur prix de réservation.

5.2. Simulations

Dans nos simulations, nous fixons le nombre d'agents de recherche à $M = 1000$ et le nombre d'agents vendeurs à $N = 20$. Nous considérons que les deux types d'agents de recherche sont en proportions égales sur le marché $w_1 = 0,5$ et $w_2 = 0,5$ (i.e., 50% d'agents de recherche FSS et 50% d'agents de recherche RP). La valeur de réservation des agents de recherche est égale à $r = 50$ et le coût de communication unitaire est égal à $c = 2$. Comme nous désirons seulement étudier les performances respectives des deux types d'agents, les seuls paramètres que nous faisons varier d'une simulation à l'autre sont le degré d'information γ des

agents de recherche RP et la taille de l'échantillon n des agents de recherche FSS. Dans nos simulations, ces deux paramètres peuvent prendre les valeurs $\gamma = \{0,1 ; 0,3 ; 0,5\}$ et $n = \{2 ; 4 ; 6\}$. Nous simulons l'évolution d'un marché sur $T = 30\ 000$ périodes et nous considérons que sur celui-ci les agents vendeurs peuvent réajuster leur prix à un taux de $\lambda = 0,1$ par période.

Les résultats de nos simulations en terme de prix moyens payés, de nombre moyen de recherches effectuées et de coûts totaux moyens pour les deux types d'agent sont représentés dans les tableaux ci-dessous. On peut noter que pour les agents de recherche RP, le nombre moyen de recherches est simplement obtenu en divisant la différence entre le prix moyen payé et le coût total moyen par le coût de communication unitaire.

En terme de coûts totaux moyens, les simulations montrent que les agents de recherche RP performant relativement bien par rapport aux agents de recherche FSS. De plus, ce résultat reste valable même si ces agents ont une très faible quantité d'informations sur les prix du marché. Toutefois, on observe que si les agents RP ont un degré d'information plus important sur les prix du marché leur performance relative par rapport aux agents FSS est d'autant plus élevée. Un résultat plus contre intuitif au niveau du marché est que l'augmentation du degré d'information des agents RP conduit à l'augmentation des prix sur le marché. Ce résultat s'explique par l'adaptabilité de la stratégie des vendeurs à

la configuration du marché. En effet, lorsque l'information des agents RP augmente les vendeurs sont incités à se spécialiser soit sur des prix élevés soit sur des prix bas, ce qui débouche sur une augmentation de la dispersion des prix sur le marché. Dans ce cas, les agents FSS ont une probabilité élevée d'avoir dans leur échantillon n seulement des prix relativement élevés alors que les agents RP recherchent plus. Néanmoins, lorsque l'on augmente la taille de l'échantillon des agents FSS, ces derniers arrivent à trouver des prix plus faibles. Nos simulations confirment donc que les agents RP peuvent représenter une bonne alternative pour rechercher des informations commerciales sur le réseau.

6. Conclusion

Dans cet article, nous avons analysé l'évolution possible de la règle de recherche avec taille d'échantillon fixe utilisée par les agents existants vers une règle de recherche séquentielle optimale avec prix de réservation. En effet, comme nous l'avons souligné, une recherche d'information coûteuse nécessite que les agents fassent un arbitrage entre les coûts de communication et le prix du produit. De manière à étudier cette évolution possible, nous avons proposé un modèle de marché où des agents de recherche FSS et RP pouvaient coexister. Une analyse théorique de l'équilibre de ce marché a montré que les agents de recherche RP permettaient toujours aux consommateurs de payer des coûts totaux plus faibles que les agents de recherche FSS. De plus, ce résultat reste valable lorsque l'on relâche certaines hypothèses du modèle de

théorie des jeux en simulant la dynamique d'un marché où les agents vendeurs utilisent une stratégie de tarification dynamique basée sur l'heuristique du gradient et où les agents de recherche RP ne peuvent fixer leur prix de réservation qu'en ayant une information partielle des prix pratiqués. On peut donc conclure que la règle de recherche séquentielle pourrait être une alternative viable pour les agents de recherche dans le futur.

Plusieurs extensions de notre étude sont possibles. Tout d'abord, il serait nécessaire de modifier l'hypothèse selon laquelle le produit vendu est un bien homogène car l'une des dimensions les plus importantes de la concurrence entre les vendeurs sur l'Internet sera certainement la qualité de leurs produits ([1], [4]). En effet, l'Internet offre de nouvelles possibilités de différenciation pour les vendeurs comme la personnalisation ou la vente par lots. Une autre extension concerne l'introduction d'un mécanisme de transaction plus complexe comme un mécanisme de négociation entre les agents vendeurs et les agents de recherche. La négociation apparaît comme un aspect important dans l'allocation des ressources rares sur le réseau. Une troisième extension serait d'introduire la présence d'un intermédiaire qui ferait payer l'accès à ses bases de données pour offrir des informations plus pertinentes sur le marché. La présence de ce type d'intermédiation est appelé à se développer dans l'avenir [2] et pourrait influencer le mode de recherche des agents.

Bibliographie

BAKOS J.Y. (1997), "Reducing Buyer Search Costs: Implications for Electronic Marketplaces," *Management Science*, Vol. 43, n°12, pp. 1676-1692.

BAILEY J. & J.Y. BAKOS (1997), "An Exploratory Study of the Emerging Role of Electronic Intermediaries," *International Journal of Electronic Commerce*, Vol. 1, n°3, pp. 7-21.

COURNOT A.G. (1838), "*Recherches sur les principes mathématiques de la théorie de la richesse*," Hachette, Paris.

DELONG J.B. & A.M. FROOMKIN (1998), "The Next Economy?" in HURLEY D., KAHN B. & H. VARIAN (eds.), *Internet Publishing and Beyond: The Economics of Digital Information and Intellectual Property*, MIT Press, Cambridge.

DIAMOND P.A. (1971), "A Model of Price Adjustment," *Journal of Economic Theory*, Vol. 3, n°2-4, pp. 156-168.

GASTWIRTH J.L. (1976), "On Probabilistic Consumer Search for Information," *Quarterly Journal of Economics*, Vol. 90, n°1, pp. 38-50.

GUTTMAN R., MOUKAS A. & P. MAES (1998), "Agent-mediated Electronic Commerce: A Survey," *Knowledge Engineering Review*, Vol. 13, n°2, pp. 147-159.

KEPHART J. & A. GREENWALD (1999), "Shopbot and Pricebots," *Proceedings of the International Joint Conferences on Artificial Intelligence*, Stockholm, Sweden.

MCKNIGHT L.W. & J.P. BAILEY (eds.) (1997), "*Internet economics*," The MIT Press, Cambridge.

ROTHSCHILD M. (1974), "Searching for the Lowest Price when the Distribution of Prices is Unknown," *The Journal of Political Economy*, Vol. 82, n°4, pp. 689-711.

STAHL D.O. (1989), "Oligopolistic Pricing with Sequential Consumer Search," *American Economic Review*, Vol. 79, n°4, pp. 700-712.

STIGLITZ J.E. (1989), "Imperfect Information in the Product Market," in *Handbook of Industrial Organization*, SCHMALENSEE R. & R.D. WILLIG (eds.), North Holland, New-York, pp. 769-847.

VARIAN H. (1980), "A Model of Sales," *American Economic Review*, Vol. 70, n°4, pp. 651-659.

VARIAN H. (2000), "Buying, Sharing and Renting Information Goods," *Working Paper Series*, University of California at Berkeley.

Tableau 1. Prix moyens payés par les agents de recherche FSS et RP.

| | | Information RP (γ) | | | |
|---------------------|---|-----------------------------|-------|-------|-------|
| | | 0,1 | 0,3 | 0,5 | |
| Echantillon FSS (n) | 2 | Prix moyen FSS | 16,54 | 19,10 | 27,60 |
| | | Prix moyen RP | 11,05 | 8,93 | 11,50 |
| | 4 | Prix moyen FSS | 9,54 | 11,64 | 16,61 |
| | | Prix moyen RP | 10,71 | 9,71 | 11,53 |
| | 6 | Prix moyen FSS | 5,84 | 7,99 | 11,97 |
| | | Prix moyen RP | 9,49 | 9,39 | 11,47 |

Tableau 2. Nombre moyen de recherches pour les agents de recherche FSS et RP.

| | | Information RP (γ) | | | |
|---------------------|---|-----------------------------|------|------|------|
| | | 0,1 | 0,3 | 0,5 | |
| Echantillon FSS (n) | 2 | Recherche FSS | 2 | 2 | 2 |
| | | Recherche RP | 3,42 | 3,68 | 4,49 |
| | 4 | Recherche FSS | 4 | 4 | 4 |
| | | Recherche RP | 3,42 | 3,72 | 4,24 |
| | 6 | Recherche FSS | 6 | 6 | 6 |
| | | Recherche RP | 3,02 | 3,71 | 4,25 |

Tableau 3. Coûts totaux moyens pour les agents de recherche FSS et RP.

| | | Information RP (γ) | | | |
|---------------------|---|-----------------------------|-------|-------|-------|
| | | 0,1 | 0,3 | 0,5 | |
| Echantillon FSS (n) | 2 | Coût total FSS | 20,54 | 23,10 | 31,60 |
| | | Coût total RP | 17,89 | 16,30 | 20,49 |
| | 4 | Coût total FSS | 17,54 | 19,64 | 24,61 |
| | | Coût total RP | 17,55 | 17,15 | 20,06 |
| | 6 | Coût total FSS | 17,84 | 19,99 | 23,97 |
| | | Coût total RP | 15,90 | 16,82 | 19,93 |

CONTENTS:

| | |
|--|-----|
| UNE APPROCHE ETHIQUE DE LA RELATION D'AIDE DANS LA PRATIQUE DU TRAVAIL SOCIAL LA RELATION D'AIDE, ENTRE VIOLENCE ET AUTONOMIE Jean-Charles Sacchi..... | 5 |
| THE PHANTASM OF GLOBALISED AFRICA: DISCERNING THE IMAGERY - A SOUTH AFRICA PERSPECTIVE Adewale R. Aregbeshola Patrick N. Palmer | 21 |
| PSYCHOLOGICAL FACTORS AFFECTING THE CONSUMER'S INTENTION TO USE E-COMMERCE: A THEORETICAL APPROACH Mahmoud Al-dalahmeh Ali Salman Saleh..... | 40 |
| DISSEMINATION OF AND USE OF HIV / AIDS INFORMATION BY STUDENTS AT THE UNIVERSITY OF BOTSWANA Lauretta Wamunza Benzies Boadi Stephen Mutula..... | 61 |
| DEFINING ON THE PRACTICE OF STRATEGIC JOB MODELING FOR CHINA BASED OPERATIONS Donald Henry Ah Pak..... | 78 |
| UNPACKING STANBIC BANK'S PAN AFRICAN BRAND CAMPAIGN USING CRITICAL DISCOURSE ANALYSIS Violet Bridget Lunga | 102 |
| CORPORATE SOCIAL RESPONSIBILITY – A STRATEGIC IMPERATIVE FOR SUSTAIN ABLE GROWTH Filomina P. George | 119 |
| TQM STRATEGIES AND HEALTH CARE DELIVERIES: LESSONS FROM NIGERIA Olawale Ibrahim Olateju Raheem Olasupo Akewushola Oludare Tolulope Adeyemi | 132 |
| THE ACCEPTANCE OF JAPANESE MANAGEMENT IN ROMANIA (A STUDY FOR THE RELATION BETWEEN CORPORATE PHILOSOPHY AND GLOBALIZATION) Shinji Naruo | 142 |
| THE NATURE OF GLOBALIZATION Amos Avny..... | 149 |
| POVERTY, UNEMPLOYMENT AND GROWTH IN NIGERIA: THE ROLE OF ENTREPRENEURSHIP Raheem Olasupo Akewushola Olawale Ibrahim Olateju Oludare Tolulope Adeyemi | 157 |

| | |
|---|-----|
| STRATEGY MAKING WITH QUANTIFIED SWOT APPROACH: A CASE ANALYSIS ON TOURISM INDUSTRY IN BLACK SEA REGION OF TURKEY Nermin Celik | 167 |
| USING SERVQUAL TO MEASURE EMPLOYEE SATISFACTION: AN IRANIAN CASE STUDY Mehran Nejati Mostafa Nejati Azadeh Shafaei..... | 177 |
| TECHNOLOGICAL DEVELOPMENT MANAGEMENT UNDER GLOBALIZATION CONDITIONS Vasyl H. Gerasymchuk Taras V. Sakalosh | 185 |
| A TEST OF THE CAPM ON THE ICELANDIC STOCK MARKET Stefán B. Gunnlaugsson | 193 |
| THE EFFECT OF CORRUPTION ON FOREIGN DIRECT INVESTMENT THE CASE OF TURKEY Yusuf AKAN İbrahim ARSLAN..... | 200 |
| THE THEORETICAL FRAMEWORK OF THE ECONOMIC FLUCTUATION IN TURKEY İbrahim ARSLAN Vedat BAL | 207 |
| QUALITY ENHANCEMENT IN MEDICAL EDUCATION Mostafa Nejati Ajibisheh Mehran Nejati Ajibisheh Forouzan Bayat Nejad | 212 |
| HUMAN RESOURCE ASSESSMENT, RECOGNITION, AND REWARD WITH A BALANCED SCORECARD APPROACH Mehran Nejati Sasan Ghasemi Azadeh Shafaei..... | 220 |
| THE USE OF ONLINE ANALYTICAL PROCESSING (OLAP) FOR BUSINESS INTELLIGENCE İbrahim Halil Seyrek | 229 |
| ETHICS IN ACCOUNTING: THE WORLDCOM INC. SCANDAL Lucian Cernuşca | 239 |
| REGLES DE RECHERCHE D'INFORMATION SUR INTERNET SIMULATION AGENTS INTELLIGENTS Dorin Militaru | 249 |